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MODERNIZATION OF THE FUNCTIONS OF THE ASSEMBLERS IN EACH LOCAL PRODUCING AREA IN JAPAN

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I General

The need for modernization of present distribution methods in Japan is becoming more and more pressing. In spite of the fact that economic efficiency in production has been greatly enhanced by innovation in production techniques and the expansion of scale, a great lag in the distribution field is noticeable. It is argued that distribution costs are too high, and that the fact that this sector of the economic system of the country has not been kept up-to-date but is lagging far behind gives rise to a serious problem. Further, it is argued that complexity and inefficiency in distribution procedures should be improved as a priority, viewed as a means of checking the rising tendency of consumer prices. It is recognised that the commodity price problem is more related to such fundamental issues as the money supply to cope with rapid economic growth and labour union demands for sharp wage increases, but at the same time no one would doubt that moderniza-

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tion in methods of distribution business could help fowards a solution. With this in view a Sub-Committee of the Industrial Structure Council of the Ministry of International Trade and Industry published in August 1968 a report entitled "Prospects and Problems of Modernization in Distribution". However, this report merely provides a general view of basic problems involved in the specific field of distribution, with an account of some immediate problems to be tackled. For this reason any discussion of the subject of reform or modernization in my opinion necessitates above all as a just step exhaustive research concerning the basis of each kind of business and local considerations. It will then be possible to project a plan based on the results thus obtained. In fact a concept for achieving modernization in distribution methods is now on the point of being formed.

Needless to say, there can be no doubt that modernization in the stages linking production with consumption is behind hand, lagging far behind. The overwhelming majoity of wholesalers and retailers alike operate on either a medium- or small-scale and for this reason their conventional transactions are naturally complicated, and large-scale transactions are still in their infancy. The reason appears to lie in the fact that there has been little opportunity for them, because of the limited scale of business activities, to make adequate adaptation of their former methods of doing business or their administrative attitudes towards the marked changes which have taken place in their economic environment, or that even when there were occasionally such opportunities, such adaptation was made at a very slow tempo.

Nevertheless, the environmental conditions affecting distribution patterns have undergone a marked change of late. In the first place, as a result of the economic growth since 1960 mass production was greatly facilitated, and this led to many cases of amalgamation or joint operation by different firms. As a consequence of such changes the large-scale firms began to rationalise and reinforce their marketing activities, including making further efforts to re-ajdust their marketing channels. A new concept of marketing and associated techniques which was introduced for the first time from the U. S. A. to this country around 1955 began to be put into practice in a very active manner by many Japanese enterprises. However, as far as the medium- and small-scale enterprises were concerned, the countermeasures evolved producers and their distribution agents to cope with such developments were not kept up-to-date, but were allowed to lag far behind. In the second place, from the begining of the 1960's, the demand and supply situation in the labour market underwent a complete change, developing a shortage of new labour which has been growing more serious from year to year. This fact affected all those engaged in large-scale as well as medium- and small-scale distribution business, but this increasing labour shortage was felt more seriously by the medium- and small-scale distribution agents employing the type of workers assigned to simple duties than by the large-scale distribution agents. Paradoxically, the ultra-small-scale distribution agents who could make use of their own family labour had a much easier time in securing the number of workers they needed. Consequently, the medium- and small-scale distribution agents, who formed the majority of those engaged in this line of business, experienced far greater difficulties than others. Needless to say, a serious labour shortage was also felt by the producers, and for this reason ultra-small-scale producers in some industries began to increase in number. This inevitably affected distribution patterns in a way to which I shall refer later. In the third place, a change in the behaviour of consumers must also be taken into consideration. The pattern of consumers' behaviour has recently tended to be standardized: the pattern in urban communities is being imitated even in rural communities, which are tending to be urbanized. Further, the rapidly popularized use of automobiles of late is facilitating a remarkable development of supermarkets and other large-scale shopping centers in the field of retail trade. On the other hand it should also be noted that consumers' preferences have been tending to be markedly raised and diversified as a result of consumers' increasing income.

These are some striking examples of the major changes taking place recently in the economic environment. An enterprise, just as in the case of any living being, will fall into decay and become extinct unless it adapts itself to a change in its environment. It is natural that the time will come when, among different kinds of trader such as wholesalers and retailers operating in widely diversified enterprises, a particular kind of enterpriser who can adapt himself to environmental changes and another kind who cannot do so, will be discerned.

The fundamental tendencies described above were also pointed out in the report "Prospects and Problems of Modernization in Distribution" which was mentioned before. The subject-matter of this brief article is the trend towards so-called assemblers in their respective local manufacturing areas, whose function is to collect the manufactured products of medium- or small-scale manufacturers (mainly of textiles and sundries) and to forward them as a rule to the wholesalers at various trade centers. Hence my subject of discussion is limited to the problem in this sense of of the word. Every large-scale modern undertaking now is engaged in very vigorous marketing activities as has already been explained. It is therefore only in circumstances where the medium- and small-scale manufactures who are not engaged in such marketing activities on their own behalf happen to be concentrated in a certain locality that the assemblers in their related local producing area play their active part. Their specialised fields of industry are, generally speaking, traditional and of long standing. My immediate concern is to discuss the question "who should be held responsible for giving guidance and judging the best way to achieve a proper adaptation to changes in the economic envinonment, producers or traders?" and to see if the answer to this question could promote the desired modernization in distribution methods.

II General Functions of Wholesalers in Their Related Local Producing Areas

The channel of distribution varies according to kinds of commodities. Generally speaking, producer goods are sold to the users directly by the manufactuters or their selling agents or sole agents, but in a case of consumer goods the channels are much diversified. Some expensive specialty goods or other consumer goods where there may be a preferential choice for a certain brand or high quality, are sold to retailers passing through a sole agent or wholesaler. However, in the case of convenient goods for daily or frequent use which sell at low prices, the goods are delivered to the retailers by way of their intermediary wholesale channels, on many occasions passing through the hands of a first-order wholesaler and a second-order wholesaler: (sometimes even through the third-order wholesaler), because of the necessity to sell them to as many retailers in the close proximity of consumers are possible. Under these circumstances, ordinarily speaking, what is meant by the first-order wholesaler in most cases is the relatively large-scale wholesalers located at their collecting/distributing center (in big cities), and by the second-order wholesalers is meant those scattered round many local towns. In this manner each selling channel for specialty goods, consumer durables and daily necessities has in general a longer route than the channels for other kinds of goods. However, in a case of standardized products of recent manufacture by most of the large-scale enterprise, there is a definite trend on the part of big firms to exercise a positive control over their selling channels as one aspect of their marketing activity, by establishing outlets for the exclusive sales of their own products, to concentrate on the best selling stores and/or to make efforts to shorten their marketing channels.

However, in a case of commodities produced by the medium- and small-scale firms such as textiles, foods and sundries, it becomes necessary to have assemblers in each local producing area, where the medium- and small-scale producers are concentrated, in addition to the first-order wholesalers at collecting/distributing centers in big cities in order to collect a diversity of products from a great many makers, to supply raw materials (in such cases as piecework weavers) to the makers and to give proper guidance to secure balanced production. They are sometimes called master contractors and sometimes middlemen, depending upon the role they perform. The assemblers in producing areas are, as it were, a kind of wholesalers whose acts are one step ahead of the so-called wholesalers at a certain collecting/distributing center or the first-order wholesalers. There are some differences in the scope of the functions of the assemblers at any local producing point, depending upon the specific nature of the commodities and localities involved.

