

The Unknown World of Japanese Car Imports

By Katsuhiko Tomioka

The number of imported foreign car registrations in Japan hit a peak of 60,000 units in 1979, but thereafter declined year after year, falling to a level of 35,000 units in 1983. In 1984, however, the number jumped by 19% over the preceding year, to 42,000 units, the first time in five years to surpass the performance of the year before. By car size, small cars (2,000cc or less) accounted for approximately 18,500 units (up 17.7%), and larger cars (more than 2,000cc), about 23,500 units (20%).

Yanase's insight into the market



Jiro Yanase, president of Yanase & Co., Ltd.

This upward trend has continued in 1985, and, based on the sales performance so far, it is believed that sales will soar to the 50,000 level by year-end. According to Jiro Yanase, president of Yanase & Co., Ltd., and president of the Japan Automobile Importers Association, an annual sales figure of 50,000 units is the present target of Japanese car importers. "With this number as the springboard, we would like," he says, "to raise the total to 55,000 units in 1986, and to the former peak of 60,000 in 1987."

The number of imported car registrations by country of manufacture for 1984 shows that West Germany accounted for 77.7% of the total (32,600 units), a rise of 1.8 points over 1983. In contrast, the share of American and British cars was down.

Explaining the popularity of West German cars, such as Volkswagen, Benz and BMW, Yanase notes that small Japanese cars are at the world's top technological level, but what might be called the "birth-place" of compacts is, after all, Europe, in

particular West Germany. "The German trait for making things simple and sturdy is reflected in their automobile manufacture," he points out. "The Japanese most likely have a feeling of affinity toward German cars. They also feel that they are reliable and sense a certain handmade warmth about them."

Yanase adds that the introduction of robots in the plants for producing high-performance cars is all right on the one hand, but a company must put its heart into its work in order to turn out superior products. "For instance," he points out, "each completed Benz is polished by 10-15 workers who inspect the quality of the finish. It is this attitude which raises Benz's reputation as an outstanding car."

Yanase boasts a history of 70 years in the sale of imported cars. There are few companies in the world which have achieved such success by specializing in this field. Yanase strove to develop a careful after-sales service system which is believed to have greatly contributed to the expansion of imported car sales.

Yanase has all along advanced the theory that the poorer the country, the more skilled it is at exporting. "A country," he says, "which is not self-sufficient like the United States seriously studies exports, a typical example being Japan, whose actions are now creating trade friction. West Germany is another example. Although lacking oil resources, it is better off than Japan to the extent that it possesses large coal deposits. However, West Germany is far from self-sufficient and it therefore puts considerable effort into exports. Here is to be found the secret of the West German share of over 77% of Japan's total vehicle imports. On the other hand, it also reflects a lack of domestic demand within the EC bloc."

On the basis of this line of reasoning, American cars are not very popular in Japan because the United States does not need to put its energy into exporting. Yanase, however, points out that the American people have recently become

very conscious of the trade imbalance, and U.S. automakers are now determined not to lose to the Japanese. There is also a conspicuous change in the attitude of the autoworkers.

According to Yanase, the present American cars, unlike those of the past, surpass Japanese cars, such as Toyota's Crown and Nissan's Cedric, in performance, fuel economy and in various other areas. This fact is not known in Japan because of insufficient publicity by importers. There are certain disadvantages pricewise because of the exchange difference, but other than that, there are no problems at all.

Yanase predicts that sales of American cars in Japan should turn up, with this year as the low. Leading with GM's "Saturn project," American automakers will definitely become a fearful competitive presence in Japan in the near future. The Japanese manufacturers can no longer afford to rely only on exports.

The Japanese government's call for promoting imports as a means of eliminating trade friction has produced a favorable environment for importers. Yanase compares it to golf. He says that until now the importers, such as himself, have played against the wind, so to speak, but now, they have the wind at their backs and it has become easier to play. However, there is the risk of the ball going "out of bounds."

Yanase is well aware that being too complacent over the improvement of the import environment could prove fatal; he intends to proceed with his course of prudent management. The Ministry of Transportation's inspection system for imported cars has also been drastically revised. Compared to a few years ago, the situation is extremely favorable, but there are strong voices in the industry demanding further improvement. The industry's plan appears to be that of winning the understanding of the government authorities one step at a time through assiduous effort.

Registration of Imported Cars

	More than 2,000cc						2,000cc or less						Total
	U.S.	Britain	West Germany	France	Italy	Sweden	U.S.	Britain	West Germany	France	Italy	Sweden	
1975	16,370	599	4,419	68	67	686	—	1,347	17,689	442	1,211	52	43,090
1976	14,860	752	4,389	205	64	1,000	—	1,249	16,930	305	1,424	38	41,218
1977	14,672	669	4,894	242	101	978	—	827	17,269	473	1,428	12	41,565
1978	13,947	665	7,065	374	159	1,299	—	2,289	21,368	1,076	1,630	60	49,932
1979	16,224	1,030	9,376	448	99	1,712	515	3,096	23,739	1,344	2,454	124	60,161
1980	10,685	862	6,745	251	73	1,243	373	2,811	19,293	821	1,611	103	44,871
1981	7,150	619	8,431	139	51	814	592	2,018	16,464	599	1,041	142	38,110
1982	3,484	504	9,331	163	59	811	78	1,580	17,367	542	1,343	254	35,516
1983	2,630	439	11,455	154	82	894	16	1,771	15,332	549	1,614	350	35,286
1984	2,377	519	14,291	184	132	884	5	1,750	18,343	687	2,110	606	41,982

Source: Japan Automobile Importers Association

BMW Japan winning success



Yoji Hamawaki, president of BMW Japan

Imported foreign cars in Japan have a strong image as being good but expensive and, as a result, are difficult to sell. Working to eliminate this image and to make it easier to buy a good foreign car is BMW Japan, a fully-owned subsidiary of BMW, the West German auto manufacturer.

