

研究論文

THE PLACE AND DIRECTION OF MARKETING IN THE STRATEGIC DEVELOPMENT OF THE MANUFACTURING INDUSTRY IN JAPAN

—FROM INDUSTRIAL-ORIENTED TO CONSUMER-ORIENTED MARKETING
AND FROM EUROPEAN-ORIENTED TO AMERICAN-ORIENTED MARKETING—

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I. INTRODUCTION

1) Background

The most prominent industrial sector in the Japanese economy is the manufacturing sector (1). However, in recent years this sector has not been witnessing the phenomenal growth which led to the attention given by researchers all over the world to the Japanese economy in the late 1970's through to the 1980's. The focus of research on the manufacturing sector between the late 1970's and the 1980's was on the internationalization aspects of the industry. This included research on the internationalization of business and marketing strategies of companies engaged in sector among others (2).

However, interest in the industrialization of Japan which underlie the development of the manufacturing sector can be traced to research works in the 1960's (3). In recent years, the trend of international research on issues related to industrialization has been focused on the Newly Industrialized Economies and the developing countries.

However, research on matters related to industrialization ought to be viewed as a continual process involving especially the unfolding processes of the manufacturing sector of an economy. Under such circumstances, research in marketing becomes an indispensable aspect of research concerning the development of the manufacturing industry. The main task of marketing research in this respect is to look at the development of systems through which products and services of a companies are designed to meet the needs of the

customer or consumer in the achievement of the company's objectives. As a result, marketing must effectively and efficiently meet the needs of both the consumer/customer and the manufacturer.

2) The Aim of this Paper

The objective of this paper is to revisit issue of the industrialization of Japan by looking at the strategic development of the manufacturing industry.

This approach will be used to look at the reasons which have led to the strength of the manufacturing sector in the Japanese economy. As an integral part of the presentations of the development of the manufacturing sector, the nature of entrepreneurship in Japan, the reasons for the international strategy of most Japanese firms, the reasons for the present stage of the manufacturing sector and the future of this sector in the Japanese economy will be presented. These factors are presented with the aim of analyzing the direction of development of the manufacture industry and the impact of marketing, including international marketing, on the growth of this sector.

3) The Development of this Paper

As indicated above, the focus of research and studies on the development of the Japanese manufacturing industry has been on the period after World War II. However, it should be noted that development is a continuous process which is conditioned by some basic factors. These basic factors may start from a remote point in time. In this respect, first, this paper looks at the generally postulated stages of growth of the manufacturing industry. Secondly, the factors which fostered the development of the manufacturing sector before and after World War II are reviewed. Thirdly, the process of nurturing the manufacturing sector is considered. The main concern of this paper is to look into the nature of the major factors and issues which dictated the growth of the manufacturing industry before and after World War II. A comparison is undertaken as a means of identifying common, different and unique characteristics of each of these two periods with respect to the direction of marketing as a major determinant of the growth of the manufacturing sector.

II. THE DEVELOPMENT OF THE MANUFACTURING SECTOR IN JAPAN

(1) The Stages of Growth of the Manufacturing Industry

Presenting some form of stages in industrial or economic development has been one of the common approaches to research related to the development of industries, or an economy. Consequently, it is not surprising that attempts have been made to demarcate stages of development of the manufacturing industry in Japan. One of the most commonly referred to approaches divides the development of the manufacturing industry of Japan into roughly three phases (5). Another common approach has been to focus on the period of reign of various Emperors who have ascended to the throne of Japan (6). On the other hand, a writer like G. C. Allen has contended that each country presents a unique form of development (7). Therefore Allen presents no systematic stages which follow some form of theory of the development of manufacturing industries or industrial development in general.

In this paper, the focus of attention is from the period when the Meiji Era started to lay a strong foundation for heavy industries, shipping and foreign investment, through to the World War II and then after. The period before 1880 did not see any significant development in the manufacturing sector in Japan. It is important to note that the developments of the manufacturing industry before the World War II and immediately after reveal a systematic pattern. Marketing activities were developed to support the industry.

2) The Nature Of The Manufacturing Sector Before World War II

A look at the stages of development of the Japanese economy before World War II do not show uniform characteristics and strength of the various industries within the manufacturing industry. The strength of the manufacturing sector from the latter part of the last century and the early twentieth century was in the raw silk and the textile industry. In the late 1890's, Japan produced only 40% of the iron the country needed. The rest of the demand for iron was met through the importation of cheap iron from the West.

Basically, all the steel demand was satisfied through importation. The Yawata Iron Works established in 1901 by the State of Japan led the way for

private investment in the iron and steel industry. By 1913, Japan was producing 48% of the pig iron and 34% of steel for home consumption. This means that by the beginning of World War I, Japan was still dependent on imported steel and iron. Coal mining was rather an important industry in especially Kyushu. Power production increased significantly during this period.

The shipbuilding Encouragement Act of 1896 fostered the manufacture of ships in Japan. However compared to the West, by 1914 shipbuilding was still not impressive. The focus of the development of the manufacturing sector before World War I was the government, supported by some few large family business concerns called the "Zaibatsu" (The literal meaning of Zaibatsu is "money-cliques". Zaibatsus were business houses which had great interest in all forms of business) The government was also heavily involved in providing transportation facilities for the development of the manufacturing sector.

