

# **Product Switching and Firm Performance in Japan**

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## Abstract

Following Bernard, Redding and Schott (2009), we investigate product switching behavior in Japanese manufacturing firms. Using the firm-commodity level database in *The Census of Manufactures*, we find that product adding accounts for 13.1% and product dropping, 11.1% in all manufacturing shipments in 2000. Empirical studies that examine the determinants of product switching show that productivity and the relative size of the firm encourage product switching. When we examine the effects of product switching on a firm's performance, only product dropping through restructuring contributes to improved performance such as growth in output, employment or labor productivity.

*Keywords:* Firm dynamics, Product switching, Productivity, Barrier to entry

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