BMW Japan was established in October 1981. At the time it started business, it reduced prices by 7-10% and has maintained these prices on all its cars with the exception of a few models. Prices of certain models have even been cut. For this reason, sales have been soaring.

In 1980, BMW's sales totaled 3,187 cars and rose thereafter—to 3,662 units in 1981, 5,293 units in 1982, 6,298 units in 1983, and in one big leap, to 8,854 units in 1984, which represented a rise of 40.6% over the preceding year. BMW overtook Benz at this point and ranked second after Volkswagen.

BMW sales have also been favorable this year. From January to August, BMW sold a total of 7,726 cars, the second largest after Volkswagen's 8,070 units. Benz was third, with 5,391 units. Thus, BMW is edging closer to the top and greatly widening the gap between itself and third-ranked Benz. If this trend continues, BMW will easily cap sales of 10,000 cars in 1985.

Yoji Hamawaki, president of BMW Japan, attributes the company's favorable record to the fact that the parent firm in West Germany granted exclusive distribution rights and left all aspects of management up to the Japanese. "As a

result," he says, "the entire staff worked hard to live up to the trust of the main office and achieved the present success."

Hamawaki claims that group unity was the driving force behind the success. Other major factors were the vigorous CI (corporate identity) campaign, the drastic reduction of interest on car loans, and the adoption of the right-hand steering wheel.

With respect to the sharp cut in customer financing costs which created a stir among foreign car importers, Hamawaki recalls that, "It worried me at first although the action was in the interest of the customers. All our dealers opposed the decision."

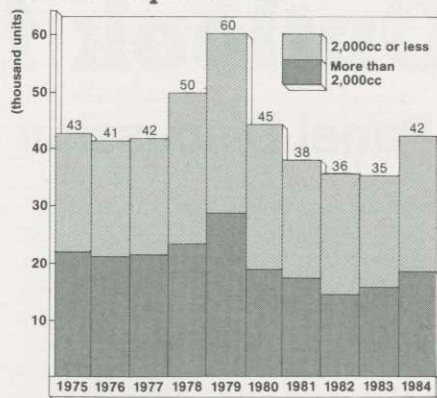
The reduction was carried out in June last year; the financing rate was slashed from 14.25% to 9.5% at a stroke. Compare this with the Japanese car dealers' present commission of generally 15-18% on installment sales. BMW's 9.5 percent rate was thus an extremely bold step.

Including four-wheeled and two-wheeled vehicles, BMW has 112 sales outlets throughout Japan, of which five are directly managed; the remainder are agencies. Since lower interest rates would result in a big drop in the commission income of the agencies, BMW naturally encountered intense opposition. However, Hamawaki reportedly argued fervently for the reduction, and persuaded the dealers that it was necessary in order to sell BMW cars in volume.

As it turned out, the dealers' worries were unnecessary. The interest cut led to expanded sales. "Today, half the sales are based on loans and the agencies are happy," remarks Hamawaki. He adds that instead of trying to make money by relying on high commissions alone, there is now a belief that the way to realize profits is to achieve greater sales through attractive prices.

It was also Hamawaki's zeal in vigorously persuading the BMW main office to manufacture cars equipped with a

Sales of Imported Cars



Source: Japan Automobile Importers Association

right-hand steering wheel that resulted in their introduction in Japan. There was opposition by some company officials who felt that it was not necessary to accommodate the Japanese users to that extent. Hamawaki, however, persisted with the conviction that "you cannot sell foreign cars in Japan merely by spending money on advertising. You must provide a product that suits the market." The production of cars equipped with a right-hand steering wheel turned out to be a wise decision and led directly to increased sales. "It was a challenge," says Hamawaki. "The teamwork and genuine group spirit produced tremendous results."

BMW Japan employs 305 people. Hamawaki was formerly president of Kawasaki Heavy Industries, U.S.A. Inc. (Kawasaki Heavy Industries' locally incorporated subsidiary in the United States), but was recruited by BMW which had rated his ability highly.

So far, BMW Japan has done well, but what about the outlook? Hamawaki points out that sporty sedans are BMW's main product line and this will remain unchanged, but the company is currently studying strategies for dealing with customers' luxury car demand. He is determined to shift the focus away from the high-class stratum of doctors, sports personalities and lawyers to the so-called upper middle-class of users. Since BMW's rival, Benz, is now directing its attention to the same class, the competition for customers is expected to grow even more intense.

On this point, Hamawaki says that the outcome will depend not on the scramble for customers, but on the attraction of the greatest number of users from among the expanding pool of potential buyers, a result of the diversification of car models. He says that BMW will work even more aggressively to develop the market for customers. The competition with Benz will be interesting to watch. ●