The wars fought during of this period had impact on the development of the manufacturing sector. The major wars which accelerated the development of manufacturing in Japan during this period were the Sino-Japanese War of 1894-95 and the Russo-Japan of 1904-5. The effect of these wars on manufacturing can be seen in two main areas. First, the rapid advancement of subsidies to support to manufacturing industries. Second is the government initiative to buy products of companies in the manufacturing sector, including the purchase of ships for military use to sustain production. After the end of the wars, these ships were used to open new routes as well as to establish new companies. Examples are the enactment of the Navigation Subsidy Act of 1896. Under this act, the Japanese government granted one million yen per annum to Japanese ship owners operating ships with a capacity of 1,000 tons. This act which was amended in 1899 led to arise in the subsidy to about six million between 1899 and 1900.

Regarding shipbuilding, the Japanese yards had launched only one steamship of a capacity of over 1,000 tons before 1895. The Shipbuilding Act of 1896 aimed at having a positive impact on the building of ships of 1000 tons or more. Under the 1896 Act, government subsidies were granted to builders of vessels which exceeded 700 gross tons. The rates of subsidies given were

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12 yen per ton of ship which were below 1,000 tons and 20 yen per ton for ships above 1,000 tons. Marine engines manufactured in Japan were granted 5 yen for every horse-power. The combined effect of these Acts led to the rapid increase in ships as can be seen from the table which follows.

Table 1. MERCHANTILE MARINE

PERIOD	VESSELS	
	Steamships in thousand Gross Tons	Sailing Ships (in thousand tons)
1873	26	8
1894	169	45
1904	797	327
1913	1,514	828

Source : Adapted from C. C. Allen p.92

World War I gave a different angle of impetus to the development of manufacturing of Japan. Japanese manufacturers received orders to meet the demand for munitions from by the governments of Allied Forces. This was due to the fact that former munitions contract could not meet the demand.

The role of the Zaibatsus increased drastically. There was a significant growth in the proportion of finished manufactured goods in the total export of Japan. While in 1913 manufactured goods accounted for 29% of the export of Japan, by 1929 the figure had rose up to 44% (8). Although there exist scanty data on the growth of the manufacturing sector during the period, figures provided by G. C. Allen (9) and W. W. Lockwood (10) indicate a rapid expansion of the industry. At this point the textile industry did not only function as an exporter earner, but also it was purposely developed to respond to Japan's export to meet military demand of the Allied Countries.

The content of the development of the manufacturing industry as a whole and the relative importance of the various industries within the manufactur-

ing sector, did not change much before the World Depression. The composition of the industry of Japan started to change after the World Depression. See table the below.

Table 2 INDICES INDUSTRIAL PRODUCTION 1930-1969

AREAS	PERIOD				
	1930	1937	1955	1965	1969
All Industries	22	38	47	174	321
Utilities	15	27	55	166	259
Mining	50	78	78	106	111
Manufacturing	21	37	46	177	331
Food	54	64	77	34	173
Textiles	46	85	62	147	205
Ferrous metals	9	25	44	178	361
Machinery	10	15	29	199	471
Chemicals	11	31	50	208	374
Ceramics	25	37	51	160	252
Paper and pulp	18	26	53	153	237

Source : Selected from G. C. Allen p.113

Noteworthy are the comparatively sharp fall in textiles as against the increase in metals, chemicals and engineering areas before the 1970's which saw the phenomenal growth of the Japanese economy. G. C. Allen has shown that there was a substantial increase in explosives among others in the chemical industry(11). One of the most remarkable feature of the period between 1930 and World War II was the attempt made to achieve improvement in the quality of products of the manufacturing industry. Much of the national expenditure in the early period after the World Depression was determined by military needs. The allocation of total expenditure which went to the Army and Navy increased from 31% in 1932/32 to 47% for 1936/37. In other to maintain an effective army, not only was it necessary to provide the military with

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their needs but also military supplies were to be of high quality. The idea of meeting military needs with domestically produced products meant that all effort had to be made to produce products of high quality in Japan. An attempt by the then Finance Minister Mr. K. Takahashi to cut back on expenditure allocated to the military in 1936 caused his assassination by the military in the revolt of February 1936. By 1937, it had become obvious that investment and development in the armament industries was relatively high (12). This had been achieved at the expense of the production of consumer products/goods and even in respect of Japan's trend in export trade. Japan was at this point prepared for World War II. It can therefore be contended that the indirect and direct involvement in wars by Japan before World War II played significant role in the development of the manufacturing industry in Japan.