In the first place, the general function of the wholesalers is, needless to say, the assembling of commodities from the producers and selling them to the retailers. This does not necessarily mean direct sale to the retailers, and this sale is on many occasions made by way of passing through several stages such as the assemblers in their local producing area, the first-order wholesalers and the second-order wholesalers as referred to above. In the case of assemblers located in their respective local producing areas where the medium- and small-scale firms are concentrated, they are obliged to deal with a great many small-scale businesses. Since no city wholesalers can go to such pains, it is obviously essential that the assemblers should be on their jobs at the local producing level. Although there is a new trend in some instances on the part of a large-scale retailer such as a suppermarket to link directly with certain producers of the medium- or small-scale type particularly in the case of products with strong elements of design and fashion, the linking with only a limited number of manufacturers entails much difficulty in making a selection of varieties of commodities with different designs. An attempt on the part of any large-scale retailer to exercise control over a number of medium- or small-scale manufacturers without passing through the assemblers in their related local producing area will, I should think, succeed only when the design of the commodities in question is of minor importance.

In this way the second function of the wholesaler lies in his effort to make a selection from a variety of commodities to ensure the free exercise of consumer preferences, and to direct them to the subsequent channel. This may be called the sorting function. In a case of the assemblers in any local producing area, this sorting function, combined with other functions of assembling and selling as explained earlier, is of urgent importance.

Thirdly, their next function is storage. Some commodities are only in demand for a certain period of time or season, but since the producers are the owners of plant and equipment, they naturally want to keep their productive activities going on constantly throughout the whole year if the situation permits. For this reason the wholesalers keep buying the commodities at all times, keeping the goods in storage until they are wanted again. When these wholesalers lay the goods in stock, the payment they make for such stock, though promissory notes are often utilized, is serving the purpose of financing the producers so that they can continue their productive activities. This financing function must be set down in the fourth place. The assemblers in every local producing area are performing the third and fourth functions for medium- and small-scale businesses, but among all these assemblers those who have inadequate capital are also managing themselves to fulfill their financing function, though insufficiently, in some way or other by selling commodities in their stock ahead of time to the first-order wholesalers in big cities. In the case of those who are called middlemen or brokers, most of their financing activities are carried out in such a manner.

On some rare occasions the assemblers (particularly producer-merchants) in a local producing areas, who are extremely short of operating capital, are merely satisfying the demand for sorting on behalf of makers and wholesalers, but the number of such small-scale assemblers appears to be decreasing. Again in the old days as far back as 1900–1920 the assemblers used to make loans for manufacturing equipment like weaving machines or certain raw materials to medium- or small-scale producers on many occasions, thus enabling them to continue their productive activities. Under such circumstances the financing function of those wholesalers did have considerable significance. Nowadays, however, most small-scale producers have gradually accumulated sufficient capital and they are in many instances managing to procure equipment and raw materials by themselves. However, in exceptional cases in certain local producing areas the raw materials are procured by the assemblers and the makers are simply given the job of working on them, such piecework being paid for by the assemblers. This is mainly because the medium- and small-scale producers are reluctant to take any risk arising from the commodities in question, where raw material prices may fluctuate to a marked degree (and commondity prices correlated therewith to some extent). The pieceworkers in rayon and synthetic fibre textiles in Fukui Prefecture are an example of this type. Here the wholesalers are performing the function of taking the risk arising from fluctuations in the cost of raw materials or the price of products in addition to their financing function. To cite one example from textiles for export in the Nishiwaki District in Hyogo Prefecture, their business mechanism is very intricate. The assemblers take orders by concluding a contract with an agency-firm acting for a certain cotton spinning company and the production itself is left in the hands of a number of medium- and small-scale textile makers to be completed, but essentially such textile makers are doing nothing but piecework for a spinning company. Consequently it can be assumed that the spinning company and its agency-firm rather than the assemblers are actually taking the risk of price fluctuations.

In the fifth place, the function of physical distribution or transport must be pointed out. The production of the medium- and small-scale firms is generally concentrated in a specific area, and for this reason their products must be transported to retailers scattered widely throughout the country passing through the hands of the first- and second- order wholesalers. In other words, the assemblers are performing the function of transport between a certain producing area which is physically located far distant from the consumers. Because transport from a certain local producting area to large cities or towns in a rural area involves waste, business dealings and the physical distribution of products have tended to be separated of late years and the recent trend indicates that on many occasions the second-order wholesalers are carrying out commodity transactions, but the commodity itself is transported from the assemblers directly to the second-order wholesalers or retailers. However, in circumstances where a new transaction mechanism has not been established for a certain new commodity produced in response to a sudden and great change in demand owing to a change in ways of living, in other words when the wholesalers in big cities are not geared to handle it, the assemblers in a local producing area are obliged to transport such a commodity to the retailers or sometimes to the users. One may cite the example of the ceramics makers in Shigaraki, Shiga Prefecture, who were stimulated to make new products such as flowerpots for foliage plants and garden sets in place of out-of-date earthen braziers. They were thereby driven into a new situation, in which this function of handing transport themselves came to be of most urgent importance.

In the sixth place, it can reasonably be expected that the assemblers in a local producing area should perform the function of developing commodities or marketing channels. This may well be called a planning function, which should be based on collected information about commodities and markets. In the case of the large-scale manufacturers, needless to say they collect information relating to markets and products as one of their own marketing activities, thus making every positive effort to promote their newly produced commodity. However, the corresponding activities among the medium- and small-scale producers are extremely unsatisfactory. In view of the remarkable progress in technique and the great change in the marketing situation as well as in the consumers' standard of living, the need at the present time for every medium- and small-scale firm to develop or to create markets by making every possible effort to produce new commodities in a manner adapted to these changes cannot be too strongly emphasized. If it is impossible to expect that such activity should be initiated by the medium- and small-scale firms, then some of the various types of wholesalers should take over the responsibility. It may so happen that such activities may possibly be undertaken by the assemblers or perhaps by the first-order wholesalers in a collecting/distributing center. They are located in closer proximity to the consumers and have a greater opportunity to gather fuller information area a wider range. This function is beginning to arouse considerable attention of late and a few wholesalers who are devoting their energies to performing this function are enjoying well-earned success.

If all of the wholesalers' functions are to be listed here, there are six of them as mentioned above. According to the latest survey conducted by the present writer, the situation actually prevailing reveals that most of the assemblers in all local producing areas are performing those functions discussed in the first to fifth places to a fairly satisfactory extent, but practically none of them are performing the particular function of merchandizing, or product planning discussed in the sixth place. Because of this, the situation is likely to give rise to cases where the medium- and small-scale firms in a local producing area may be guided or controlled by enterprises in different channels (for examples—raw materials producers, or the first-order wholesalers or business firms in a collecting/distributing center).

For the reason that most of the assemblers in any local producing area are for the most part assembling from a great number of medium- and small-scale producers in addition to fulfilling various other functions, it may be accepted that these assemblers will continue what they are now doing. However, I believe that it can hardly be expected, that either the assemblers in a local producing area or the medium- and small-scale local firms will achieve further development in the future unless they reinforce the merchandizing and planning function described in the sixth place above.

III New Trends in the Activities of the Assemblers in Local Producing Areas

Generally speaking, the assemblers in a local producing area of medium- and small-scale enterprises, about whom my survey was conducted, are performing those functions described above in the first to fifth places. The merchandizing and planning function is however performed in a very unsatisfactory manner except in a few cases. In other words most of the assemblers are mainly engaged in assembling the products of many medium- and small-scale manufacturers in one local area and in selling them either to the first-order wholesalers in a certain collecting/distributing center or to other local wholesalers. Consequently in this way they are fulfilling the financing function for the benefit of producers to some extent, but only few of them are doing so at the present time to such an extent as to supply the manufacturing equipment or raw materials. Even when the medium- and small-scale manufacturers are operating, being supplied with raw materials, under a piecework contract (or weaving on the basis of a piecework contract), the raw materials are supplied by the raw materials producer who operates on a large scale.

