



慶應義塾大学ビジネス・スクール

Daiwa House Industry Co., Ltd.*

Commercially launched in 1955, Daiwa House Industry Co., Ltd. (hereafter “Daiwa House Industry”) is a company that boasts sales of about 1.15 trillion yen and employs about 14,000 workers as of 2009. It has a head office in Osaka, two regional offices in Nagoya and Tokyo, and a network of 80 branch offices and 10 factories across Japan. The company engages in a wide range of business activities that includes urban development involving resort hotels, golf courses, and the like, both in Japan and abroad, in addition to running a housing business, built around made-to-order houses, subdivision houses, and condominiums/apartments, and a commercial building business, encompassing restaurants, stores, office buildings, and so on.

In the fall of 2009, Mr. Makoto Yamamoto, Senior Executive Officer in charge of the General Advertising Department of Daiwa House Industry as a 1 trillion-yen company (with an additional duty of sales promotion from April 1, 2010), was busy working out a future marketing strategy.

Daiwa House Industry

Daiwa House Industry was commercially launched on April 5, 1955 (incorporated March 4, 1947). Headquartered at 3-3-5, Umeda, Kita-ku, Osaka City, Osaka Prefecture, it employs about 14,000 workers (about 40,000 across the Daiwa House Group) and boasts sales of about 1.15 trillion yen as of 2009, with its paid-in capital standing at about 110 billion yen. The company marketed its inaugural product, known as the “Pipe House”, in 1955, and received a structural certificate from the Japan Lightweight Iron Construction Association in 1957 as a technical endorsement of the product as Japan’s first full-fledged steel pipe building. It followed this up with the development of a prefabricated house product called the “Midget House” in 1959 and establishment of Daiwa Danchi in 1961, which was also the year when Daiwa House Industry listed its stock on the Osaka and Tokyo stock exchanges (currently in the first divisions of both exchanges), as well as the Nagoya Stock

This case study was compiled by Professor Akihiro Inoue and Akihiro Nishimoto, Ph.D. Student, the Graduate School of Business Administration Keio University. This case was prepared solely as a basis for class discussion and has no intention to opine on the quality of corporate management or the appropriateness of management decisions made by persons concerned.

The case has been published by Keio Business School (1-1, Hiyoshi Honcho 2-chome, Kohoku-ku, Yokohama City, Kanagawa Pref. 223-8523, telephone 045-564-2444, e-mail case@kbs.keio.ac.jp), and all inquiries regarding the reproduction or any other use thereof shall be directed thereto. The reproduction of this report or any part thereof is prohibited, along with its incorporation into a search system, its use in a spreadsheet and its transmission (electronically, mechanically, via photocopying, sound recording, video recording or in any other form or shape). Copyright © Akihiro Inoue, Akihiro Nishimoto (created April 2010).

Exchange. In the following years and decades, the company worked hard to expand the scope of its operations through a series of initiatives. These included the full-scale launch of an urban development business in 1969, opening of the Hattori Country Club in 1975, entry into the condominium/apartment market in 1977, opening of the first of the Daiwa Royal Hotels chain in Noto in 1978, opening of the Royal Home Center in Nara City in 1980, and establishment of Daiwa Information Service, Daiwa Living and other subsidiaries in the 1980s. In 2001, Daiwa House Industry and Daiwa Danchi merged as the first of a series of split-ups and mergers that continue to this day.

10 Daiwa House Industry has a head office in Osaka, two regional offices in Nagoya and Tokyo, and a network of 80 branch offices and 10 factories across Japan, as well as the Daiwa House Central Research Laboratory in Nara City. Its operations spread across wide ranging areas. These encompass, among other things, a housing business, involving the planning, design, construction, sale, and expansion/renovation of made-to-order houses, subdivision houses, vacation homes, condominiums/
15 apartments, dormitories, company houses, and other residential properties; a commercial building business, involving the planning, design, construction, sale, and expansion/renovation of restaurants, stores, office buildings, medical/nursing care facilities, factories, warehouses and other commercial properties; and an urban development business, mainly involving the planning, development, design, and construction of resort hotels, golf courses, and vacation home complexes, planning, design, and
20 construction for urban redevelopment and community development, sale and management of vacation home complexes, and planning, design, construction, and sales agency for general civil work projects. In addition, the company pursues an international business, involving the import/export of building parts, overseas construction projects and joint ventures, and other activities, and an environment and energy business, as well as planning, management, and membership marketing for golf courses. All in
25 all, the Daiwa House Group (see **Figure 1**) is credited for the construction of approx. 1.33 million homes occupied by approx. 1.07 million households under its housing business and the construction of approx. 30,000 buildings under its commercial building business. It also caters for approx. 3.61 million resort hotel users p.a. and manages 157 facilities.

30 **Figure 2** shows the consolidated and non-consolidated financial results of Daiwa House Industry. On a consolidated basis, it posted sales of about 1.7 trillion yen, an operating income of about 73.5 billion yen, and a net income of about 4 billion yen in 2009, with a return on equity (ROE) of about 0.7%. Although sales increased slightly from 2007, the operating income, net income, and ROE all declined. Its non-consolidated results for 2009 were sales of about 1.15 trillion yen, an operating income of
35 about 47.5 billion yen, a net income of about 5.5 billion yen, and an ROE of about 1.0%. These showed the same trends as the consolidated results, with sales increasing slightly from 2007 and the operating income, net income, and ROE declining.

40

In its 2009 Annual Report, Daiwa House Industry provides a summary report on its financial results by classifying its diverse business activities into five segments for accounting purposes. The first segment, residential, accounts for about 57% of sales and 29% of operating income. The sales and operating income shares of the second segment, commercial construction, are about 31% and 67%, respectively. The contributions of the third and fourth segments, which are resort hotels & sports life and home center, respectively, are small, each accounting for about 4% of sales and a negligible percentage of operating income. Lastly, the fifth segment, other, accounts for about 5% of sales and 3% of operating income. The employee shares of these segments, on the other hand, are as follows: residential about 52%, commercial construction about 24%, resort hotels & sports life about 9%, home center about 2%, and other about 13%.

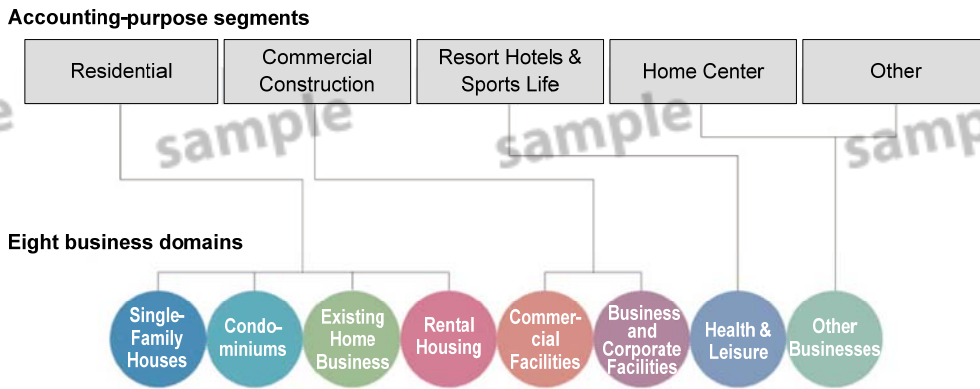
An interesting element of the second business segment, commercial construction, is the Landowner-Company (LOC) system, which is basically land use consultancy. The LOC system aims to match the needs of landowners considering the efficient utilization of real estate for taxational or asset management purposes and those of companies looking for sites to establish new business bases. It is a total solution system designed to collect comprehensive land and leasing intention information on the back of Daiwa House Industry's nationwide information network, covering a wide variety of properties, ranging from large commercial facilities to roadside stores (e.g. fast fashion), showrooms, amusement facilities, and preparatory school buildings, present optimum match-making proposals based on the company's wealth of know-how and detailed surveys, and offer building designs and construction services. This system enables both landowners and companies wishing to set up business bases on their land to enjoy a stable long-term partnership. It has already helped close over 30,000 deals, including Iias Tsukuba, one of the largest shopping centers in north Kanto, which was completed at the end of October 2008, Iias Sapporo, Shonan Mall Fill, and Toshin Eisei Yobiko preparatory school's Gifu Kinpo-cho campus.