3) Marketing in the Development of the Manufacturing Industry Before World War II

It is clear from the presentations made above that the Japanese Government played a major role in the form of being the main consumer the products of the major manufacturing industries before World War II. During the Meiji Era, the government acted as the main entrepreneur, marketer and consumer of the manufacturing sector. This means that the government did not only provide a major proportion of the financial/monetary aspects of the development of manufacturing by undertaking direct investment and support through subsidies but also provided markets and initiated the development of markets for manufactured products. However, after 1880 the sale of some sectors of the manufacturing industry by the government reduced considerably the direct participation in the marketing of products of the manufacturing industry. The involvement of the government in the manufacturing industry combined with its role in the three areas of entrepreneurship, marketing and consumption later moved to the continent of Asia and the Japanese colonies. For example, the presence of Mitsui Bussan in China can be seen in the establishment of the Shanghai Cotton Manufacturing Ltd. in 1902. In 1909, Nihon Menka which later became Nichimen Jitsugyo and now Nichimen Co.

Ltd. opened a spinning plant in Shanghai. Okuragumi (later Okura Shoji) also formed a joint venture with the Shenyang local government. This joint venture led to the establishment of the Benxihu Coal and Iron Co. (initially known as the Benxihu Coal Mining Co.) in 1910. This period of export of capital can be seen as the beginning of international marketing involving Japanese establishments. International marketing which was an integral part of foreign trade which took various forms.

At the beginning of the development of manufacturing before World War II, there was very little knowledge about foreign trade. Japan had been forced to open the country to the outside world around 1858. That is, getting to the end of the Tokugawa Era, after over 200 years of self-imposed isolation (13). The signing of treaties with the United States and Britain to initiate the opening of Japan to the outside world, led to the establishment of the ports of Kanagawa (Yokohama), Nagasaki and Hakodate. This can be seen as the first step in the development of international physical system to meet international marketing needs. International marketing involved the marketing of raw material in exchange for the importation of manufactured products. Japan having very little knowledge of foreign trade if any, led to foreign merchants monopolizing foreign trade and consequently any form of international marketing. The national campaigns against the monopoly of overseas trade by foreign trading houses led to such monopolies being abolished in 1899. However the system continued throughout the Meiji and the Taisho period (1868 to 1926). Moreover, the export of cotton fabric to China and Korea can be seen as a major step in international marketing by Japanese establishments. By 1909, export of cotton fabric had surpassed that of import of cotton and related products.

The development of manufacturing activities in the area of heavy and chemical industries led to greater developments in international marketing. This gave a new direction to trading companies which formed the backbone of international marketing activities. By 1932, the export of steel had surpassed import. With laws passed linking foreign exchange allocation to export, both the Zaibatsus and trading companies increased their involvement in foreign trade and international marketing. Linking foreign reserve allocation

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with performance in export as export promotion drive, also resulted in greater involvement of manufacturers in the developments in international marketing and foreign trade in 1939 and 1940 (14).

It is evident that the Japanese government was to a large extent involved directly in the development of marketing to support the development of the manufacturing sector. However, the most successful and prominent institution in the development of marketing to support the manufacturing sector of Japan before World War II were the Zaibatsus. The main Zaibatsus were the Mitsui, Mitsubishi, Sumitomo and Yasuda. By the 1920's they formed the core of the entrepreneurship for the manufacturing industries in addition to the development of marketing companies in and outside Japan. As the Meiji Government turned to the westernization of Japan, it faced the problem of the lack of a large middle class and financial resources to carry out its policies. The bureaucracy provided policies objectives but had no resources to implement them. In Japan existed few business families, that is Zaibatsus, which for years had been involved in relatively large scale banking and commerce. They were mainly agents of the "daimyo" in the organization and management of revenue. It is obvious that the government of the Meiji Era turned to them to finance its programs and policies. They were also made to be involved in the launching of new manufacturing industries and other enterprises. Some of these Zaibatsu had employed "samurai" who used the character of a samurai to gain economic power in their areas of operation(15).

At the initial stages of their operations, the Zaibatsus tended to establish close relationship with specific statesmen. The financial and political assistance which the Zaibatsus offered led to some opportunities to purchase state properties at relatively lower prices. Zaibatsus also earned huge profit from underwriting the Japanese Government loans. Sometimes, a Zaibatsu had to reluctantly purchase State property as proposed by affiliated statesmen. The peak of the power of the Zaibatsus as the manufacturers and marketers of Japan was reached around 1929. Many small Zaibatsus died after the post World War I period and the militarism which followed. There existed some large business concerns like Okura in the trade, mining and textile industries. Furukawa which was in electric plant, mining and refining but not a Zaibat-

sus was also a core in the combination of manufacturing and marketing activities since it had an integrated economic structure. However, the Zaibatsus formed the foundation of manufacturing and marketing, especially those industries related to the military, of which their remnants still control.

III. THE CHALLENGES TO THE DEVELOPMENT OF MANUFACTURING SECTOR IN JAPAN AFTER WORLD WAR II

1) The Development of the Manufacturing Industry During the Occupation

The defeat of Japan by the Allied Forces led to the occupation of the country by the Supreme Commander For The Allied Powers (SCAP). In theory, this Occupational Force was a consortium of this Western allies during World War II. However, in practice the task of the Occupational Force was left to the United States of America. Japan had never experienced an invasion in its history. The occupation of this country by the United States of America from 1945 to 1952 resulted in a dynamic turn of events in the development of the manufacturing industry of the country. Since the forces behind the development of the manufacturing sector before World War II were in the military related manufacturing establishments, in physical terms, the manufacturing sector was almost completely destroyed by the War.