However, the relationships between these medium- and small-scale firms and the assemblers in a local producing area are not always uniform, depending upon kinds of enterprise and the characteristics of each producing area. Of recent years the raw materials producers and the large-scale retailers are becoming so much more high-powered that it is by no means rare that the medium- and small-scale manufacturers have reinforced their own positions, thus establishing their own independence to some extent from the local assemblers. In what follows I shall describe some of these new trends, giving consideration to the general conditions under which some local producing firms operate, and I shall attempt to clarify their significance case by case.

(1) The Rayon and Synthetic Fiber Industry in Fukui Prefecture:

Fukui Prefecture used to be a producing center for silk fabrics, but in course of time rayon came to take the place of silk. Recently production has been shifted to that of synthetic fiber as shown in Table I, and it has become a great production center where the number of firms in this line is assessed at as many as 2,889, using 81,722 powerlooms (1968).

However, the average number of powerlooms owned by these makers in about 30 and most of actual weaving operations are carried on in the form of piecework sub-contract. Moreover the greater number of this type of weaving operation is

TABLE I Output of Textiles in Fukui Prefecture: 1968
(Unit: 1 million square meters)

Silk fabrics	18,798
Rayon fabrics	214,608
Staple fiber fabrics	9,053
Acetate rayon fabrics	43,846
Synthetic fiber fabrics	302,654
Cotton textiles	6,986
Woolen cloth	407
Other fabrics	492
Total	596,848

characterized by piecework weaving paid for by the raw thread makers.

In Fukui Prefecture the government regulations relating to silk, rayon and staple fiber were lifted in 1947 and the relationships between the raw material makers and textile manufacturers became free, but in those days in 1952 immediately after the Korean War many bankruptcies occurred owing to the economic depression. As a result the textile manufacturers began to have a strong inclination to devote themselves exclusively to production, thus hoping to be protected from the fluctuating prices of raw materials. In this way the system of piecework subcontracted weaving came to be widely practiced for the purpose of stabilizing production. Thereafter in 1955 the synthetic fiber makers began to provide guidance in methods of producing textiles by using new fiber on the one hand, and on the other to take the initiative in rounding up all those manufacturers under their direct affiliation to expand and to secure the market for their fabrics and knitted goods. All this played a leading role in promoting a new system of piecework weaving operations. The production team under the guidance of the Toyo Rayon Company is one of its most outstanding instances, and many other synthetic fiber makers followed this example. (The Toyo Rayon Company expanded its business not only to form the Production Team as one of their marketing activities but also to organise a Sales Team to create a greater number of sales agents under its affiliation.) However, as a consequence of the recently increased production of synthetic fiber, it became gradually more difficult to keep exerting effective influences on those textile weavers affiliated together. This situation naturally tended to give rise to two opposite trends—a policy to seek and give guidance for a systematization of the whole structure of the piecework weaving operation and a marketing method guided by raw materials producers on the one hand, and another policy to assure activity only as raw mate rials producers, leaving everything else optional without affecting whatever small-scale enterprises may want to do.

What is called piecework weaving in Fukui Prefecture means without exception weaving operations on a piecework sub-contract to be paid for by a raw thread maker, and this type of business operation is more widely practiced in the case of synthetic fiber fabrics than in that of rayon. It must, however, be noted that, though expressed in a general term such as "raw materials producer", part of such piecework weaving operations is being paid for by the raw materials producers and a greater part by wholesalers, particularly by one very influential wholesale merchant. In 1959 the piecework weaving paid for by the raw thread producers amounted to 40% of the total output (30% through wholesalers and 10% through large weavers), while in 1968 the corresponding figures showed an increase to 71% (57% through wholesalers and 13% through large weavers). If put in a reverse way, the amount of non-contract weaving using raw thread obtained by wholesalers in this producing center (called the wholesale-merchant) decreased from 60% in 1959 to 30% in 1968. If all these wholesale-merchants are divided into two groups—those outside this prefecture and those within it, the former is directly tied up with the raw thread makers, having an affiliated group of relatively big weavers, while the latter is only partly tied up with the makers and the majority of these wholesale merchants have a greater number of affiliated small-scale weavers. Briefly, the average number of powerlooms for each weaver affiliated with the former is 53, while that with the latter is 28. See Table II.

Now, turning to the merchandizing function, the raw materials makers took the lead in exploiting the processing of newly produced raw material like synthetic fiber, and for that purpose a great number of weavers in Fukui Prefecture were lined up and organized in an affiliated group within a new system. The raw materials makers are also promoting as a priority the production of synthetic fiber cloth for right-side use made from recently processed tetron thread and the simultaneous production of the lining cloth. Putting it in other words, it may be assumed that the merchandizing function in this field was being fulfilled by the raw thread makers

TABLE II Number of Powerlooms of Affiliated Weavers according to Scale of Wholesaler: 1968

Scale of Wholesaler (Annual Sale) Unit: ¥ 1 million	Average Number of Powerlooms of Affiliated Weavers	Average Number of Powerlooms per Wholesaler
5 and less	17	26
5 — 50	12	65
50 — 100	20	137
100 — 500	21	451
500 — 1,000	28	1,071
1,000 — 5,000	46	3,425
5,000 — 10,000	53	2,615
10,000 — 30,000	59	8,914

Remarks: Average number is 35. For the weavers affiliated to wholesalers in prefectures other than Fukui, the average number is 53, but for those in Fukui Prefecture, the average number is 28 on their own initiative as one of their marketing activities and that the wholesalers in this local producing area were, because of such activities, being excluded from what they should have done. Of course it is not entirely true to say that the assemblers in any local producing area are in no event giving guidance in the merchandizing function to the medium- and small-scale weavers, but it is reasonable to claim that they are performing activities such as the collection of information relating to collecting/distributing centers or consumers' localities. Some stretch clothes made from synthetic fiber and tricot of double width are examples. In consideration of the fact that among all weavers in Fukui Prefecture 70% of them own of less than 20 powerlooms, it must be said that the presence of assemblers in this local producing area who are making efforts to organise them is clearly necessary. Furthermore, because piecework weaving operations by tiny enterprises will rather tend to increase in future owing to the labour shortage, this necessity, I should think, will be felt more and more seriously.

At any rate the raw materials makers started this kind of activity in relation to the relatively large-scale weavers from those days in 1955. This fact can be pointed out as one outstanding move in this producing area composed of medium- and small-scale enterprises, and for that reason the local assemblers are beginning to experience no small effects therefore.

(2) Silk Fabric in Tango and Nishijin of Kyoto Prefecture:

The Tango District (including therein not only producing points for silk crape like Mineyama, Iwataki, Amino, etc. but also other producing points for silk babric of the pre-dyed type like Yakuno, Fukuchiyama, Oye, Maizuru, etc.) is a great producing center for silk fabric, with 7,500 enterprises, chiefly producing silk fabric of single width and particularly silk crape, using 32,000 powerlooms, consuming roughly 32% of all Japan's raw silk thread and turning out an annual output amounting to approximately ¥80 billion. The history of this district, which originally used to be a producing area for plain white silk crape, dates back to the remotest days. At present 500 master-enterprises of relatively large scale who are coordinating production are operating in this area and employ the services of about 3500 piecework subcontracted tiny enterprises. Owing to the labour shortage in the postwar days and the increase in labour costs, however, it so happened that the firms in the same line of business in Nishijin, Kyoto City began to produce a kind of pre-dyed silk fabric (woolen fabric of single width at first: striped crape and figured satin since 1959–60) giving jobs to approximately 3,500 piecework subcontracted very small enterprises. Thus the silk fabric produced in this Tango District can roughly be divided into two kinds: the pre-dyed type and the plain white type. See Table III.

