

## Successful examples of support projects for small and medium enterprises overseas expansion in 2015

[Name of project] Exhibition of company's own dried noodles in the US and marketing research

### Kanesu Seimen Co., Ltd.

- **Location** Inohara 212-4, Shingu-cho, Tatsuno City
- **Representative** Egawa Shigeru, President
- **Business type** Food manufacturing
- **Business outline** Manufacturing and sales of dried noodles
- **Capital** 50 million yen
- **No. of employees** 55
- **URL** <http://www.kanesuseimen.co.jp>
- **Overseas deployment situation and plan**



Headquarters

Since 2010, exporting through a trading company to the US, the EU, East Asia, Southeast Asia, and Brazil where there are many Japanese descendants

- **Quality philosophy** “Product in its best condition from the factory to the customer's table”  
We acquired FSSC 22000 as an industry forerunner in 2012.

### ■ Business outline (Change from manufacturing and selling of machine-made dried noodles to hand-rolled somen)

Established in 1907, our company was reorganized into Kanesu Flour and Noodles Co., Ltd. in 1935. As a food company we quickly adopted the company name in Japanese katakana. After discontinuing the flour business in 1954, we engaged in the manufacture and sales of instant noodles such as instant Osho ramen noodles and boiled Osho udon noodles. However, between 1955 and 1965, in anticipation of major industry consolidation, we decided to only manufacture dried noodles. In 1972, we joined the Hyogo Prefecture Tenobe Somen Association, and began manufacturing the tenobe somen "Ibonoito". Later, we established an automated dried noodle factory, introduced wheat flour silos, automatic manufacturing noodle maturing apparatus, and automatic drying equipment. In addition, we introduced an air conditioning system in our factory in order to improve the product quality.

Though the somen market has recently been losing ground to other noodles such as udon and pasta, and is also struggling to compete in the gift market, we try to manufacture various different products using noodle making machines, to promote new market cultivation and product development. One of them is the development of the individual market. We put efforts into mail order from early on, and have recently been making full use of online sales using our website. In addition, we have also worked on collaborative products using popular characters, becoming the industry pioneer in character goods involving Sanrio's "Hello Kitty". Our products designed with Hello Kitty packaging have deep-rooted popularity.



Showcase of noodles at a Japanese supermarket in LA

Our products designed with Hello Kitty packaging have deep-rooted popularity.

## ■ Motivation and aim of overseas expansion

As the domestic market tends to shrink with the declining birthrate and aging population, we find it necessary to cultivate overseas markets. Since 2010, we have exported through trading companies to the US, East Asia, Southeast Asia and Brazil where there are many Japanese descendants. However, in recent years, sales have remained flat. As Japanese food has attracted worldwide attention, we are considering the need to focus our efforts on developing overseas markets. Therefore, we have set out large sales targets.



Mutual trading's sponsored exhibition in Pasadena, a suburb of LA

With the aim of expanding sales, we actively exhibited at food-related fairs held overseas. When we showed a demonstration of nagashi somen, with the cold somen flowing along a simple battery-operated device, it attracted an outstanding amount of interest. We participated in exhibitions in the US, China, Taiwan, Singapore, Hong Kong and Thailand, etc. for three years. With the cooperation of domestic trading companies, our sales channels have expanded.

Among these countries, we will focus on the US, China and Southeast Asian markets. We believe there is still room for cultivation of the US market with its many wealthy people. Although we are exporting goods through domestic trading

companies, these exports have in fact shown sluggish growth, so we needed to investigate the cause. Compared to other markets, China has been increasing inbound and there are many Southeast Asian countries in which people eat noodles as a staple food. That's why we feel that our products can be easily accepted in such countries.

When we actually wanted to know if our products would be accepted by consumers in these countries, we found the FDI investigation support for small and medium-sized enterprises in Hyogo International Business Center, and applied for it. Using this project, we decided to fully understand the actual situation of the US market to create our sales strategies.

## ■ Details and achievements of the project

In October 2015, Mr. Asakawa, overseas expansion promoter of Hyogo International Business Center, accompanied us to the US. He introduced us to Sanrio Inc. in San Francisco and the Los Angeles office. We visited Sanrio's local office and discussed sales rights for our noodles in the US, using the Hello Kitty character design. We also participated in an exhibition sponsored by Mutual Trading in Pasadena, Los Angeles, and visited a Japanese food supermarket, where we received a lot of advice.

In San Francisco, we visited a local trading company and conducted some marketing research on the market. At the exhibition, we cooked tea soba, plum soba, Ibokawa somen, udon and soba including Ibonoito somen and held a tasting party. In addition, we proposed a home party display utilizing a tabletop nagashi somen machine. As a result, the Japanese supermarket customers were mostly Japanese descendants, Koreans and Japanese living in the US. The dried noodle department at the supermarket surprised us with variations which cannot be compared to those of a Japanese supermarket. We think the key point is how to display our dried noodles in the supermarket shop front to get them into the customer's hands. In order to increase our sales volume in the US market, we believe that we need to sell dried noodles as Japanese food at local US supermarkets. Most of the goods sold in the local supermarkets are private brands, and so from now on, we need



Sanrio US Headquarters (San Francisco)

to place importance on (1) health, (2) organic, (3) packaging which makes full use of the features of the supermarket, (4) a price that fits the value of the commodity, and (5) careful sales support with on the spot promotions.

### ■ Future prospects

From the results of this survey, we felt that the sales of healthy, safe, secure and delicious Japanese food in the US can increase even more than before. At the tasting exhibition in Los Angeles for local clients, a large number of people tasted our food, and as a result, we received many orders from buyers, making our sales in the US increase by about 10% compared to the previous year.

Hello Kitty is quite popular in the US and many types of somen are sold at the supermarket, so we felt that our Hello Kitty somen could be very promising. By contracting with the US Sanrio Los Angeles office introduced by the Hyogo International Business Center at the time of our visit, we could conclude a sales license agreement in the US and our somen with the Hello Kitty design began exports to the US for the first time.



CTC Food San Francisco Headquarters

This was the greatest result we achieved through this grant FS survey project.

For the time being, there is also the pigment to consider. In order to meet the FDA's examination criteria, we will develop Hello Kitty Somen involving no pigment for export to Southeast Asia (especially Hong Kong and Taiwan) and the US.



### ■ From overseas expansion promoter (Shiro Asakawa)

I accompanied Kanesu Seimen, the company that adopted the FS grant, on their business trip and realized that the FS subsidy really does contribute to SMEs in the prefecture.

There are many small and medium-sized enterprises which hope to expand their sales channels not only in the stagnant domestic market but also overseas. However, as exhibition participation and marketing development surveys are very expensive in the current difficult management environment, public institution subsidies can help them save money, and the advice they receive from the Hyogo overseas office, the support desk and us becomes an important source of help for them.



It's not easy to increase sales in a Japanese supermarket in the US where there are more kinds of Japanese products sold than in Japan. How to differentiate your product in order to sell would be an issue. On that point, I think that Kanesu Seimen's strategy using the Hello Kitty brand can be largely expected to do well.

Although I worried about the pigment issues with the FDA, I felt that the company could respond by not using the pigment. I think that this company has the flexibility and enough speed for overseas expansion.