The physical destruction of the manufacturing sector of Japan can be envisaged from events which took place before Japan accepted defeat. One of such events was the establishment of the Postwar Programs Committee (PWC) by the State Department of the United States in January 1944 (16). According to Takehiko Kinumoto, as early as November 1945, the Potsdam Declaration prepared by the United States, Britain and China (later joined by the Soviet Union in August) contained a statement concerning ending the War to spare Japan of damages. The statement had an expression which stated that the three countries had conferred and agreed that Japan should be given the opportunity to end the war without causing damage to the country (17). This Declaration was supposed to have been proposed to Japan before the atomic bombs were dropped. A number of documents, reports and orders show that after the end of World War II, systematic attempts were made to

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demilitarize the manufacturing sector. The plans proposed that the manufacturing sector should be turned into consumer goods oriented industry (18). Consequently, the economic recovery of Japan on the whole, and especially the development of the manufacturing sector, after the end of World War II was strongly influenced by the United States of America since as stated earlier, the United States was the country which represented the Allied Forces in Japan.

The resurgent Japanese manufacturing industry received big and lucrative orders from the American Forces during the Korean War fought between 1950 and 1953. The same occurred during the Vietnam War in the 1960s and 1970s. As a junior partner in an alliance with the USA, the manufacturing industry of Japan benefited from the military presence of United States in East Asia. The systematic demilitarization of Japan led to a focus on the manufacture of consumer goods. This special relationship Japan had with the United States does not only to a large extent explain the significant growth of the manufacturing industry in particular, but also the economy as a whole. Japan had to be self sufficient in the production of its products including manufactured products. The structure of the administration established by the Allied Forces made Japanese government directly responsible for its people. It was made clear that for the \$2 billion which the United States put into the development the economy of Japan between 1946 and 1951, Japan had to pay \$4 billion during the same period in the form of cost of the SCAP occupation (19). Since Japan had to meet such an obligation, the sharp growth of the economy cannot be attributed only to just the demilitarization processes which affected the manufacturing sector but also other elements. As had been the past experience in Japan, by relying on Zaibatsus for the development of Japan, the business sector became the engine of growth through a strategic development of the manufacturing sector by using and implementing marketing activities to support the growth of the manufacturing sector.

2) The Strategic Development of the Manufacturing Industry After the Occupation

Unlike the period before World War II, the tendency of the Japanese Government to be strongly involved in direct investment reduced in relative

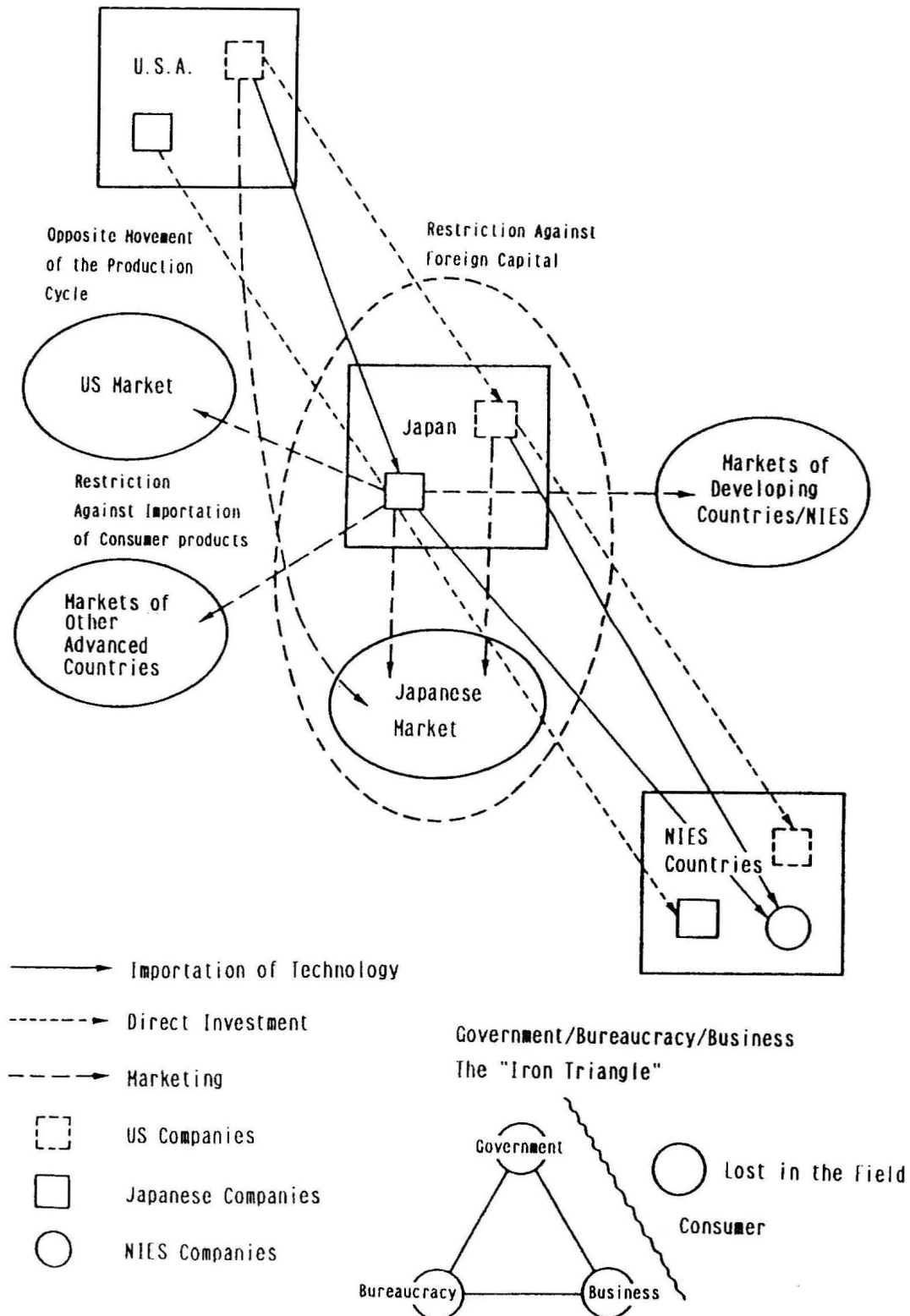
terms. The private sector had to assume responsibility of reviving the ruined manufacturing industry. The focus of attention was to turn military production facilities into the production of goods for the consumer market. Consequently, the marketability of products in the consumer market became the core of the strategic development of the manufacturing industry. Japan had to turn overseas once again since domestic experience in the area of the development and marketing of consumer products was not sufficient. Much of the international marketing and foreign trade knowledge which had been acquired in the 1920s had been lost over time.