The Daiwa House Group unites its diverse business activities under an Endless Heart logo (**Figure 3**). It describes the motto behind the logo as follows (quoted from the Group's 2009 Annual Report):

**The Daiwa House Group works to create new value.
Under our management vision "Connecting Hearts,"
we cultivate ties with each and every customer in all our business activities.
With the "Endless Heart" as our Group symbol, and in the spirit of
co-creating a brighter future, we foster a sense of community,
while striving constantly to enrich people's lives.**

The Endless Heart has its roots in a New Year's message delivered by Chairman Higuchi on January 4, 2005, in which he expressed his desire to unify the logos of group companies to further strengthen the solidarity of the Group. The Daiwa House Group's annual reports, which prominently feature the Endless Heart logo, have won numerous awards, including those from the Annual International ARC Awards, the world's largest annual report competition, as follows: Bronze Award (Overall Annual Report) under the home building class in 2005, Gold Award (Overall Annual Report) under the home construction class in 2006, and Gold Award (Chairman's Letter and Photography) in 2007.

Figure 1 Business Operations of Daiwa House Group



Source: 2009 Annual Report of Daiwa House Industry

Figure 2 Business Results of Daiwa House Industry

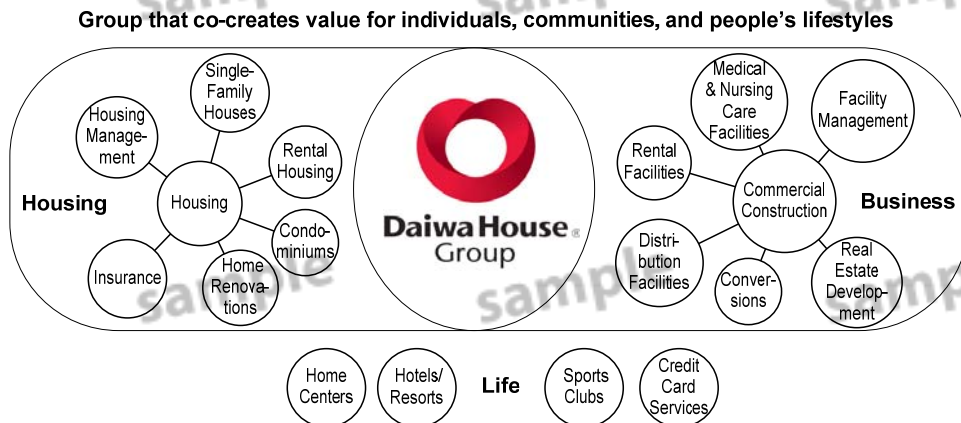
(Unit: million yen)	Consolidated			Non-consolidated		
	March 2009	March 2008	March 2007	March 2009	March 2008	March 2007
Sales/revenue	1,690,956	1,709,254	1,618,450	1,152,431	1,157,660	1,185,664
Operating income	73,580	89,120	85,678	47,503	63,245	60,993
Ordinary income	39,855	61,290	89,356	28,320	49,959	65,636
Net income	4,170	13,079	46,393	5,578	7,446	38,292
ROE (%)	0.69	2.01	7.02	1.03	1.33	6.46

Source: 2009 Annual Report of Daiwa House Industry and Nikkei Telecom 21

Figure 3 Endless Heart Logo of Daiwa House Group



Figure 4 Creating New Value for Society in Three Business Areas of Housing, Business, and Life



Source: 2009 Annual Report of Daiwa House Industry

Daiwa House Industry's Second Medium-Term Management Plan: Challenge 2010

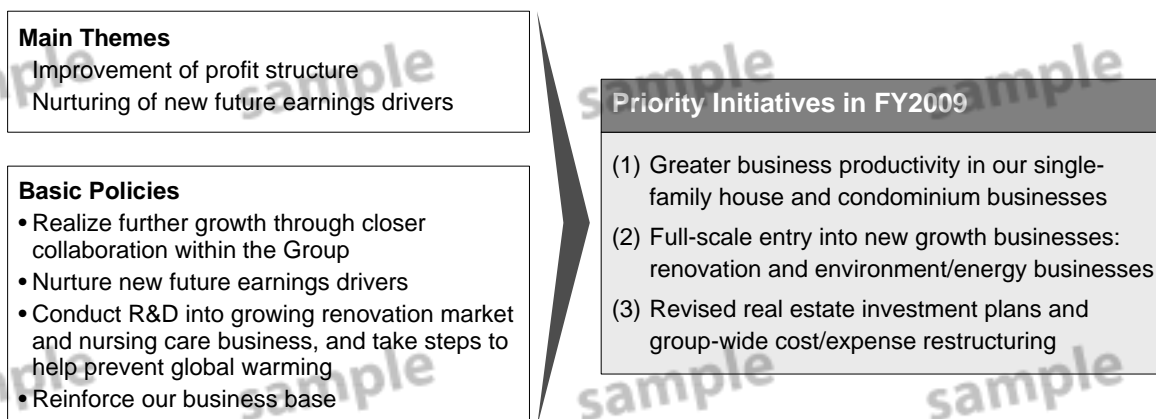
As Mr. Takeo Higuchi, Chairman and CEO of Daiwa House Industry, states in the 2009 Annual Report, the Daiwa House Group, which has “been expanding as a group that co-creates value for individuals, communities, and people’s lifestyles”, works to “develop new markets by creating value for each new age through a ‘Construction Revolution’, a ‘Housing Revolution’ and a ‘Lifestyle Revolution’” by classifying its businesses into the three areas of Housing, Business and Life (see **Figure 4**).

In the Housing area, the Law concerning the Promotion of High-Quality, Long-Term Housing took effect in 2009, signaling a housing policy that emphasizes the maintenance of high-quality housing stock in society. Against this background, the Daiwa House Group plans to, among other things, develop technologies to support the construction of longer-lasting houses, put a system into place that will set up the renovation business as a spearhead into growth markets, develop a high-quality existing home resale market, and provide customer support with a long-term customer relations approach. Through these efforts, it wishes to take “the lead in the revolution toward a housing industry that supports people from a long-term perspective”. Given that the combined floor area of the Daiwa House Group’s rental commercial buildings now exceeds 3.6 million m² with an occupancy rate of 98%, the Business area forms a main pillar of the group’s business strategy alongside the Housing area. It plans to develop an asset management system that connects people and businesses through the development of commercial facilities, logistics facilities, facilities for the elderly, and so on and aims to enhance its status in the market. In the Life area, which was kick-started by a pioneering members-only resort hotel business, the Daiwa House Group plans to engage in a variety of businesses, encompassing a resort hotel, golf course and fitness club management business, a home center business, a housing-related insurance business, and financial services business (mainly a credit card service). In doing so, it aims to achieve further growth in a manner that enriches people’s lives on a life-long basis.