The Tango District is peculiarly characterised by a type of extremely small-scale operations, weavers having an average number of 4.2 powerlooms and those having no more than 6 powerlooms comprising 90% of all weavers. And furthermore the number of those who are operating in a part-time capacity as weavers in addition

TABLE III Number of Silk Enterprises and Employees according to Classified Scale of Operation in Tango District: 1969

Scale of Operation	Number of Enterprises	Number of Employees	Number of Family Workers
5 persons	6,688	11,275	10,672
5 — 10	467	3,094	1,365
11 — 30	218	3,697	413
31 — 50	38	1,393	60
51 — 100	21	1,545	9
101 — 300	4	979	
Total	7,436	21,983	12,519

TABLE IV Output of Tango Fabric Unit: ¥ 1,000–1968

Plain White	Silk	¥ 56,700,677
	Synthetic Fiber	¥ 2,305,104
Pre-dyed	Silk	¥ 16,988,679
	Synthetic Fiber	¥ 3,819,267
	Total	¥ 79,813,727

to their basic farming and fishing professions amounts to as many as 55%, thus exceeding the total number of full-time weavers by 10%. Correspondingly, a good many family members are working also, comprising 57% of the total of 22,000 workers.

In pre-war days all assemblers and those engaged in the silk fabric bussiness formed the "Tango Silk Fabric Industry Cooperative Association" through their concerted efforts. Very positive activities for the common benefit such as joint use of their facilities (processing shop), cooperative loan and production control were thus secured and for these reasons this association used to enjoy a well-deserved reputation as one of the leading cooperatives throught the whole country. However, during the war, the financial resorurces of local assemblers tended to decline, thus resulting in weakening of leading power; while the influence of the wholesalers in the collecting/distributing center in Kyoto (the first-order wholesalers of Muromachi Street) was increasing. The wholesalers' job was to put the fabrics into a form ready to use, (the dying process itself was assigned to the specialist) owing to the fact that those goods could not be the final and saleable products until their last finishing touch of dying was completed — which is a specific characteristic of the so-called "post-dying fabrics". For these reasons the power which used to be exercised by local assemblers began to decline.

Obviously at the present time such functions as assembling, storage and finance are being fulfilled on by the local assemblers, and the work connected with the merchandizing and design is looked after by the master-enterprises, but the wholesalers in Kyoto are giving general advice or instructions about such matters and it appears that the local assemblers are not undertaking anything positive in this field.

Although the so-called Tango Silk Weaving Modernization Project is now tentatively being drawn up for the sole purpose of renovating their methods of production to promote improvement of their business structure under the guidance of the Kyoto Prefectural Government with concerted efforts from many towns, in my opinion, it will be no easy task to secure wide cooperation by carrying through such a project because of the overwhelmingly excessive numbers of extremely small-scale weavers and also of the weak influence which the local assemblers could exert.

Consequently, as far as Tango silk crape is concerned, it can safely be concluded that any move towards modernized distribution in this line of business is hardly observable. On the other hand since almost all the pre-dyed type of silk fabric is made by the piecework subcontracted weavers who are paid by the master-enterprisers in the Nishijin area of Kyoto, I shall discuss this subject as a limited problem of Kyoto.

Piecework subcontracted weaving operations in pre-dyed silk fabric in the Tango District began to be practiced more and more extensively beginning in the post-war days, and particularly from 1959–60 as mentioned above. The reason for this trend was because the master-enterprisers in this line of business in Kyoto began to take advantage of the low wage levels in the Tango District. Because all such piecework weaving operations are conducted on an extremely small scale and the workshops are scattered over wide areas, involving a good deal of trouble in supplying the necssary raw thread and in collecting the finished products, these requirements are met by employing an agent to act for the master-enterprise. But in order to avoid adverse effects arising from defects in the preparatory process, this particular process is supervised by the master-enterpriser and the same is the case with design. Therefore, it may be assumed that this kind of local agent or middleman acts merely as a local substitute for the master-enterpriser rather than an assembler in this local producing area. Since the finished products are to be sold to the local assemblers or wholesalers at this collecting/distributing center through the master-enterprisers based in Nishijin, agents of this kind should be regarded as being outstationed but attached to the master-enterpriser to organise the very small scale piecework weavers into weaving operations. In short no moves to modernize distribution methods are observable in this field, either.

Turning to the subject of the producing area of the Nishijin District in Kyoto, there are 62 assemblers in Nishijin, who deal in silk fabric used to make in 'obi', fabric for 'kimono' (made from silk as well as synthetic fiber), woolen textile for 'kimono' and drapery for interior decoration: some of these items include those which were sent to the Tango District by the master-enterprisers in Nishijin to be woven by the pieceworkers of the Tango District.

The assemblers in the Nishijin area operate on varying scales and they are generally very influential dealers with sufficient capital and adequate management, mainly fulfilling the sorting function in the specialised line of relatively high-class textiles primarily high-priced on account of their design, and always possessing abundant stocks on hand. Furthermore they give financial assistance to their affiliated piecework weavers in many cases. Their sales are mainly made directly to the wholesalers of Muromachi Street in Kyoto and to those in other collecting/distributing centers; and also indirectly therefrom to other local wholesalers and retailers. Of late some assemblers are making direct sales to local retailers, but only in a few instances. The assemblers in the Nishijin area are now very active and for this reason the above-mentioned channels of distribution for practically all items they deal with have all been firmly established.

Although the wholesalers in this collecting/distributing center are very influential businessmen, they deal not only with Nishijin products but also with other products coming from other producing areas, so they make it a rule to sell out whatever they have on hand to local wholesalers without carrying a great deal of stock on hand. So far as the Nishijin products of typically high grade and design are concerned, the assemblers in this producing area would in my opinion play a rather more important role by making fuller selections and carrying richer stocks on hand.

Furthermore the assemblers in Kyoto in some instances provide guidance or instruction relating to design or innovations to the subcontracted piecework weavers to some extent, but this merchandizing function is performed exclusively for those piecework weavers with whom a very close relationship is maintained for the sole purpose of manufacturing a specific kind of product with unique features.

In this connection I should like to point out that some quite new moves, though related only to a very few items, have begun in the Nishijin area. In contrast to the relative and general decline of the wholesalers in many producing areas in the postwar period, the textile enterprisers began to increase their financial power. As one result there began to be cases where the latter began to make direct sales to the department stores and local wholesalers without passing through the wholesalers in the local producing area. Two or three of the silk cloth makers specialising in ladies' 'obi' began to manufacture a new kind of product at extremely low prices by using synthetic fiber instead of pure silk with the aim of changing women's conventional habits to induce them to buy 'obi' as freely and casually as though they were neckties for men, thus enabling them to select one on any occasion to match their 'kimono'. Accordingly they adopted a policy of mass production with varieties of new design one after another. Because of the low prices, the profit margins for the makers and wholesalers as well as for retailers naturally decreased. For that reason ceaseless efforts were made to shorten the distribution channels and to cut down distribution costs by doing away with the services of the wholesalers in this local producing area and local collecting/distributing center.