Before the War and the period of occupation by the Allied Forces, the relationship of the business sector with Europe was very strong. Most of the products and technology used in Japan therefore came from Europe. However, with the United States being the main force and the center of activities of the SCAP, the business sector had to look for a new driving force to power the development of the manufacturing sector from the United States of America. That is the stage at which marketing became the main force behind the development of the manufacturing sector after the Occupation. The element of marketing which was first used was product strategy. This was especially with reference to the use of the concept of product life cycle (PLC).

The products which formed the basis of the establishment of manufacturing industries became important in determining the strategic development of the industry, and in a particular country as a whole. These products were of primary importance in determining the strength of the industry and its potential growth. According to Professor Yosuke Kinugasa, a country is said to be at the "starting point" of a product life cycle if it is the country in which a company first developed, produced and marketed a particular product on a large scale. It is assumed here that the said product may not necessarily have been invented in that country. However, "commercial life cycle" through the production and marketing of the product on relative large scale should be undertaken by a company with legally domicile in that country. Kinugasa has grouped most consumer products which formed the basis of the development of the manufacturing sector of Japan as originating from three main countries/areas (20).

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Figure 1 The Nature of The Condition Under Which Production was Located



Source : Partially modified after Yosuke Kinugasa (20) p.12.

- (1) The first are products whose PLC originated in the United States. These products include home electric appliances, computers and automobiles. Kinugasa looked at the route of mass production of automobile and placed it within the products whose life cycle commenced in the United States.
- (2) The second group of products are whose PLC originated in Europe. For example watches, clocks and cameras.
- (3) The third group of products are those whose PLC started in Japan. Examples of such products are soybeans sauce, and “instant noodles”.

It is clear that most of the products which supported the development of the Japanese manufacturing sector like automobiles, home electronic applications and personal computers among others, originated in a countries other than Japan. According Kinugasa, the strategic development of the Japanese manufacturing industry was based on technology transfer. The nature, conduct of the transfer of technology was based on marketing, especially international marketing considerations.

3) The Environment Under which Technology Transfer and Location of Production were Conducted.

The contention that the Japanese market is a closed one can be attributed to the conditions under which manufacturing industry, especially production and also marketing were developed. Kinugasa calls this the “invisible hand”. This “hand” was moved by three main agents. Namely the government, bureaucracy and the business community. See next Figure 1. The government introduced laws to restrict the importation of finished consumer products and direct investment by foreign companies. The bureaucracy established regulation to enforce these law. The business provided financial support to the ruling party which has been in office for almost the entire period after the war. The business sector sat on almost all committees of the government with the bureaucrats. In certain areas, retired bureaucrats were entice to work for some companies. This process created a relationship which left out the consumer. In the long run, the consumer came to accept a