Along the lines of co-creating value in these three business areas, Mr. Kenji Murakami, President and COO, puts forward a new three-year plan titled the “Second Medium-Term Management Plan: Challenge 2010” in the 2009 Annual Report. Challenge 2010 sets three priority initiatives under the framework of two main management themes and four basic policies (see **Figure 5**).

Figure 5 Second Medium-Term Management Plan: Challenge 2010

Second Medium-Term Management Plan: Challenge 2010



15 The three priority initiatives, i.e. “greater business productivity in our single family house and condominium businesses”, “full-scale entry into new growth businesses: renovation and environment/energy businesses” and “revised real estate investment plans and group-wide cost/expense restructuring”, aim to reorganize the Daiwa House Group’s business portfolio within a two-dimensional parameter space defined by sales growth rate and market growth rate. First, rental housing, commercial facilities, and business & corporate facilities have been identified as key business segments for profit growth, with an effort to be made to scale down the commercial facilities business and expand the business & corporate facilities business, in terms of both the sales growth rate and market growth rate. Second, the single family houses, health & leisure, and condominiums businesses are targeted for profitability improvement, with an effort to be made to lower the sales growth rates of the health & leisure and condominiums businesses. Third, the existing home business, centering on housing renovation and real estate agency, has been earmarked for sales growth.

The concrete business performance targets of Challenge 2010 are sales of 1.85 trillion yen and an operating income of 115 billion yen, i.e. an operating income to sales ratio of 6.2%, as well as an ROE of 9.0%. Of the three groups of business segments described above, the first one, identified as the key to profit growth, is subject to a target operating income to sales ratio of 9.5%–10.3%, while the target operating income to sales ratio of the second group, targeted for profitability improvement, has been set at 2.2%–4.7%. The third group, earmarked for sales growth, is required to meet a target sales growth of 1.46 fold relative to the FY 2007 result and a target operating income to sales ratio of 5%.

Construction and Housing Industries

40 Because of a growth pattern characterized by the involvement in diverse business activities, the Daiwa House Group is active across multiple industries, including the construction industry, housing industry and resort development industry. Since few companies have a similar business portfolio to Daiwa House Industry, it is difficult to clearly define the Daiwa House Group’s competitive relationships. For this reason, this paper will concentrate on the construction and housing industries, outlining

Sekisui House Corp. and other competitors in those industries and dropping the resort development industry altogether.

Sekisui House Corp.

Sekisui House Corp. (hereafter “Sekisui House”) was established on August 1, 1960. Headquartered at the Umeda Sky Building Tower East in Kita Ward, Osaka City, the company is capitalized at 186.554 billion yen, employs about 16,000 workers, and boasts sales of 1.5 trillion yen as of April 2009. In addition to an Osaka head office and Tokyo administration office, Sekisui House has six factories, a Kyoto-based laboratory, and a nationwide network of 17 sales administration headquarters, 126 local branches (including 10 relating to Sherwood houses), and 65 customers centers. It is No. 1 in the world in terms of the number of units sold.

Sekisui House engages in diverse business activities, including, among other things, the contracting and execution of building/construction projects, design and construction supervision of buildings, purchase and sale, exchange, and lease of real estate, real estate brokerage/agency, management and appraisal of real estate, real estate consultancy, and research, planning, design, etc. relating to regional development, urban development, and environmental improvement.

Turning to Sekisui House’s business performance, it posted sales of about 1.5 trillion yen, an operating income of about 74 billion yen, and a net income of about 1.2 billion yen on a consolidated basis in 2009, with an ROE of about 1.5%. While sales held fairly well from 2007 with only a minute decrease, the operating income, net income, and ROE all fell. Its non-consolidated results for 2009 were sales of about 1.1 trillion yen, an operating income of about 53.0 billion yen, a net income of about 1.8 billion yen, and an ROE of about 0.3%. These showed similar trends to the consolidated results, with sales retreating slightly from 2007 and the operating income, net income, and ROE suffering more definite falls. The company’s sales breakdown by business segment is as follows: built-to-order housing about 45%, real estate for sale about 21%, real estate for lease about 24%, and other about 10%.

Sekisui House’s medium-term management plan puts forward two organizational reform initiatives: one relating to the head office and the other involving the marketing organization. The head office organization reform consists of measures targeted at the administrative sector, including a shift to group management, group-wide introduction of center functions, and cost cutting; measures targeted at the technical sector, including the establishment of a design headquarters in charge of marketing, product planning, etc. and a technology headquarters responsible for technology management, research, development, etc.; and measures targeted at the construction sector, including the improvement of the quality of construction work, improvement of the construction environment, and strengthening of construction capabilities, etc. The marketing organization reform centers on the abolition of existing local branch-based sales offices, concentration of management responsibilities in the hands of the directors of local branches, and reinvigoration/rejuvenation of personnel in the process. It also has its sights on a region-focused restructuring of sales administration headquarters

based on the establishment of a capital region headquarters and western Japan headquarters as a means to improve the effectiveness and efficiency of the marketing and product strategies.

Sekisui Chemical Co., Ltd.

5 Sekisui Chemical Co., Ltd. (hereafter “Sekisui Chemical”) was established in March 1947. Maintaining an Osaka office, located in Nishi Tenma, Kita Ward, Osaka City, and a Tokyo Office, located in Toranomom, Minato Ward, Tokyo, under a dual head office system, the company is capitalized at 100 billion yen, employs about 19,000 workers, and boasts sales of about 930 billion
10 yen as of March 2009. In the housing area, it has long concentrated on housing production based on the so-called unit technology, dubbed the ultimate industrialized house production system, but now also supplies houses based on a combination of the unit technology and the two-by-four method under the To-You-Home brand.

15 Sekisui Chemical derives its sales from three internal companies. The first company, Housing Company, supplies steel-frame houses under the Sekisui Heim brand (e.g. the Parfait series and the Domani series) and wooden houses under the To-You-Home brand (e.g. the Grand To You series). Guided by the motto “supplying environmentally friendly houses designed to be lived in comfortably
20 for at least 60 years”, Sekisui Chemical has an impressive track record in the supply of houses featuring a photo-voltaic power generation system, all electric houses, tiled exterior wall houses, and the like. The second company, Urban Infrastructure and Environmental Products Company, is an environmental creation-oriented company, whose business activities revolve around the pursuit of an environmental protection business based on advanced waste treatment systems and development of
25 eco-recycling systems designed to support a recycling-based society. The third company, High Performance Plastics Company, offers solutions based on advanced plastic compound, molding, and surface function technologies, centering on electronics, automotive, medical and building materials. Apart from these three companies, Sekisui Chemical has established the P2 Business Promotion Department, which engages in the development and marketing of various semiconductor/LCD manufacturing equipment based on atmospheric pressure plasma technology.
30

Turning to Sekisui Chemical’s business performance, it posted sales of about 930 billion yen, an operating income of about 3.4 billion yen, and a net income of about 1.0 billion yen on a consolidated basis in 2009, with an ROE of about 0.3%. While sales changed little from 2007, the operating
35 income, net income, and ROE all fell. Its non-consolidated results for 2009 were sales of about 340 billion yen, an operating income of about 3.8 billion yen, a negative net income of about 9.3 billion yen (a net loss of about 9.3 billion yen), and an ROE of about –3.7%. While sales retreated slightly from 2007, the operating income, net income, and ROE suffered more definite falls, pushing the company into loss-making territory. The company’s sales breakdown by company is as follows: the Housing Company about 45%, Urban Infrastructure and Environmental Products Company about
40 24%, High Performance Plastics Company about 28%, and other about 4%.