This market segmentation by the textile enterprisers designed for the consumers' general market and their merchandizing plan for a new product achieved success, and these enterprises showed outstanding growth. One point to be noted in this connection is, in my opinion, that dealing in these specific items is no longer attractive to the wholesalers and/or retailers because of the small profit margins for those who are engaged in distribution business on account of the low prices of the commodities in question.

Another development in this connection is that some of the influential manufacturers are beginning to take much interest in diversified products such as drapery for interior decoration, for which there has been a rapidly growing and brisk demand in recent years. These products are sold directly to the department stores and/or retailers without passing through the hands of the assemblers in the local producing areas on the wholesalers in the collecting/distributing centers, thus the channels of distribution in this field are relatively shortened.

(3) Silk Fabric in Nagahama:

The Nagahama District in Shiga Prefecture is a producing area for plain white crape of silk and pongee (a textile of the post-dyed type), enjoying 5th–6th ranking in the whole country. The principal product is silk crape, particularly a kind of heavy-weight quality (the highest grade of the kind) when compared with fabric manufactured in the Tango District and some pongee. If compared with conditions in the Tango District where their weaving operations are on an extermely small scale, the

TABLE V Number of Firms and Powerlooms according to Classified Scale of Silk Fabric Enterprisers in Nagahama: 1969

Scale of Operation (Powerlooms)	Number of Firms	Number of Powerlooms	Number of Firms Producing		
			Crape	Pongee	Both
9 and less	50	300	19	26	5
19 and less	27	373	12	9	6
29 and less	17	407	7	5	5
49 and less	4	143	—	—	4
99 and less	7	421	5	—	2
100 and over	3	310	2	—	1
Subtotal	108	1,954			
Outsiders	6	232			
Grand Total	114	2,186			

Figures are taken from the Survey conducted by Two Industries Cooperative Association.

average number of powerlooms being 4.2, the corresponding scale of weaving operations in this area is a little bigger and the average number of machines is 20: (total number of weavers–113: total number of weaving machines–2,228). As the scale is bigger here, so fewer weaving operations are conducted on subcontract basis than in the Tango District.

The history of silk crape production in Nagahama also dates back to the remote past. Its production was resumed soon after the last war and the number of power-looms was also increased. The assemblers in this local producing area operating on an ordinary scale are fulfilling such functions as sorting, storage and financing, but but as to the merchandizing function practically nothing has been done except in extremely few cases.

Putting it in another way, a few relatively influential weavers who succeeded in increasing their capital and in developing their administrative ability in the postwar period tended to undertake the merchandizing activities. Among various kinds of silk crape the specific demand for the plain white type with woven design (to be shown up when dyed later) has grown continuously in recent years, but it appears that this new trend was caused not so much by persistent efforts on the part of the wholesalers as by the weavers. Moreover, in order to deal with the disadvantage of silk crape that its quality was greatly affected when it became wet, forms of treatment to prevent such deterioration were devised by some of the influential weavers. Nevertheless it is generally speaking fair to conclude that these weavers are still uninterested in carrying out merchandizing activities to a sufficient extent.

As to the channels of their business transactions a greater part of their silk crape and pongee production is sold to wholesalers in the collecting/distributing centers in Kyoto, Osaka, Tokyo, etc. through the assemblers in Nagahama. However, in addition to these sales channels a few of relatively influential weavers, having a close relationship with the wholesalers in the collecting/distributing center in Kyoto, etc., sell a part of their production directly to wholesalers, the bypassing the assemblers in Nagahama. As far as this sales channel is concerned, it is conceded that there is an attempt to shorten the distribution channel, but it appears that there is no strong incentive to expand this channel and make it the exclusive distribution method.

Possible reasons of this situation are the inclination that the wholesalers at this collecting/distributing center are reluctant to deal in particular products having specific characteristics, as already described in the account of the relationship between Nishijin (producing area) and Muromachi (collecting/distributing center), and the disadvantage that the selling price is a little lower than that when the same sale is made to the assemblers in its local producing area, and further, the term of a promissory note is usually as long as 20–30 days. The specific reason for such low prices is the practice of wholesalers in Muromachi Street in Kyoto who still maintain the out-of-date conventional practice that every time some product is laid in stock, the weavers are made to understand that a portion of the wholesalers' overheads are to be borne by the weavers on the pretext of a commission. This practice should naturally be discontinued in the interests of modernization in the economic sector of distribution.

(4) Cotton Textiles for Export Produced in the Nishiwaki Area:

The Nishiwaki area has long been known as a producing area for cotton textile of the pre-dyed type for export. But, owing to the recent labour shortage, the scale of piecework weaving operations is beginning to become smaller and smaller, resulting in a rapid increase in type of family-shop operation using only 4–6 weaving machines. In the meantime what we call the assemblers in this producing area are locally known as "selling agents in a producing area". During the wartime and post-war period very strict regulations affecting raw materials and a system to encourage the export business were enforced. Under such circumstances most (80 %) of these "selling agents" were obliged to be affiliated with this or that spinning company. The spinning companies in turn began to have the weaving operations carried on by subcontracted pieceworkers through the selling agents in this area. In this way such weaving operations became common. This historical development was the way in which this type of weaving operation peculiar to the Nishiwaki area came to be firmly established. Among 80 wholesalers in this producing area, 29 are union members and 1/3 of them work as piecework weavers by way of a side job. This is why there are a large number of very small scale outsiders. The typical form of business transaction in this area can be described in a few words to the effect that the so-called "selling agents" are nothing more than the representatives of the spinning company, organising the piecework subcontracted weaving operations on behalf of the spinning company. Putting it in another way, a spinning company concludes a contract with a trading firm (exporter) in Osaka as a first step and this trading firm concludes a subcontract with the "selling agents" in Nishiwaki so that the piecework weaving operations may be undertaken. Then these "selling agents" are held responsible for seeing that the piecework weaving work is completed by those weavers who are to act on their behalf, who also see that the thread dying and necessary processing are dealt with by the appropriate specialists. The selling agents make payment for all this work. Consequently, the activities of these "selling agents" are functions such as financing and risk bearing to some extent, but positive activities such as working out of designs and merchandizing are entirely left in the hands of the trading firm in Osaka. Only a few influential assemblers even go so far as to obtain the raw thread on their own responsibility and supply it to the piecework weavers, buying their finished products from them. Therefore, we may conclude that only these assemblers are performing the merchandizing function to some extent.

(5) Some Other Fabrics in Kinki Area:

The area surrounding Takada City in Nara Prefecture is known as one of the largest producing areas for knit fabrics (approximately 40% of the national output), especially socks and stockings. Production in these lines there made remarkable progress after the end of the last war. When production was started, the operations were undertaken rather as a mere means to help individual household economies, and the makers of raw synthetic fiber thread greatly promoted its development. Yet because of the way this industry developed as a means of obtaining subsidiary assistance for households, it is not of an enterprising character. Practically none of the socks and stockings makers, who employ knitting machines of both old and new types, are properly equipped with facilities for mass production. Even in the case of relatively large-scale manufacturers mixed rows of knitting machines of the latest type and obsolete models with low efficiency are arranged in their work-shops. The number of those enterprises belonging to the Union is 480, but if the outsiders are included, their total number comes to approximately 1,200.

The manufacturers of knit products in the Takada area operate in a diversified manner, but the types of their operations may be briefly summarised as follows:

(a) Being affiliated and operating in concert with some of the big trading firms like Marubeni, Itochu, etc.: this line is also connected with another line of raw thread makers, having many subcontracted shops included under their influence.

