

The Outcome of Support Program for Foreign Direct Investment (FDI) Investigation of Small and Medium-sized Enterprises 2013

Kanetetsu Delica Foods Inc.

Company profile

- **Address** 5-8 Koyocho-nishi, Higashinada-ku,
Kobe-shi
- **President & CEO** Ken Murakami
- **Industry** Production of processed fishery
products
- **Business** Production and sales of fishery
paste products and prepared food
- **Capital** 40 million yen
- **Sales** 10.6 billion yen
- **Employees** 403
- **URL** <http://www.kanetetsu.com/>
- **Targeted country** Vietnam



■ Title

Developing and Selling High Value Added Products in Vietnam

■ Business overview

Our company was founded in 1926 in Nishinomiya, Hyogo, specializing in the production of fish paste products. We are dedicated to making safe and healthy food that we want to feed our very own children and will commemorate 90 years since the foundation next year. Kanetetsu Delica Foods' character "Tecchan" first appeared on an advertisement in 1951 and since then, he has long been loved by our customers. In 2011, we celebrated the 60th anniversary of Tecchan, and to commemorate this, we opened a workshop facility "Tecchan Kobou" where visitors can experience handmade fish cake making. Tecchan continues to play an active role in promoting our company and products by: appearing on the packages of Kanetetsu products, coming to our shops and various events, and on a social networking site (SNS). In 1990, as the first initiative in the industry, our company manufactured all products with no added artificial preservatives. In 2006, the Rokko plant received the ISO 22000 certificate for the food safety management system. As our work is full of originality, a method of making fish paste products using superheated steam obtained a patent in 2008. In addition to three-dimensional *kamaboko* (steamed fish paste) made by excellent techniques, "Hobo Series" that look and taste like real crabs and scallops are our good sellers. Healthy new products containing soymilk and vegetables are also popular. In 2013, a *kamaboko* product "Hamo-ita Yaki" received the Minister of Agriculture, Forestry and Fisheries Prize at the All Japan Kamaboko Fair.

Kamaboko first appeared in literature in 1115 and this year marks the 900th commemorative year. In Kobe where our company is located, there is a legend about the origin of *kamaboko*. As the story is told, *kamaboko* originated when Empress Jingu pasted fish meat on the tip of her *hoko* (spear), roasted it with fire, and ate it at Ikuta Shrine in Kobe. In tribute to the year 1115, November 15 was established as the "Kamaboko Day." This year, we will hold an event at Ikuta Shrine to commemorate the 900th anniversary of *kamaboko*, to express gratitude for the sea's harvest while offering *kamaboko* to the shrine.

■ Motivation and aim of overseas development (Before Feasibility Study (F/S))

Due to population decline caused by the declining birthrate and aging population, business has been in a decreasing trend. The growth we have seen is no longer expected. We are facing difficulties including a decrease in commodity prices driven by a deflationary spiral. Today, people have diverse diets and there is an increased preference for easy and quick cooking. As a result, they eat less fish every year and demand for fish is slowly decreasing. In terms of procuring ingredients, declining catches and rising market prices of imported fishery products create a difficult environment for the fishery product processing industry. To overcome this situation, we felt the needs to change our profit structure, which completely centered on domestic supply, and to develop overseas demand.

Unfortunately, this idea was never put into action due to a lack of staff who can handle overseas development. However, we came across Hyogo International Business Center's "support for foreign direct investment (FDI) investigation of small and medium-sized enterprises." We applied for the program to conduct a Feasibility Study (FS). Our overseas development strategy was producing fish paste products overseas and shipping them to Japan to sell. Our top candidate country was Vietnam. Since Vietnamese people are generally hardworking and have good manual dexterity, we expected that it is possible to make handmade high-value-added products. Also, we were interested in Vietnam because of its rich fishery and agricultural resources. We were hopeful about procuring quality ingredients and auxiliary ingredients to produce fish paste products. Therefore, we decided to examine whether it is possible to make high-value-added products by hand in Vietnam, which cannot be produced in Japan.



■ Objective, contents, and outcome of the Feasibility Study (F/S)

The objective of the Feasibility Study was to visit Vietnam, find a plant that we can use to produce fish paste products, and also to find suppliers of ingredients and auxiliary ingredients. Our candidate plant was a fishery factory for canned food and mackerel processed food owned by Company A in Ho Chi Minh. By using a part of their plant building, we implemented the test production of 18



high-value-added items, which we set as our target. Through the test production, we examined the following: establishing a production process and providing instructions to staff; hygiene management and providing instructions on the method; checking production efficiency and first pass yield; conducting a bacteriological test; conducting a hazard analysis and checking and making a production flow; calculating costs from commodity prices and ingredient prices; and finding out shipping expenses. We outsourced the investigation to a local research company. As a result, we were able to verify the hand production of high-value-added products, check production capacity and

efficiency, estimate the costs if obtained locally, check if there are any defects to the plant equipment, confirm the status of hygiene management, and calculate expenses pertaining to shipping of products and materials.

■ Future prospects

After the study, challenges were raised including the issues related to exchange rates (weaker yen).

While striving to overcome these challenges, we will improve our products, visit Vietnam again for production, and continue to actively work toward outsourced production or the establishment of a local subsidiary in the future. Since Japanese products are high quality and safe, they have potential to attract especially the wealthy segment of the population. By repeating test sales, we hope to narrow down our local base either from a joint venture, full capital ownership, or outsourced production. In terms of sales, in addition to importing products produced in Vietnam to Japan, we will take into consideration to sell them in Vietnam or export them to Southeast Asia.



■ Comments from overseas business development promoter (Yasushi Nagao)

This is a company that did not initially consider overseas development due to the lack of staff who could handle overseas development. However, by utilizing our organization's F/S loan, the company successfully conducted the survey and found that local production is possible in the targeted country. It is my pleasure as a promoter to see such significant progress. Despite that there are some challenges, I hope that the company will overcome obstacles and achieve their initial objective. Also, for the first time, I learned that *kamaboko* originated in Kobe. I will continue to encourage the long-established Kanetetsu Delica Foods Inc. and also support companies in working toward outsourced production or the establishment of a local subsidiary.