Sekisui Chemical’s medium-term management plan, subtitled “GS21-SHINKA”, sets targets of returning to the 2007 profitability level by 2010 and doubling that by 2013. Identifying the

development of the Growth Front as the key to achieving these goals, it lays out a three-axial approach involving the axes of “global business development”, “value chain development” and “pioneer new growth segment”. Of the 220 billion yen or so that the company plans to spend by 2013, 120 billion yen will go to strategic investments, of which the High Performance Plastics Company is set to claim the lion’s share, about 60%, followed by the Infrastructure and Environmental Products Company, about 30%, and the Housing Company, a little more than 10%. 5

Asahi Kasei Homes Corp.

Asahi Kasei Homes Corp. (hereafter “Asahi Kasei Homes”) was established in November 1972. Headquartered in Shinjuku Ward, Tokyo, the company is capitalized at 3.25 billion yen and employs about 830 workers as of March 2009. In 1972, the Asahi Kasei Group developed the Hebel Haus, a detached house product that used ALC panels, also known as Hebel panels, for structural members, such as walls, floors and ceilings. In October 2003, Asahi Kasei Homes took over the Asahi Kasei Group’s entire housing-related business portfolio, and posted sales of about 410 billion yen. The company has set up 10 sales headquarters across the country. Although it engages in a range of businesses, including collective housing, condominium/housing land development, real estate trading, renovation, financial services, and consultancy, it appears to be putting more focus on housing and development activities. 10 15 20

Turning to Asahi Kasei Homes business performance, the Asahi Kasei Group as a whole posted sales of about 1.55 trillion yen, an operating income of about 35 billion yen, and a net income of about 4.7 billion yen in 2009, with an ROE of about 0.8%. While sales only declined slightly from 2007, the operating income, net income, and ROE suffered more definite falls. Asahi Kasei Homes’ results for 2009, on the other hand, were sales of about 31 billion yen, an operating income of about 17 billion yen, a net income of about 17 billion yen, and an ROE of about 4.5%. Although sales showed an upward trend until 2008, they fell by 40% in 2009. Still, the company maintains a fairly high operating income, net income, and ROE. 25

According to its mid-term management plan, Asahi Kasei Homes plans to further expand its flow businesses (new contract-based construction projects) in the homes segment by intensifying efforts in the rebuilding market and achieving a high profitability business structure. It also plans to shift to a growth structure based on a synergy of flow and stock businesses through growth in the stock businesses (renovation, real estate, financial, etc.) and the development of new businesses. 30 35

Misawa Homes Co., Ltd.

Misawa Homes Co., Ltd. was established in August 2003 as Misawa Homes Holding, Inc. Misawa Homes Holding was a holding company set up by old Misawa Homes Co., Ltd., the predecessor of present-day Misawa Homes Co., Ltd., founded in October 1967. It subsequently absorbed old Misawa Homes Co., Ltd., which had turned into one of its subsidiaries, and renamed itself Misawa Homes Co., Ltd. Misawa Homes Co., Ltd. (hereafter “Misawa Homes”) supplies wooden prefabricated houses based on its proprietary wooden panel adhesion system. Headquartered in Shinjuku Ward, Tokyo, the 40

company is capitalized at about 23 billion yen, employs about 750 workers, and boasts sales of 400 billion yen as of 2009. In addition to the Tokyo head office, it has four regional offices, training facilities, and a logistics center. Misawa Homes engages in a range of businesses, including the production and sale of housing materials and components; design, construction, and construction administration services; and real estate brokerage, leasing and appraisal services.

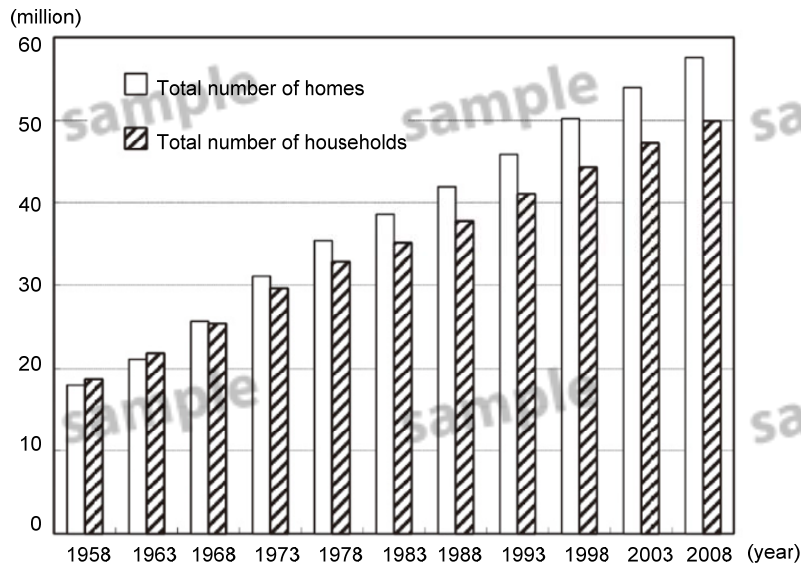
Turning to Misawa Homes' business performance, it posted sales of about 400 billion yen, an operating income of about 8.7 billion yen, and a negative net income of about 3.0 billion yen (a net loss of about 3.0 billion yen) on a consolidated basis in 2009, with an ROE of about -16.8%. While sales fell slightly from 2007, the operating income climbed fractionally, with a negative net income and ROE pushing the group into loss-making territory. Its non-consolidated results for 2009, on the other hand, were sales of about 130 billion yen, a twofold increase from the 2008 figure, an operating income of about 7.4 billion yen, also a twofold increase, a negative net income of about 4.2 billion yen (net loss of about 4.2 billion yen), and an ROE of about -17.6%.

Market Environments of Construction and Housing Industries

Housing Market Environment

First, we will take an overview of the consumer housing market. According to an Electronic Tag Standardization Survey of Housing-Related Industries, released by the Japan Construction Material and Housing Equipment Industries Federation in March 2007, the top 50 companies only account for about 33% of housing starts, and the combined share does not rise above 37% even if the sample is expanded to the top 100, with the remaining 63% taken care of by lower-ranked smaller companies, such as local builders. Meanwhile, the 2008 Housing and Land Survey — An Interim Report, released by the Statistics Bureau of the Ministry of Public Management, Home Affairs, Posts and Telecommunications in July 2009, puts the total number of homes and total number of households in Japan as of October 1, 2008 at 57.59 million and 50 million, respectively (**Figure 6**). These figures represent increases of 3.7 million homes (6.9%) and 2.73 million households (5.8%) from 2003. Given that only 13.91 million homes were recorded in 1948, when the first survey took place, the total number of homes has increased 4.1-fold over the intervening 60 years. The three main metropolitan areas account for 30.10 million homes or 52.3% of the nationwide total. The breakdown is as follows: the Kanto metropolitan area 17.14 million homes (29.8%), the Kinki metropolitan area 9.13 million homes (15.9%), and the Chukyo metropolitan area 3.82 million (6.6%).