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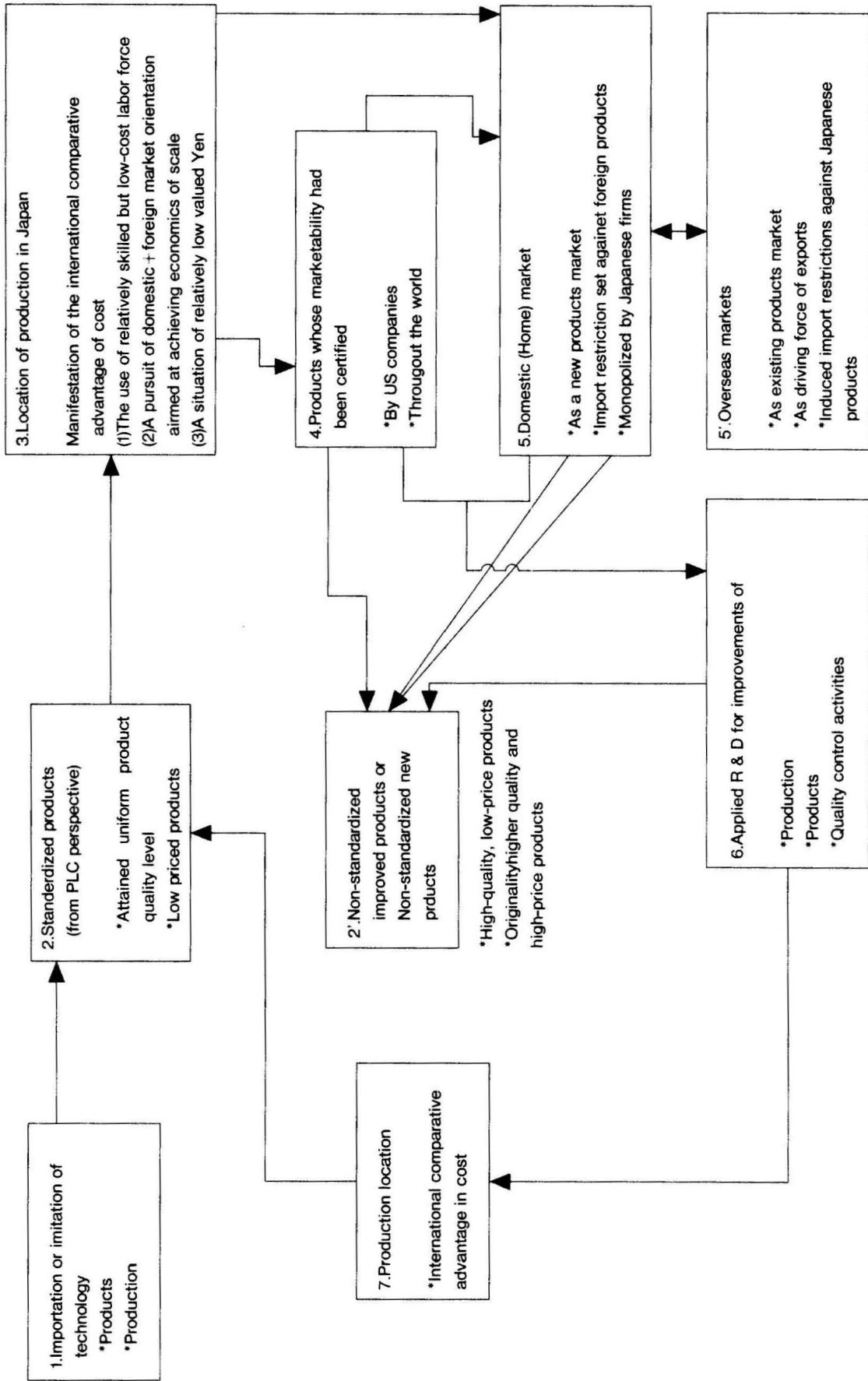
situation under which it was generally assumed that the actions of the “iron triangle” were in the interest of the consumer.

Given this situation, the Japanese companies imported technology. Japanese banks provided the financial needs of the manufacturing companies. In certain situations, the government supported the manufacturing industry by providing grants and subsidies. With the passage of time, the Japanese companies did not only produce for the Japanese market, but also for overseas markets. The next stage was to take full control of the production life cycle of the products they dealt in and to establish production facilities in the other advanced countries, NIES and even in developing countries.

4) The Place of Marketing in Mechanism for the Strategic Development of Manufacturing Industry

The mechanism and path taken in the development of the manufacturing industries is given shown in Figure 2. It is based on the earlier presentations made concerning the origin of the PLC of a specific product as proposed by Kinugasa. The box named 1 indicates the importation/imitation of technology by Japanese firms. The imported technologies were in relationship to the means of production or concerning marketability of products. In order to minimize the cost of technology with respect to the time spent to assimilate such a technology and the risk involved, Japanese companies went for technologies of standardized products. This strategy leads to box 2. Such products had achieved a certain level of certainty with respect to technology and product characteristics based on their position in the product life cycle. The core competitiveness of these products is pricing. With pricing being the main factor, it became profitable for Japanese companies to manufacture such products in Japan. As presented in box 3, the advantages of producing these products in Japan were further strengthened by three main other factors. The first factor being the availability of skilled but cheap labor to manufacture these products in Japan. The second factor was that at the beginning of the manufacture of these products, the Japanese companies produced them for both the domestic market and the overseas markets at almost the same time. The domestic market was being controlled through the iron

Figure 2 The Growth Mechanism of Japanese Manufacturing Companies Through Technology Transfer



Source: Modified / Based on Y. Kinugasa. (2)

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triangle. The oversea market was guaranteed as a result Japanese position after the War and also its relationship with Allied Forces, especially the United States of America. The third major factor was that the Japanese yen seemed to be over-valued against the American dollar. The productions for the oversea market therefore became very lucrative. Another major factor which assisted in the development of the manufacturing industry is listed in box 4. This box forms one of the main pillars of the strategy adopted by the Japanese companies in the manufacturing industry. That is, to go for products whose marketability had been established by US companies and are also known to a large extent all over the world.