(b) Being affiliated and operating in concert with big hosiery makers like Fukusuke, Renown, etc., in their subcontracted production.

(c) Production being carried out by way of collateral activities by the wholesalers in this producing area.

(d) Those who are selling a portion of the greater part of their production through the wholesalers in this producing area.

TABLE VI Relative Volumes of Socks & Stockings handled by Wholesalers in Osaka and Nara Prefectures: 1968

Area	Number of Wholesalers	Kind of Commodities		Channels	
Osaka	99	Socks	84.5%	Wholesalers	38.8%
		Seamless Stocking	10.3%	Retailers	35.7%
		Tights	4.2%	Supermarkets	13.4%
				Dep't Stores	7.6%
					2.4%
				Foreign Trade	1.1%
Nara	49 (including 29 union members.)	Socks	93.9%	Wholesalers	86.1%
		Seamless Stocking	3.8%	Retailers	6.9%
		Tights	2.3%	Supermarkets	6.7%
				Dep't Stores	0.1%
					0.3%

Because of operations by a great number of extremely small-scale producers, needless to say the assemblers are operating there, too. These undertake such functions as collecting, sorting, storing and financing, and then sell the goods to the wholesalers in a collecting/distributing center in Osaka; but the wholesalers in this area are now beginning to decline, partly because of the proximity of Osaka. As is clearly shown in Table VI, the number of wholesalers in Osaka is twice as many as that in Nara and 60% of the total production is handled by the wholesalers in Osaka.

Some socks are knitted in a plain solid colour and there is a tendency on the part of the large-scale retailers like super shop to prefer plain solid colours, but the greater number are made with designs and hence this business involves an element of fashion. The specific pattern for design is determined by a strong suggestion or demand from the wholesalers in big cities. The assemblers in this producing area work out and decide the desired patterns and have the knitters finish the products. From this point of view, we can say that the assemblers in this producing area are also carrying out the merchandizing function to a certain extent. They are obliged to perform such function, because the scale of operation of each knitter is extremely small. The physical distribution, or delivery of the goods is by daily shipment to Osaka by the assemblers in this producing area.

The volume of socks business handled nowadays by the large-scale retailers is approximately 20% of the total output. This figure is expected to greatly increase in future when the distribution system is improved. However, because it is too troublesome for the large-scale retailers to make rounds themselves to so many small-scale makers scattered over a wide area to make purchases and selections, at the moment they obtain the necessary goods through the city-wholesalers or through one of the big trading firms. In other words no effect from this situation is experienced by the assemblers of this producing area.

This leads to a conclusion that a new trend in the field of knitted goods in Takada area shows that there is a move on the part of the wholesalers in big cities to exericse direct control over the point of production, and also that there is another move on the part of some big trading firms to bring about a grouping of many different manufacturers in affiliated and concerted operations in the production of seamless stockings (and partly of socks ,too). The production of seamless stockings needs to be on a fairly large scale and it is said that an appropriate scale of production requires 50 knitting machines combined with 1 colour-setting machine. Because of the very high cost of the necessary machines, it needs capital of the order of ¥100,000,000, and 3-shift-operation by a total of 15 machine-operations. Because oligopolistic control of the market by a few of the biggest firms is a feature of this business field—for example, by Gunze, Fukusuke, Naigai, Renown, Atsugi, Katakura, Kanebo, etc., the small enterprisers in the Takada area have no other way to operate independently except by accepting piecework subcontracted knitting operations by arrangement with one of these leading firms. Their finished products are taken back by the leading firms and sold under their national brands. In other words, there is in effect not much room for the assemblers in this producing area for seamless stockings to act independently: the greater part of these goods are sold either to the leading firms or to their sales agents. In short, the simplification of distribution is clearly observable.

Lastly, the blanket makers who are concentrated in a town called Izumiotsu, Osaka Prefecture, constitute one of the largest points of production for blankets in Japan. The number of enterprisers is 843 (463 of them being subcontracted makers) and the number of blanket weaving machines is assessed at 3,269. The average number of machines for each maker is 3 (excluding one or two big manufacturers), so the majority operate on a small or very small scale. The number of those who have more than 20 machines is only 12. There are 40 assemblers in this area and of these 8 operate as manufacturer and also as wholesaler at the same time. Their transactions are mainly through the channel of producer—assembler—wholesaler (city or local). Some of these products are sometime sold directly by the producer or the local assemblers to local wholesalers, department stores or supermarkets without passing through the hands of wholesalers in the collecting/distributing center, so their marketing pattern is unstable. Further, there is still a distribution method whereby the goods are taken over by a few peddlers, though it is used only rarely.

Again in this case of Izumiotsu, owing to its short distance from Osaka, the volume of business deals handled by the wholesalers in Osaka amounts to 2/3 of the total output, leaving the remaining 1/3 to be handled by the wholesalers in this area.

A technical innovation is now being made in the production of blankets. An endless variety of blankets made by new methods or from different materials, in addition to the pure woolen type of blanket, are now being made. Such are tufted blankets which are made by fixing synthetic fiber on the surface of the base-cloth, unwoven blankets which are made by quilting thinly spread fiber and so on, and furthermore countless varieties of fiber are being utilised such as staple fiber, or chemical fibers of various types made from acryl or acetate. When this chemical fiber made from acryl is used for tufted blankets, the product is very light in weight and warm in quality and for this reason the production of this kind is now making headway. It is also now being planned to introduce a new type of machine which operates without the use of a shuttle.

As to the kind of blanket manufactured by using chemical fiber, guidance is given by the raw material makers as well as by the trading firms. The merchandizing function is being performed rather by these manufacturers and trading firms under a special contract than by the local assemblers. Some blanket makers, who are under contract to large-scale retailers such as supermarkets, sometimes deal directly manufacturing and selling in a limited quantity to order, in conformity with the patterns of design required by the retailer, but in other instances sales are handled by the assemblers in this producing area. In the former example the assemblers are all excluded. The quality blankets are generally sold to the department stores and on many occasions they pass through the hands of wholesalers in Osaka. Again, similarly in the Izumiotsu area the activities of the assemblers in this point of production that used to be of a broker nature are gradually beginning to be curtailed as a result of changes both in production technique and in marketing.

Another special feature of this area which is of interest is the remarkable growth of a business firm exclusively specializing in a new method of instalment selling. This particular firm, acting in concert with several of the most influential makers, gives an order for tufted blankets and carries out its sales program by setting up branch headquarter offices in every prefecture without setting up any further subcontracted stores. Each of them is designed to promote sales by utilizing local women's clubs as if they were chain stores. The capital needed for such selling by a new instalment system is provided by the raw thread makers and contracted trading firms. Out of the annual total sales of 20 million blankets as many as 5 million blankets were sold in the year 1970 by this instalment selling firm alone, and it is said that this firm has a sales target of 7 million blankets for the year 1971. Again in this case, needless to say the assemblers in this producing center are excluded.

In this way both in the case of socks business in the Takada area and similarly in the case of the blanket business in Izumiotsu, although the operation is being carried out on an extremely small scale, the business deals handled by the wholesalers in the collecting/disbributing center amount to a great volume owing to the short distances from Osaka. Thus the power of the assemblers in these producing areas is steadily diminishing, while on the other hand the controling influence of both large-scale blanket makers and the large-scale raw material makers is becoming greater and greater. The other new tendencies which I have described will tend in my opinion to accelerate this trend.