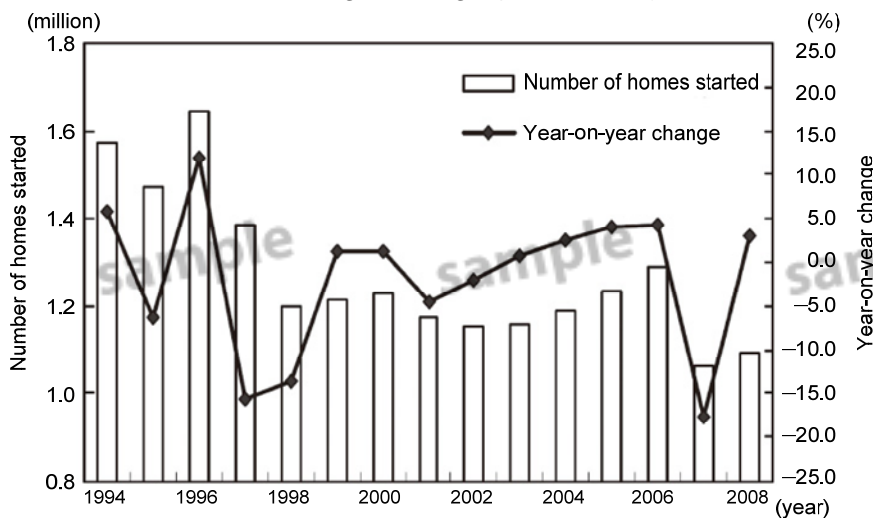
Figure 6 Total Number of Homes and Total Number of Households — Nationwide Trends (1958–2008)



Source: “2008 Housing and Land Survey — Interim Report” by Statistics Bureau of Ministry of Public Management, Home Affairs, Posts and Telecommunications (July 2009)

According to A Survey Report on Building Starts (2008 Portion), released by the Ministry of Land, Infrastructure, Transport and Tourism, there were approx. 1.09 million housing starts in 2008 (Figure 7), up 3.1% from the previous year, marking the first year-on-year increase in two years. The combined floor area of housing units started was 90.768 million m², up 0.1% from the previous year, also marking the first year-on-year increase in two years.

Figure 7 Trends in Housing Starts — Number of Homes Started and Year-on-Year Percentage Change (1994–2008)



Source: “Survey Report on Building Starts (2008 Portion)” by Ministry of Land, Infrastructure, Transport and Tourism (2009)

By purpose, these housing units are broken down as follows: built-to-order owner-occupier houses approx. 320,000 (up 1.2% from the previous year, the first year-on-year increase in two years), rental homes approx. 460,000 (up 5.2% from the previous year, the first year-on-year increase in two years),

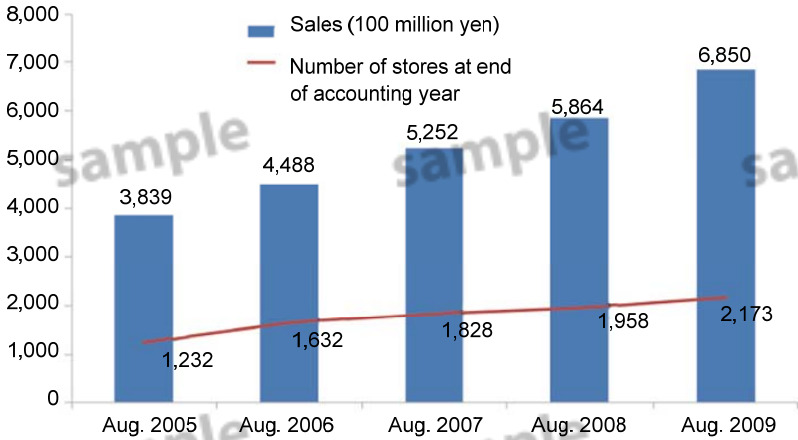
and ready-made homes for sale approx. 300,000 (up 1.8% from the previous year, the first year-on-year increase in two years), which consists of approx. 180,000 condominiums (up 8.1% from the previous year, the first year-on-year increase in two years) and approx. 120,000 detached houses (down 6.8%, a second consecutive year-on-year decrease).

Of the three main metropolitan areas, the Kanto metropolitan area saw a year-on-year increase of 11.7% in the total number of homes, consisting of built-to-order owner-occupier houses (up 6.2%), rental homes (up 18.0%), and ready-made homes for sale (up 8.8%), including condominiums (up 20.6%) and detached houses (down 8.1%). The corresponding figures for the Kinki metropolitan area were: the total number of homes down 1.6% from the previous year, consisting of built-to-order owner-occupier houses (up 2.8%), rental homes (up 3.0%), and ready-made homes for sale (down 9.1%), including condominiums (down 11.0%) and detached houses (down 6.5%). Like the Kanto metropolitan area, the Chukyo metropolitan area experienced a year-on-year increase in the total number of homes, though the margin was much smaller (3.5%). The breakdown was built-to-order owner-occupier houses (up 3.5%), rental homes (up 4.0%), and ready-made homes for sale (up 3.7%), including condominiums (up 7.4%) and detached houses (up 0.3%).

Commercial Building Market Environment

Let us take a glance at the commercial building market through the example of Uniqlo Co., Ltd., a casual wear designer, manufacturer and retailer operating under Fast Retailing Co., Ltd. as its holding company. **Figure 8** shows the trends in Uniqlo’s sales and number of stores. The number of stores rose steadily each year, achieving a 75% or so increase over five years. Sales showed a similar trend. This performance contrasts with some companies in other industries, like McDonald’s, whose number of stores were, according to IR information posted on its website, largely steady over the same period: 3802 at the end of FY 2005, 3828 at the end of FY 2006, 3746 at the end of FY 2007, 3746 at the end of FY 2008, and 3715 at the end of FY 2009.

Figure 8 Trends in Uniqlo’s Sales and Number of Stores



Source: IR information posted on Uniqlo’s website — compiled into graphs by author

Home Purchasing Process

As housing customers, consumers can roughly be classified into three groups in terms of their stage in the purchasing process. These are potential customers, whose demand for a home is still dormant; actual customers, who have a definite demand for a home, know their needs, and short-list products for consideration accordingly; and decision-making consumers, who visit display homes set up by multiple vendors and compare products to make a purchase decision.

Potential customers are thought to recognize an average of about 9.9 brands. They turn into actual customers when their home purchase desire is stimulated by, for example, a change in personal circumstances, such as relocation, career change, marriage and promotion, or media reports (e.g. television and newspapers). Actual customers look at various housing brands and narrow down the list according to their needs. The number of short-listed brands are thought to be about 4.6 on average. Upon reaching that point, actual customers turn into decision-making consumers, and engage in more active information gathering and evaluation, including visits to model rooms and model houses. Decision-making consumers are thought to cover an average of about 4.0 brands in their display home visits. They carry out in-depth comparisons of brands on the basis of information obtained through face-to-face meetings with sales representatives, catalogs, and other information sources. On average, the number of brands decision-making consumers compare are thought to be about 3.8. It is believed that, after this whole process, consumers settle on a single brand and sign a purchase contract.