The next factor was the different marketing approaches adopted in dealing with the domestic and foreign markets. With regulation and restriction set for the Japanese market, the entry of foreign products became difficult. Most of these products which had achieved high market penetrations in Europe and the United States were being consumed in only a small segment of the national market. Consequently, a large proportion of consumers perceived them as new products. The restriction also led to monopoly of the market by Japanese firms who were able to control and stabilize prices on the domestic market. The development of the domestic market and marketing activities were undertaken by the manufacturing companies. Foreign markets easily accepted these Japanese product because they were already known to consumers and pricing had become the main factor of marketing.

Since production cost was lower for the Japanese companies, they continued to expand their market share through various forms of pricing strategies.

Sogo Shosha, that is general trading companies, were in-charge of the conduct of international marketing. This was a heritage from the pre World War II period. The new manufacturing companies had to rely on these general trading companies for various reasons. These reasons included the fact that the remnants of the Zaibatsu system still carried out the division of business functions under which trading companies were in-charge of overseas business. Another reason was that the newly established manufacturing companies did not possess the business resources (human, facilities, financial and information) to carry out international marketing. Even where such business

resources were available, from the point of view of pricing policies and strategies, it was rather profitable to use the general trading companies.

Another major pillar of this strategy is presented in box 6. Japanese companies did not only produce products in the form as they were in the United States and Europe but the companies embarked upon a drive to conduct research and development of these products. The research and development conducted were in the form of applied research and innovation research to improve upon the function of such products. These research activities covered both production techniques and the products themselves. Most of the products which resulted from these research and development drive and activities came out as new products meant for the United States and European markets where the PLC of these products may have began. One other area of research and development was in quality control. This led to the introduction of a new form of quality control through what has been termed as quality control circles. Equipped with knowledge to deal with products and technology attempts were made to produce products which were not standardized. That is, products in the early stages of their life cycle. This increased the added-valued to the products and technology related to their production. The result was high quality products which showed Japanese originality. These product possessed comparatively higher qualities than the same products on the market international market. The products were sold at relatively higher prices since at this point the Japanese companies had achieved control over the product life cycle of these products. There was some form of control and flexibility in setting the prices of these products. The companies in the manufacturing sector were able to employ more efficient means of production. This led to an increase in labor productivity as well as better product quality. At this point, the manufacturing companies had reached a position to undertake the international marketing of their products. The major determinant factor was flexibility in pricing policies and strategies.

It can be concluded that the strategic development of the manufacturing industry after World War II therefore rested on two main areas. First, the employment of concepts in marketing, especially the characteristics of the PLC. Secondly, the effective implementation of marketing strategies. The

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stable socio–political environment was conducive for a stable development of an industry (manufacturing mainly for a consumer market) in which Japan was a late comer. Furthermore, from the perspective of the manufacturing industry as a whole, that Japan had to start afresh from the beginning as a result of the defeat suffered during World War II. However, it is also important to mention briefly some other factors which promoted such a development process other than the core marketing factors supported by socio-political factors.

These factors include first, educational policies from the Meiji Era. The education policies facilitated the communication and diffusion of new ideas and technical methods. Throughout the Meiji Era as the Zaibatsus provided finances for industrial development, the local governments were able to invest a third of their expenditure in education. Secondly, the government and other institutions employed a considerable number of foreign technicians and managers to train Japanese. The government therefore put in a lot of effort into an educational system under which Japanese can read and understand a second foreign language (especially English). It was not only the government which initiated this strong desire to educate the society, but also business leaders were enthusiastic advocates. Thirdly, it is remarkable to note the extent to which strong incorporation of Western model technology ideas and values have been injected into the education system. The focus was on ideas from Europe before the World Wars and later this shifted to the United States of America after the World War II. Thirdly, strong morals were initially implanted in the social structure through Confucianism. However, unlike other areas in Asia where Confucian training was unsympathetic to scientific method, the intellectual elites who were in the bureaucracy, government and business were able to offset such a tendency. Lastly, the nature of entrepreneurship which occurred during the Meiji Era continued at almost the same momentum through to the period after World War II. This led to many people ceasing the opportunities of technology assimilation at various periods in the history of Japan. Consequently, although the Japanese society respect hierarchy, it has admitted flexible in accepting movement within the business society. This situation should not be confused with the issue of seniority sys-

tem of promotion within a specific company,

IV. CONCLUSION

It seems that currently, the high growth of the manufacturing industry of Japan from the 1960's to the 1980's has settle for minimal growth. One of the main reasons is that the PLC strategy has lost its power at this level of development of Japan. The ability to conduct basic research which rests on "seeds" has not matched the rate of growth at which Japan has exhausted the application of the PLC model for developing manufacturing industry. Internationalization of the society has relatively diffused the old strong nationalistic feeling and vestment against foreign presence. Japan has maintained an economy based on manufacturing sector because although other advanced countries easily gave up on products in the maturity stage, Japan is not doing so. Japan has incorporated other countries as it tries to control the PLC of products which supported the growth of its manufacturing industry. This includes the full and partial distribution of the production facilities by Japan companies overseas through direct investment in the opposite direction of the location of manufacturing centers. This is in addition to establishing manufacturing facilities in the NIES and some developing countries. All these activities are being highly dictated by marketing factors, especially from the perspective of international marketing.

