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Report on the Taiwan Market for Wood-Frame Construction and Softwood Building Materials

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Executive Summary

Over 20% of the world's population, or 1.2 billion people, live in China, and more than 20% of the urban workforce is employed by foreign and private firms. Disposable income is growing, 10% annually since 1991, making imported products more accessible. China continues its transformation from a centralized to a market economy, and gross national product has grown from 10% in 1978 to 36% in 1996 (Luo, 2001). China's real estate industry is expanding rapidly due to privatization, tax incentives, and plentiful mortgages. Due to housing reforms that encourage Chinese citizens to own homes, there has been a steadily increasing demand for building products.

Though the Chinese market seems promising, relatively few US firms report successful participation, and managers say this is due to a dearth of complete China business information. Current research on interior building products in China falls short of specific market information, concluding only that there is a potential market. There is little information identifying Chinese product-market characteristics, company competitive advantages, entry strategies, and company performance. This study sought to fill this information gap. The research first developed a model depicting the affects of business objectives, product-market, competitive advantages, and entry strategies on firm performance. Based on this model, a questionnaire was developed and administered using in-depth interviews with Chinese firms and foreign firms doing business in China.

Study findings suggest that foreign firms in China successfully leverage competitive advantages to overcome entry barriers. Cost advantage entry barriers were overcome by scale and scope economies; product barriers lowered by customization and broad product mixes; capital barriers by partnering with Chinese firms experienced in global business; switching cost barriers through shared promotion and education; distribution barriers by increasing Chinese representation, and government barriers by acquiring policy knowledge.

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