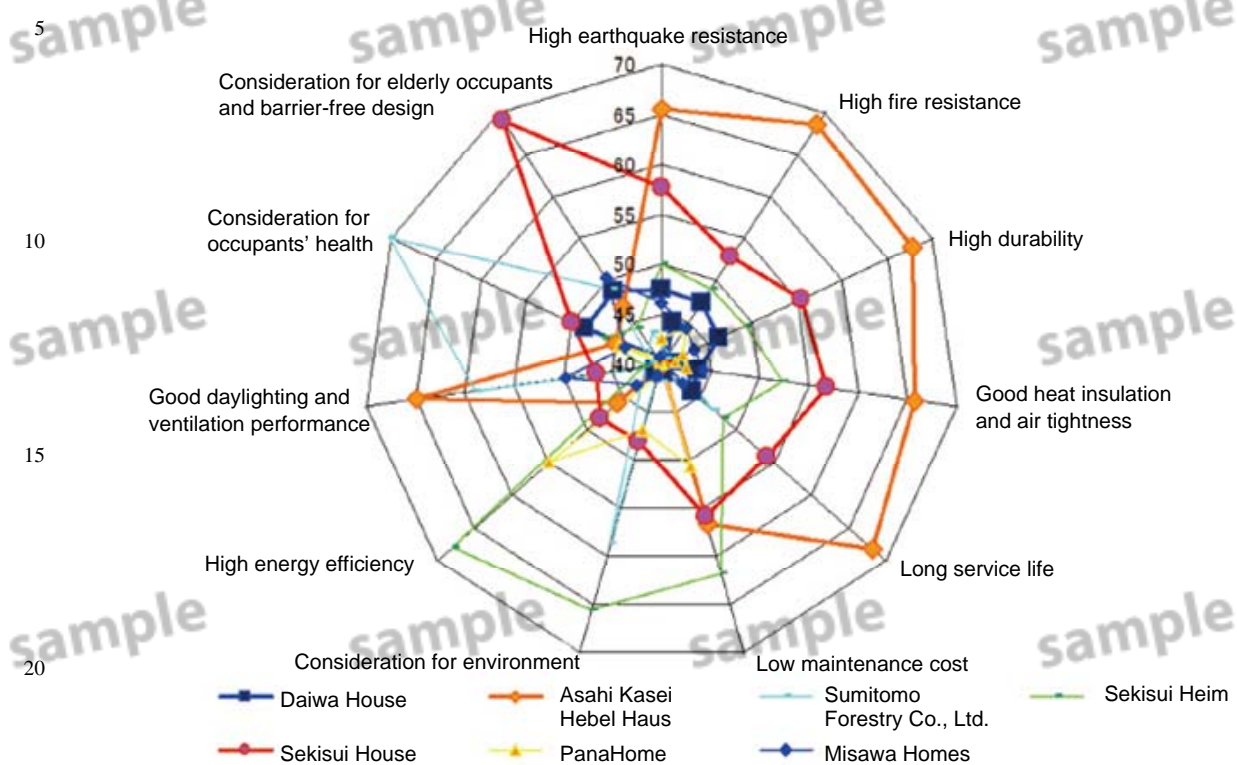
In the Survey of Housing Manufacturer Brand Images (N=1100) conducted by Recruit Co., Ltd. in 2006 by targeting the readers of its Housing Monthly magazine, a good room layout and floor plan topped the list of responses to a single answer question as to the “most important consideration” when choosing a housing manufacturer, followed by high durability, high earthquake resistance, and good daylighting and ventilation performance in that order. When the “most important consideration” and an “important consideration” are combined, the ranking changes as follows: No. 1 high earthquake resistance, No. 2 high durability, No. 3 good daylighting and ventilation performance, and No. 4. a good room layout and floor plan.

Figure 9 shows how the brand images of housing manufacturers were assessed by the survey subjects in the above survey, using questionnaire items such as high durability, high earthquake resistance, and good daylighting and ventilation performance. Sekisui House received a ringing endorsement in terms of consideration for elderly occupants and barrier-free design. Sekisui Chemical’s Sekisui Heim brand was rated high in terms of high energy efficiency, consideration for the environment, and low maintenance cost. Asahi Kasei Homes’ Hebel Haus brand was strong in terms of high earthquake resistance, high fire resistance, high durability, good heat insulation and air tightness, and long service life.

According to Daiwa House Industry’s own study, key contributing factors to decision making as identified by its customers are a sense of security provided by a major manufacturer, good quality and performance, and a helpful sales representative. Items cited as the greatest reason for choosing its product, on the other hand, were good quality and performance, a helpful sales representative, and a

sense of security provided by a major manufacturer. There is a clear parallel between these two sets of responses.

Figure 9 Brand Images of Housing Manufacturers



Source: 2006 Survey of Housing Manufacturer Brand Images

Daiwa House Industry's Marketing Strategy

General Advertising Department

Daiwa House Industry's marketing strategy is mainly developed and implemented by the General Advertising Department. The department consists of the Media Planning Office, which handles the mass media, including newspapers and television, the Digital Media Planning Office, which operates and maintains the company website and intranet, the Sales Promotion Planning Office, which is responsible for sales promotion across all businesses, and the Marketing Strategy Office, which charts a roadmap for the company's integrated future marketing activities, the Operations Administration Group, which provides accounting and other services within the department, and the Corporate Brand Office, which is in charge of the management of the Endless Heart logo and corporate visual identity. The company's Skating Department, to which speed skater Sayuri Osuga, a former Japanese record holder for the women's 500 m track event and an Olympian representing Japan in the Torino Olympics, held in February 2006, belongs, is also part of this department. Meanwhile, public relations activities are the responsibility of the Public Relations Planning Office, which, like the General Advertising Department, is placed directly under the Business Management Headquarters.

The General Advertising Department is headed by Mr. Makoto Yamamoto, Senior Executive Officer (with an additional duty of sales promotion from April 1, 2010). Mr. Yamamoto has a sales background. In his early management career, he served as heads of several local branches/sales offices, and went on to become the Manager of the CS Promotion Department upon its establishment at the headquarters. In FY 2005, he was put in charge of advertising strategies with a mission to improve the company's brand power, and created the General Advertising Department by merging the Sales Promotion Planning Office and the Corporate Brand Office, predecessors of their present-day namesakes, as well as assuming the post of inaugural manager.

Mr. Yamamoto directly oversees the Marketing Strategy Office of the General Advertising Department. The Marketing Strategy Office, which is responsible for the implementation and control of marketing strategies and advertising plans and management of brands, used to be part of the Sales Promotion Planning Office, but has since become independent and answerable only to Mr. Yamamoto. Before the establishment of the Marketing Strategy Office, marketing-related decisions were taken independently by individual business units with little coordination between them, with marketing staff scattered across those units. The future goal for the Marketing Strategy Office is to oversee the marketing affairs of the Daiwa House Group as a whole, make suggestions on advertising, promotion, and product/market development according to market trends, and manage marketing activities in an integrated manner from beginning to end of the marketing flow.

The establishment of the General Advertising Department is the realization of Mr. Yamamoto's long-held dream that dates back to the days when he was the director of a certain local branch located in western Kyushu. The branch managed a homes sales office, collective housing sales office, commercial stores sales office, and customer center, and was a miniature version of vertically integrated organization. For instance, advertising and promotion budgets were preferentially allocated to the homes and collective housing businesses, with the commercial stores sales office and the buildings sales office receiving only small shares despite the fact that they contributed greatly to the branch office's revenue, causing some resentment among their staff. As the director of the branch, Mr. Yamamoto keenly felt the importance of inter-business resource sharing and cross-sector cooperation, and this led to his desire to establish something like the General Advertising Department in the future.