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- (b) J. Hirschmeier, *The Origins of Entrepreneurship in Meiji Japan*, Cambridge, 1964.
- (c) T. Yui, *Industrialization and Company Behavior*, 1976.
由井菅彦『工業化と企業者活動』日本経済新聞社、1976年
- (d) Ichiro Nakayama, *Industrialization of Japan*, Tokyo, 1971.
- (e) John G. Robert, *The Industrialization of Japan*, New York, 1971.
- (4) For example :
 - (a) The Theory of the "Big Push".
From Paul N. Rosenstein-Rodan, "Problems of Industrialization of Eastern and South-Eastern Europe," *Economic Journal*, June-September 1943, pp. 204-7
 - (b) Critique of the "Big Push" Argument.
From Howard S. Ellis, "Accelerated Industrialization as a Force in Economic Development," *Quarterly Journal of Economic*, Nov. 1958, pp.486 and 491-5
 - (c) Linkage Effects and Industrialization.
From Albert O. Hirschman, *The Strategy of Economic Development*, New Haven, Yale University Press, 1958, pp. 100-4 and 109-13.
 - (d) The Case for Balanced Growth.
From Ragnar Nurkse, "The Conflict Between 'Balanced Growth' and International Specialization," *Lectures on Economic development*, 1958, pp. 177-76.
 - (e) Balanced versus Unbalanced Growth.
From Paul Streeten, "Balance versus Unbalanced Growth," *The Eco-*

conomic Weekly April 20, 1963, pp. 669-71.

(5) Masaaki Kobayashi, op. cit.

T. Yui, op. cit.

Ichiro Nakayama, op. cit.

(6) One basic pattern is to use the word “Era” after the Emperor

Tokugawa Era : This period lasted between 1630 and 1868. During this period Japan was ruled by the house Tokugawa as shogun. A shogun was a military governor of State under whom the Emperor was made to keep aloof concerning the administration of the state.

Meiji Era : The Meiji started with what has been termed the Meiji Restoration. This means the restoration of the Emperor to his previous status as the de facto Head of State of Japan. The Meiji Era spanned the time between 1868 and 1912.

Taisho Era : This period which lasted from 1912 to 1926 saw the reign of Emperor Taisho.

Showa Era : This Era commenced in 1926 through to 1989.

(7) G. C. Allen, A Short Economic History of Modern Japan 3rd ed. 1972, pp. 1-2

(8) Allen, *ibid.* p. 111

(9) Allen, *ibid.* p. 113

(10) W. W. Lockwood, The Economic Development of Japan 1954, pp. 115-117.

(11) Allen, op. cit. p. 145

(12) J. B. Cohen, Japan's Economy in War and Reconstruction, 1949

(13) Kazutoshi Maeda, “General Trading Companies in Pre-War Japan: A Sketch” in General Trading Companies edited by Shinichi Yonekawa, United Nations University Press, 1990, pp. 92-110.

(14) Maeda, *ibid.*

(15) Daimyo was the feudal lord in the period before the Meiji Restoration of 1868. Samurai was the military class of the feudal Japan.

(16) Takehiko Kimumoto, The Development of Japanese Industries During the Second Half of the Century After the War, 1996, p. 20

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- (17) Ibid. p.16
- (18) Ibid. Some of these documents, reports and orders mentioned in chapters 2 to 3 are,
- a) The SWNCC 150/1 “United States Initial Post Defeat Policy Relating to Japan” June 12, 1945.
 - b) Overseas Consultant, Inc. “Report on Industrial Reparation Survey of Japan to the United States of America” Second Strike Report, February 26, 1948.
 - c) Memorandum (SCAPIN 814) ; “Export Procedure” March 14, 1946.
 - d) Memorandum (SCAPIN 1926) ; “Export Trade” August 9, 1948.
 - e) Memorandum (SCAPIN 58) ; “Operation of Manufacturing Industries” September 25, 1945.
 - f) SANACC Minutes (SANACC 61’ST Meeting) ; “The Revival of the Japanese Economy”, October 23, 1947.
 - g) Johnston Report (A Committees set by the Secretary of the Army) “Report of the Economic Position and Prospects of Japan and Korea : Measures Related to their Improvement” April 26, 1948.
 - h) Economic and Scientific Section -ESS (GHQ/SCAP) ; “The Possibility of a Balanced Japanese Economy”, October 1947 ed.
 - i) ESS, (GHQ/SCAP) ; Program for a Self-Supporting Japanese Economy ; November, 1948. Note that the book is in Japanese.
- (19) Tim. Megarry, The Making of Modern Japan A Reader, Greenwich University Press 1995, pp. 345.
- (20) Kinugasa Yosuke “Structural Issues in Japanese Companies. A look at the Internationalization of Japanese Firms” International Management. No. 10 Feb. 1996 pp.1-50. Note that the original text is in Japanese.
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