(6) Assemblers in Other Industries:

In addition to the textile industry there is in the Kinki region a variety of local producing areas of miscellaneous products manufactured by different enterprises operating on a medium or small-scale. Assemblers are carrying out their own activities at each of those producing areas. Among these varied kinds of industries some are successful owing to an ever-increasing domestic demand or a growing foreign trade. An example is the case of synthetic shoes in Kobe. Some, however, are being confronted with stagnated demand. These include cutlery, earthen wares, lacquer wares, abacus, and other manufacturers. The activities of assemblers in their respective producing areas are, generally speaking, stagnated except in some cases of growing industries, and yet the state of affairs is practically similar to that in the textile industry as described above in that the very existence of the medium- and small-scale enterprisers would become impossible, but for the assemblers in their respective areas.

(1) Synthetic Shoes in the Kobe Area:

The term, synthetic shoes, is a general name for various kinds of shoes such as shoes of which a portion is made from synthetic leather, rubber shoes, shoes made from cloth and synthetic plastic (vinyl shoes). With the exception of the last, standardized products are made by a large-scale manufacturer, but the plastic shoes are made for use by girls and children in countless varieties of colour and design and, because of the seasonal demand, practically all of these products are handled exclusively by the medium- and small-scale enterprisers. When we refer to synthetic shoes in a narrow sense of the word, we mean the kind of shoes just mentioned. The production of this kind of shoes achieved a rapid development soon after the last war, maintaining every year an annual growth rate of over 20% in its export business. The relative production shows 2/3 for the domestic market and 1/3 for export. On many occasions these goods are sold for domestic use to local wholesalers through the assemblers in the producing area and the assemblers are fulfilling the merchandizing function—namely designing—in addition to such functions as sorting of various types of this product and financing on behalf of the makers. In addition the large-scale retailers are beginning to move towards direct linking with the makers without passing through the local assemblers. However, there is a doubt whether this tendency will develop further or not. The reason is because the particular designs to be planned by the medium- and small-scale individual makers are naturally of limited nature, setting aside the case of standardized products, and a direct linking system would make it impossible to make adequate sorting of such countless varieties of products.

In this way, as far as synthetic shoes are concerned, judging from the situation as things stand, there are good reasons for the existence of the assemblers in the producing area because of the design problem and that of seasonal demand. However, since production circles are now planning to achieve the modernization of their production facilities for joint use, what must be questioned in this connection is, in my opinion, whether the local assemblers could perform the distribution function to the fullest extent to satisfy the need which will arise from the change expected when all producers establish their new system for concerted activities. In particular, it is noted that each salesman is inclined in all likelihood to make himself an independent petty broker, and I believe this would contribute to a state of confused marketing.

(2) Cutlery in the Miki Area:

Cutlery products are highly diversified in kind and there are several major producing areas scattered around the whole country: the Miki area being one of them. The principal products in this Miki area are tools for carpenters, plasterers or cement layers, and implements for agriculture. In addition machine tools of foreign style came to be made here in the period soon after the Manuchrian Incident.

The number of wholesalers in this producing area is showing a tendency to increase. Generally speaking, some of the products of this area are sold to the local wholesalers, but 70% go directly to the retailers. However small-scale firms may be, because of the nature of metal products, activities such as product development, investment for plant and equipment, and rationalization are all being positively pursued. Some of their products are sold with the makers' brands. In contrast with a tendency on the part of most manufacturers to become more and more influential in this way, most of the assemblers in this local producing area are too small in their scale, and their functions are found to be inadequately carried out, too. Putting it in other way, since production capacity is tending to increase and makers are all anxious to expand the kinds of their products on the one hand, while the assemblers are too small in their operating scale and too many in number on the other, the producers are naturally driven into the position that they are obliged to deal with several wholesalers. As for the merchandizing function, the wholesalers are performing this activity by giving guid ance at least so for as the imitation of foreign-made products is concerned.

Some of the new moves in this area may be well illustrated by an instance where a maker who designed a set of handicraft tools for use by school children succeeded by developing a specific channel of distribution of his own planning. In addition what they call the 'voluntary chain' formed on the initiative of the wholesalers, is being utilized, through which an assorted set composed of products not only of Miki but also of other producing areas can be delivered directly to specific retailers.

(3) Lacquer Wares in the Kainan Area:

There are a great many producing areas for laquer wares, large and small, throughout the whole country, and the largest in terms of production is the Nankai area. The principal products are wooden bowls, trays, tea-chests, etc; and trays with handles are being produced in increasing numbers in recent years, all of these products winning great popularity. The bodies are made in a mechanized process since the wooden materials of the old days were replaced by plastic in the early postwar days, but coating and finishing design still call for the appropriate traditional skills. The assemblers in this producing area work out the design of the products and each production process is handled by specialised pieceworkers and the necessary materials are all supplied by the assemblers. Therefore, the assemblers perform the very important function of supervising each specialised process of production. Indeed, it is not too much to say that this particular producing area composed of medium- and small-scale enterprises simply couldn't be in operation but for the assemblers. It is solely because of this peculiarity that the cooperative association in this area came to be organised through the concerted efforts of groups of ramified specialists on the hand and the assemblers on the other. All of these products may be divided into two types from the sales point of view. One portion is shipped to the wholesalers in big cities as well as other local collecting/distributing centers (this portion plays more important role than the other if seen from the angle of annual yield) and the other portion is shipped to local retailers or department stores. When shimpent to department stores is to be made, the assemblers see to it that the shipment includes some products from other producing areas after completing their extensive sorting. In this producing area there used to be a broker system in old days, but at the present time only a few brokers survive.

(4) China and Porcelain in the Shigaraki Area:

There are a great number of producing areas for ceramic wares throughout this country, but this particular area called Shigaraki is widely-known for its specialiation in large-sized products. Their principal products in the old days were braziers, but now they are making all kinds of flower-pots for tropical foliage plants on account of the drastic decrease in demand for braziers. In the field of production all efforts are being taken to apply all possible rationalizing measures to improve their old-fashioned kilns by replacing them with crude petroleum kilns, electric kilns, continuous kilns and so on, but in the field of sales the assemblers handle direct sales to the retailers to meet consumer demand, delivering the products by using their own trucks, because there is no agent to do the job of a wholesaler in the collecting/distributing center. The assemblers in this particular producing area are in no way whatsoever involved in marketing or merchandizing. To oversimplify, the assemblers in this producing area perform function whatsoever except that they play the part of a carrier or a forwarding agent, as it were. Only a few of them are engaged in buying normal products from other producing areas to lay them in stock so that they can make the necessary selection and then sell them.

IV Conclusion

So far I have discussed in general terms the subjects of the principal textile products, knitted goods and some sundries in the Kinki region and the functions performed by each assembler in the respective producing areas.

(1) A greater part of the textile and knit goods industry as well as the sundries industry is composed of medium- and small-scale enterprises. Some products manufactured in a mass quantity are on many occasions handled by a particular extremely large scale spinning company as a collateral activity or by a certain large-scale specialised manufacturer, but most of the products in this line are, generally speaking, characterised by their great variety and by the importance of materials and the element of pattern and design. In other words, as the element of consumers' preference for a particular product for the sake of its design constitutes a matter of the gratest concern, so a great number of medium- and small-scale, or on some occasions very tiny firms are involved. Putting it in other words, the bulk of the textiles and knitted goods are being handled by medium- or small-scale firms

and the production of these goods is by this kind of firm, concentrated in a specific producing area.