Marketing Strategy

In its Second Medium-Term Management Plan, subtitled "Challenge 2010", Daiwa House Industry, which has grown over the years by engaging in a diverse range of businesses, has set a goal of creating new value for society in the three business areas of Housing, Business, and Life. The Housing area targets single family houses, condominiums, rental housing, etc., while the Business area focuses on commercial facilities and business/corporate facilities, particularly an LOC business for the former, designed to match-make between landowners and potential business tenants. The Life area, on the other hand, encompasses home centers, resort hotels, and so on. Namely, rather than just supplying houses as a housing manufacturer, Daiwa House Industry is also very active in the business and life areas, and it is necessary to raise public awareness of this fact and foster a company image of

being a Major Leaguer. For this reason, it positions itself as “a group that co-creates value for individuals, communities, and people’s lifestyles”.

Mr. Yamamoto has developed certain ideas about mass advertising on the basis of past data and experiences. In the FY 1997–1998 and 2001–2002 periods, Daiwa House Industry slashed its mass advertising budget by about 30%–40%. The result was a major slow-down in the company’s name recognition and a fall in the favorable public perception of it as revealed by the Nikkei Corporate Image Surveys conducted around those periods. This experience gave Mr. Yamamoto various insights into marketing and marketing/communication strategies. One of them is the utilization of advertising media according to their strengths. The following are the views that the General Advertising Department and the Media Planning Office have on the roles of various advertising media: television for name recognition and brand awareness; newspapers and magazines for customer understanding of company messages and offerings; the Web for deeper customer understanding of company messages and offerings, as well as the dissemination of company messages and offerings; and sales representatives and display homes for purchase decision-making and contract signing. There is a distinct flow as follows: television → newspapers → Web → display homes. Since 2006, the General Advertising Department has been implementing marketing programs, particularly market communication, on the three fronts of the Daiwa House Group, Daiwa House Industry, and business operations.

Co-creating Bright Future

The Daiwa House Group’s marketing communication is based on the “Co-creating a Bright Future” theme, which embodies the concept of “a group that co-creates value for individuals, communities, and people’s lifestyles” and has been conveyed through the “Co-creating a Bright Future” series ads, which included episodes such as “Gujo Hachiman” and “Tori Niwa” (Figure 10). The intention behind the campaign was to drive home the slogan “Creating Dreams, Building Heart”, which summarized the management vision of the Daiwa House Group: working to realize a society where people can enjoy enriched lives by creating, utilizing and enhancing new value together with customers as a group that co-creates value for individuals, communities, and people’s lifestyle. Namely, the slogan was designed to convey the Daiwa House Group’s management vision in an intuitive manner. The objective and role of the “Co-creating a Bright Future” series advertising campaign was to present the audience with the “Co-creating a Bright Future” theme in terms of a gentle and serene world view and leave them with impressions such as touching, relatable and classy.

The “Co-creating a Bright Future” series advertising campaign was based on three important viewpoints. The first viewpoint was “coexistence with nature and local climate and co-creation by local people”. It aimed to send a message of coexistence to society and make the audience associate it with the Daiwa House Group’s activities by depicting local wisdom and ideas for coexistence through, for example, an image of a town that harmoniously coexists with water, wind and light or a town or community that matter-of-factly goes about life in a manner compatible with the environment as a local tradition established long before carbon footprint became a big issue. The second viewpoint was “communication, community and community ties”. It aimed to evoke empathy for the Daiwa House

Group's stance by, for example, showing a town that retains person-to-person communication or a town where community ties are alive and well and reminding the audience of the importance of the community or providing them with an example to follow in their daily lives against a background of a rapidly evaporating sense of community. The third viewpoint was "traditional wisdom that is still alive in everyday life and discovery". It aimed to have the audience look at the traditional way of life with empathy and pleasant surprise by depicting practices that have been deep-rooted in our lives and those matter-of-factly followed by ordinary people in their daily lives, rather than evoking a sense of nostalgia, such as "we used to do things this way" or "I long for those good old days", or showcasing commercialized practices designed to arouse tourists' curiosity.

The "Co-creating a Bright Future" series advertising campaign was run through an integrated use of TV commercials and newspaper ads. The TV commercials for the series' "Gujo Hachiman" and "Tori Niwa" episodes received the Minister of Economy, Trade and Industry Award (Most Outstanding Work) in the TV commercial division of the 47th Useful-for-Consumers Ad Contest (2007). In the second half of FY 2008 (October 2008 to March 2009), "Co-creating a Bright Future" series TV commercials were run about 40 times. "Co-creating a Bright Future" series newspaper ads won the Asahi Advertising Award in 2006, 2007 and 2008.

In FY 2009, the "We Build Eco" ad campaign was launched (**Figure 11**). A series of ads have been run in the Asahi Shimbun Globe, a media-in-media publication founded in October 2008, which is published twice a month on Mondays (Figure 11). The Asahi Shimbun Globe was born out of international discussions of the Asahi Shimbun Company held under its Media Research Project, launched in the summer of 2007, in search of a unique publishing vehicle that has a newspaper format but is completely different in terms of style. Launched to take full advantage of print media characteristics, the Asahi Shimbun Globe is indeed a unique publication in that its key editorial concept is "Japan meets the world — thinking about Japan's future from outside Japan".

Why Daiwa House?

A typical example of Daiwa House Industry's marketing communication is the "Why Daiwa House?" series corporate commercials (**Figure 12**). Although "The Man Who Cannot Say Daiwa House", which featured Koji Yakusho, is by far the most famous, the series actually contained 12 episodes. These were "Cells", "Life as A Game", "The House of Candies", "Repeat after Me", "Jack", "The President", "The Ryugu Castle", "Count Dracula", "The Curry Restaurant", "The Whale", "The Man Who Cannot Say Daiwa House", and "The Man Who Cannot ... / Housewarming". In the second half of FY 2008 (October 2008 to March 2009), "Why Daiwa House?" series TV commercials were run approx. 280 times. Unlike old-style corporate commercials, the "Why Daiwa House?" series commercials were produced with the approach of grabbing the attention of the audience by showing them a diverse array of episodes with wild and unexpected story lines, which all end in this familiar tag line: "Why?". To give extra impact to the tag line, they made the storylines intentionally vague and did not introduce any specific messages. "The Whale" and "The Man Who Cannot Say Daiwa House" had environment and condominium themes, respectively.

The use of the question “Why Daiwa House?” is based on the assumption that the audience will connect the dots and conclude: “Perhaps that’s because Daiwa House is good”. Daiwa House Industry hopes that this will motivate the audience to access its website and visit its display homes. Here, the marketing activity focuses on an improvement of the company’s corporate image and name recognition. The campaign has been so successful that a sales representative one day received a visit from the director of a local branch of a company assigned to him as a marketing target because that director wanted to praise the “Why Daiwa House?” series TV commercials in person.

