

Some Issues of Urban Export Business through Public–Private Partnership

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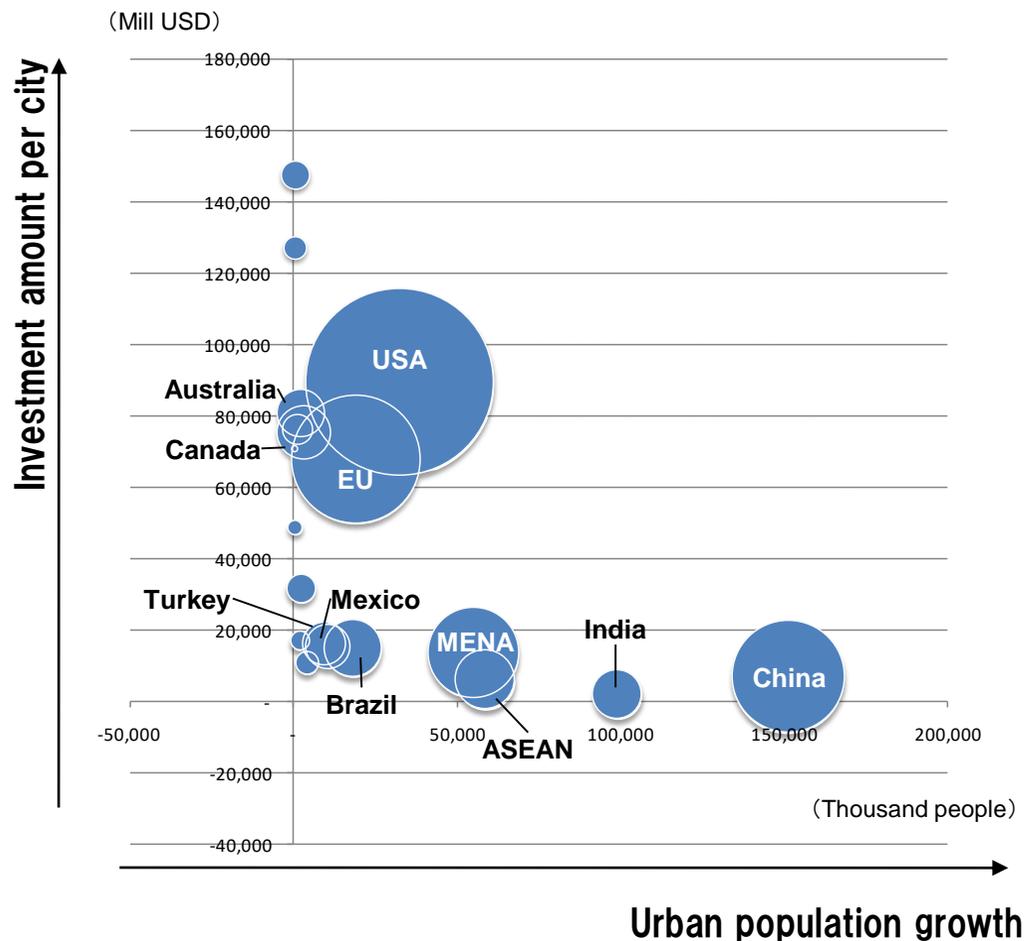
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Urban development market potential

The United States, EU, China and MENA have urban development potential of about \$ 1 trillion annually. The global market is concentrated in 11 countries / regions.

Urban development potential of major countries / regions



Evaluations of major countries / regions

Country	Urban population growth	Investment amount per city	Market Size	Evaluation
	2010-20		2010-20	
	Thousand people	Mill USD	Mill USD	
USA	32,357	89,294	9,631,089	Over \$ 10 trillion
EU	18,845	67,787	4,521,597	
China	150,922	6,856	3,448,956	
MENA	54,785	13,608	2,248,732	
ASEAN	58,502	5,992	955,263	Over \$ 5 trillion
Brazil	18,007	14,876	892,917	
Canada	3,117	75,402	783,445	
India	98,869	1,986	654,372	
Australia	2,290	80,717	616,078	Over \$ 1 trillion
Mexico	10,445	15,459	538,215	
Turkey	9,305	16,203	502,561	
Japan	973	76,087	246,669	
Korea	2,127	31,628	224,227	Less than \$ 1 trillion
Norway	442	147,454	217,117	
South Africa	3,905	10,835	141,039	
Switzerland	331	127,141	140,097	
Chile	1,708	17,021	96,886	Less than \$ 1 trillion
New Zealand	348	48,748	56,565	
Iceland	42	70,896	9,860	
Russian	(1,810)	17,061	-	

What is issue of Japanese Smart City Business ?

We understand strategic theory, but the problem is that we cannot carry it out well.

■ **The smart city market is concentrated in 11 countries / regions**

- Demand for urban development projects overseas is four countries / regions of developed countries, the United States, EU, Canada, and Australia, and seven countries / regions of emerging countries, China, MENA, ASEAN, Brazil, India, Mexico, and Turkey.

■ **Regional entry strategy is the key**

- If the demand area is limited and the market size is large enough, it is important to individually consider the entry strategies for these 11 countries / regions.

■ **Constitution of Japanese companies**

- Although we understand this point, I think that the issue of smart city business in Japanese companies lies in the place where it cannot be implementing well.

There are three changes in overseas smart city business

- Smart cities are means for realizing "financial difficulties (cost reduction)", "realization of a low-carbon society", "efficiency of energy use", "improvement of living quality, safety and security (crime prevention / disaster prevention measures)", etc. It is not the purpose.

Changes in
business model



Changes in
ordering structure



Changes in
industry structure

- From "hard selling (product quality, cost)" to "proposing solutions for urban problems"
- From "Urban development, equipment sales / EPC profit" to "Profit from provided services"
- In order to receive orders, it is important to have a concept, direct sales to the government and achievements.
- The key is whether you can get a prime position
- From split ordering by field / technology to batch ordering
- Leader profits may increase and barriers to entry for latecomers may increase

Some Issues for commercializing smart cities

Japanese companies are also trying to enter the smart city market, but through my research and consulting experience, I have seen three issues.

■ **Products and solutions have not been standardized**

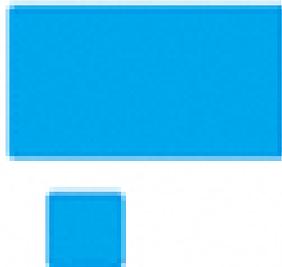
- There is no package such as products and solutions according to the development stage of the city.
- Although the market is concentrated, the product axis is the main rather than the regional axis.

■ **Proper consortium formation is not possible**

- Manufacturers are mainly EPC and short-term oriented, developers are long-term oriented with development risk, and business models are different.
- No company can receive prime Smart City Projects ⇒ **Integrator function required.**

■ **The sales system for long-term business is not established**

- It is a medium- to long-term business, and it takes time to recover profits.
- There is no sense of speed unless the organization that crosses multiple business divisions functions effectively.



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