As far as this type of enterpriser is engaged in production in large numbers, there arises the need for a distribution mechanism as a means to transport the products to market. However, because in contrast to the big enterprisers they cannot perform such marketing activity themselves, the very existence of a good number of distributors such as the assemblers in a local producing point or the wholesalers in a collecting/distributing center must become a prerequisite. For the single reason that the wholesalers in big cities (collecting/distributing centres) cannot afford the time to take the trouble of collecting the products required from a great number of makers and making a selection of all kinds of products themselves, these troublesome jobs are left to the assemblers in the various local producing areas. As far as this activity is concerned, the very existence of the assemblers in every local producing area becomes a fundamental necessity with the one exception of a producing area situated very close to a big city like Osaka. In such cases there is an increasing tendency for some of the wholesalers (particularly large-scale) in a certain collecting/distributing center, keeping a direct contact with a certain makers, to make direct business transactions.

In the meantime, though it is true that the medium- and small-scale enterprisers are gradually accumulating capital, thus reinforcing their business capacity to no small extent, and that in the case of textiles which have a peculiar seasonal demand the wholesalers buy those goods to lay in stock, it is desirable that the payment to the producer should be made as soon as possible so that the operations of all enterprises of the medium- or small-scale may be helped. On many occasions the payment is made by a convention of using fairly long-term promissory note, but the wholesalers are thereby performing their financing function on behalf and for the benefit of the medium- or small-scale enterprisers to some degree.

Consequently, generally speaking, it would be impossible to eliminate the assemblers in a producing area in order to curtail this distribution channel. In short I think that this practice should be continued as one phase a comprehensive distribution system as a means to bring the goods wanted by consumers from production to consumption. However, when we ask how many of the assemblers in their respective local producing areas are satisfactorily fulfilling all these functions, the answer is not always satisfactory. Indeed it is very unsatisfactory to find that the payment of a bill by a fairly long-term promissory note under the pretext of a business convention, that market information is not satisfactorily given to the producer, and that little effort is made in merchandizing. In this connection it must be noted in these days when great environmental changes ae taking place as mentioned above, the prime importance of the merchandizing function cannot be over-emphasised.

(2) However, it is very doubtful whether the assemblers in local producing areas will continue to survive. In the light of the foregoing survey, not a few new

tendencies are observable. However, these new tendencies may prove to be, needless to say, possibly a mere bud of some dormant change or one fragment of a massive iceberg, as it were. As the situation stands now, it is impossible to determine which will develop into a trend of decisive nature in the near future. Nevertheless I shall here point out some of them.

In various business fields involving medium- and small-scale enterprisers so-called "Structural Improvement Projects" for the modernization of business management are now being promoted. The manufacturing field of textiles, knit goods and some sundries is no exception and a similar project has been designed and is now being carried out to raise the low efficiency of medium- and small-scale enterprising, to effect technical innovation and to cope with the changes in the field of marketing. Among such several specialised plans one major principle common to all is enlargement of the scale of their operation and the concerting of activities for that purpose. If this process is carried out smoothly and the scale of manufacturing of textile and sundries is enlarged as a result, then the number of enterprisers would decrease to that extent and it would become possible to expect that the wholesalers in their respective collecting/disbributing centers should do the assembling of the products making stock of them without depending upon the assemblers in their local producing areas. Even where not all of the makers are directly connected with the wholesalers in a collecting/distributing center, those enterprisers who could at least concert their activities and enlarge their operation scale, would shake themselves free from the assemblers in a local producing area, leaving the field of activities of the latter only to be curtailed. Or, in all likelihood it may so happen that a large-scale and growing retailer might make a direct business deal with those makers.

(3) In connection with the "Structural Improvement Project" one point we should keep in mind is that the planning is not hard, but how to carry it out is by no means easy. Speaking of the plan to promote concerted activities at each local producing area as of today, practical progress is only being made by an extremely limited number of enterprisers anywhere, the majority of them being quite indifferent. Their general attitude has it that they would prefer to be master of a castle, however small it may be, or that they simply wouldn't go for any change, but prefer to stick to the status quo. Moreover, to make the situation worse, it must be noted that cases where very small producers are obliged to make a forced use of family-labour owing to the general shortage of manpower, are on the increase. It is true that management on an extremely small scale does have an elasticity, but at the same time there is a great fear that such arduous work including family-labour might aggravate the existing working conditions. Though there is a doubt in predicting to what extent this tendency may continue, it is already operative to some extent, at present. Viewed from this angle, the "Structural Improvement Project" has still a long way to go before it is realised, and as long as such small or extremely tiny firms survive, the local assemblers' activities will also survive for some time to come

in the same way as they are. However, even under such circumstances the assemblers in their respective local producing areas will in all likelihood have to handle chiefly those products manufactured under this small-scale operation. In particular, if the local assemblers continue to performing their functions in an inadequate manner as pointed out above, the relatively influential makers will have no incentive to deal with such assemblers. The assemblers in their local producing areas will therefore be left behind only to become mere brokers.

(4) In contrast with the general decline of the assemblers in local producing areas, some of the medium- and small-scale producers made remarkable strides, thus increasing their capital and administrative capability. Among them some are selling part of their production to the assemblers in the respective local producing area, but on the other hand they are beginning to undertake their own exploitation of their products and their marketing by themselves. It is in fact an important task to establish selling channels, but since it is not easy to do so, on some occasions one can make such exploitation from his own standpoint, but on other occasions it may be more effective to concert activities with some other distribution agent. It is possible to bring out one's own originality in the field of textile or knit goods manufacturing, but technically speaking, it would be difficult to develop novelty to a similar extent as that developed in the machine and metal industry or the chemical industry. Yet no one can assert that there is no possibility of developing a new product and a new marketing channel by making an exact assessment of the consumers' preference and fashion, and moreover a few instances are noted in which success is attained by doing so. Under such circumstance the assemblers in their respective producing areas are generally excluded from such marketing channels.

(5) Lastly, the so-called "distribution revolution" is now making headway, and large-scale retailers (department stores, supermarkets, super stores, etc.) in particular achieving a remarkable growth. These large-scale retailers are making every effort to stock in massive quantity in order to save distribution costs and they are now moving not only towards mutually concerted activities among large-scale stores, but also joint purchasing. At any rate in many cases they are at present making it a point to lay in stock from extremely large-scale trading firms or the wholesalers in respective collecting/distributing centers to save the trouble of dealing with a great many medium- and small-scale makers. If this movement should fail to develop, then the assemblers in respective local producing areas will not experience any direct effect. However, should it so happen that the operating scale of the makers becomes sufficiently large, thus enabling them to engage in mass production to a certain extent, then the large-scale stores would be laying in stock directly from such makers. Consequently we cannot disregard the possibility that the assemblers in the producing areas would go out of business.

Again, where a very influential manufacturer organises most of the medium-and small-scale enterprisers in respective producing areas as his own subcontractors and starts selling those products manufactured by his subcontracted firms under his own brand, the sale of those products with his brand would be through his own marketing channels, thus resulting again in the exclusion of the assemblers in the local producing areas.

So far I have pointed out that a variety of new tendencies are beginning to show up in some of the producing areas where the medium- and small-scale enterprises are concentrated. However, because one of these tendencies have yet become universal, the scope for activity by the assemblers in the respective local producing areas is likely to survive for some time to come. Nevertheless, isn't it possible to predict that, among all assemblers located in the respective local producing areas a differentiation into two groups of extremes those who are influential enough to fulfill the functions of wholesalers satisfactorily and those who are in an exactly opposite situation—would take place and as its inevitable result the latter would turn out to be no more than substitute agents more of the nature of brokers who would be engaged exclusively in the assembling of the goods?