Daiwa House Industry also runs a web-based marketing campaign based on the “That’s Why It’s Daiwa House” theme, which is designed to reinforce the “Why Daiwa House?” theme (Figure 12). The “That’s Why It’s Daiwa House” website lets 40,000 Daiwa House Group employees do the talking.

xevo/D-Room

Xevo is one of Daiwa House Industry’s single-family house brands. Launched in September 2006, the brand is based on a new construction method, developed through the first full technology overhaul in 25 years. Featuring the company’s proprietary exterior wall system, called the “exterior thermal ventilation wall”, as standard, it offers high energy efficiency and high durability. It also incorporates XECoat exterior wall coating, which retains its appearance for a long period of time, and a photovoltaic power generation system, which also adds to the energy efficiency of the house. Thanks to these features, xevo boasts very low running costs. Even with the standard specification, xevo is eligible for a tax concession introduced in June 2009 on the basis of the Law concerning the Promotion of High Quality Long Term Housing.

The xevo series is pitched for built-to-order house buyers. Initial ads featured La Salle Ishii, and focused on the exterior thermal ventilation wall as a unique feature offered only by Daiwa House Industry. As of 2009, however, Hiromi Nagasaki graces the ads, and the marketing focus has shifted to the environmental performance made possible by the exterior thermal ventilation wall (e.g. reduced utility bills and CO2 emissions) (**Figure 13**). In the second half of FY 2008 (October 2008 to March 2009), xevo TV commercials were shown about 110 times. In the Environmental Commercial division of the 12th Environmental Communication Awards, held in FY 2008, the xevo “Eco Bag” episode won the Excellence Award. The xevo “Low Carbon Emission House”, on the other hand, won the 57th Asahi Advertising Award (FY 2008).

In addition to conventional display homes built in model home parks, Daiwa House Industry engages in an interesting marketing activity called “xevos in the Community”. Xevos in the Community are literally life-size xevo houses with actual specifications built in actual communities. They are open to the public, and offer potential buyers rare opportunities to observe the house construction process from commencement to completion, which is impossible once a house has been built. They have been positioned as neighborhood marketing communication sites where regular events are held according to the season and where house designs tailored to community characteristics are proposed.

D-Room is Daiwa House Industry’s rental housing business. The “D” in “D-Room” stands for three concepts. The first concept is Designing Room. On the basis of this concept, Daiwa House Industry offers a wide lineup of living spaces to cater to the diverse needs of tenants, ranging from singles to couples and families, by characterizing rental homes as canvases on which tenants can readily express their personalities and tastes in the realm of housing as the starting point of lifestyles. The second concept is Delightful Room, which involves multi-layer walls and other design innovations designed to make pleasant and comfortable living possible. The third concept is Dependable Room, which involves safe and reliable housing designs in terms of protection from sick-house syndrome, earthquake resistance, and fire resistance.

D-Room is pitched for both potential tenants and landowners (Figure 13). While the traditional images of rental housing are cheapish, only for temporary dwelling, and so on, rental housing supplied under the D-Room business offers the assurance that it is designed for living comfort and quality by Daiwa House Industry, a leading housing manufacturer. Initial marketing activities relied on Misaki Ito and Hitori Gekidan for their appeal to young parents aged around 30, the main demographic of the tenants of the company’s rental housing. Since then, however, the company has reversed the strategy, replacing them with Juri Ueno to attract young singles, who make up the largest share of rental housing tenants. In the second half of FY 2008 (October 2008 to March 2009), D-Room TV commercials were run about 70 times. The D-Room ad titled “Daiwa House’s Rental Housing — Building Homes, Making Environments” won the 56th Asahi Advertising Award (FY 2007).

Figure 12 “Why Daiwa House?” Series Newspaper Ad Titled “Kazenagasu Kujira (Whale-shaped Wind Turbine)” (July 3, 2008) and Website Image

Figure 12 consists of two parts. On the left is a newspaper advertisement titled "なんでダイワハウス?" (Why Daiwa House?). It features a large illustration of a whale-shaped wind turbine. The text includes:

- 「風流鯨(かぜながすくじら)」
- たとえば、
- 「風流鯨(かぜながすくじら)」
- 風と太陽と水と。

 On the right is a screenshot of the Daiwa House website. It features a grid of employee photos and a navigation menu with options like TVCM, 3D/VR, and We Build ECO.

Figure 13 Xevo Newspaper Ad (May 10, 2008) and D-Room Newspaper Ad (March 5, 2009)

Figure 13 consists of two newspaper advertisements. On the left is the Xevo advertisement, featuring a woman walking in a forest where the trees are shaped like water droplets. The text includes:

- ジーヴォに
- 住んでみたら、
- わたし、
- ブナの木
- 60本ぶんの
- CO₂を
- 出してしまおう。
- xevo

 On the right is the D-Room advertisement, featuring three men wearing red glasses. One man's glasses is a tall stack of red glasses. The text includes:

- ダイワハウスの
- 賃貸住宅にすると、
- どちらさまも
- お目が高い!
- 3/6・7・8開催
- D-Room
- 0120-933-080
- Daiwa House

Fall 2009 — Future Marketing Strategy

Thanks to the marketing efforts of the General Advertising Department, Daiwa House Industry has achieved a 134% rise in the number of accesses to its website and a 137% increase in the number of requests for housing brochures from 2006, despite the fact that the number of screenings of TV commercials has been more or less flat across regular program slot, special program slot, and spot ad categories. The company's success in this area has been confirmed by the Nikkei Corporate Image Survey, with its scores rising dramatically from 2004 for a variety of criteria as follows: "favorable impression" up 141% (other companies' average 117%), "recognition as a major company" up 148% (other companies' average 107%), "share purchase intentions" up 146% (other companies' average 101%), and "job application intentions" up 148% (other companies' average 117%).

According to FY 2008 White Paper on Favorably Received Commercials conducted by the Tokyo Kikaku, Co., Ltd. (CM Data Bank), "The Man Who Cannot Say Daiwa House", a "Why Daiwa House?" series commercial episode starring Koji Yakusho, has achieved very high "favorable impression" rating, and this result was confirmed by a survey conducted by Daiwa House Industry in November 2008 (approx. 800 respondents). Namely, about 57% of respondents "liked" or "somewhat liked" the commercial, and the impression of Daiwa House Industry improved among about 37% of respondents. The results of an internal survey undertaken around the same time (approx. 170 respondents, who were all Daiwa House employees) were similar, with about 78% rating the commercial "very good" or "good. Among the reasons given by respondents were "I once saw female high school students having a great time imitating the funny way Koji Yakusho's character says "Daiwa House" in the commercial, and felt it was very popular. I was very happy as a Daiwa House employee." and "In recently years, I have heard a wide range of people, including my friends, acquaintances, business contacts, and others, mention Daiwa House's commercial in conversation, and am myself a fan. It is friendly, funny and good for Daiwa House's name recognition too."

Despite the remarkable successes that all these marketing campaigns run by the General Advertising Department achieved, Mr. Yamamoto still felt that there was room for improvement. For starters, the company's name recognition in Kanto was too low compared to the size of its sales, although it is fairly well known in Kansai. His thinking was: while it is true that the "Why Daiwa House?" series campaign has raised Daiwa House's profile, it is still premature to say enough has been done. Mr. Yamamoto believed that public recognition of Daiwa House Industry in terms of the full range of business activities it was engaged in was still inadequate. In the fall of 2009, he was busy working out a future marketing strategy.

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

**Unauthorized
reproduction prohibited.**

Keio Business School

Best Version 10.5 • EPO