

Achievement Case of a Support Project to Investigate Overseas Expansion for Small and Medium-sized Enterprises

[Project Name] Japanese-made auto parts supply business for Malaysia

Taisei Shokai Corporation, Limited

Company Profile

■ Location	Kotooka Building, 274 Kotooka-Cho, Himeji-City
■ Representative	President and CEO Takuma Hiraoka
■ Industry	Auto parts wholesale business
■ Outline of operations	Export and wholesale: automobile parts, equipment, grease & oils, and tools
■ Capital	20 million yen
■ Sales	1 billion yen
■ Number of employees	16
■ URL	http://taisei-shokai.com/
■ Overseas expansion status and plan	This is the first time.



Local sales partners

■ Business Summary

Since our founding in 1945, my grandfather's generation, we have been supporting the development of the automobile industry as a trading company dealing in genuine automotive equipment and superior automotive parts such as brake pads, belts and batteries, with the motto "We are contributing to the automobile industry with an honest and proactive challenging spirit. Finally, we are achieving happiness." We have also been closely connected to the local areas, including selling repair parts to maintenance factories in Himeji, Tatsuno, and Shiso. Currently, we operate sales offices in Hyogo Prefecture, and we are focusing on expanding our sales channels not only domestically, but also to international markets, sticking with our "made in Japan" products.



Warehouse for parts

When we started to expand overseas, we utilized a support project to investigate overseas expansion for small and medium-sized enterprises provided by Hyogo International Business Center, part of the Hyogo Economic Development Center, a public interest incorporated foundation. In markets overseas, customers request automotive parts which are "made in Japan" due to their higher quality over Asian products which are mostly cheaper but bad quality. We place the utmost importance on supplying automotive parts of the highest quality, sticking to Japanese products.

■ Motivation and Aim for Overseas Expansion

This year, it has been 71 years since my grandfather founded the company, and we have been steadily growing thanks to the wave of motorization since my father's generation. However, by the time I joined the company 15 years ago, the market for repair parts had shrunk rapidly due to slower growth in the number of owned automobiles because of the declining birthrate and the aging population, and a decrease in the demand for repair parts because of improved automobile performance. Within the industry, intense price competition was already happening in this shrinking market including cases of businesses closing down because profit could not be expected even if those businesses were succeeded to the next generation, and companies were frequently acquired by major companies. We could easily predict that our industry would be eliminated in the near future and only one or two companies in each municipality would survive.

However, turning our attention overseas, especially Asia, the number of Japanese cars sold, especially exported used cars from Japan, has increased rapidly, and we have learned that this is in an expanding situation as with the sharp rise of the repair parts market in my grandfather and father's generations. A lot of cars that have traveled over 100,000 kilometers in Japan, have been exported to Asia, and it was easy to foresee that the demand for automotive parts there would increase more rapidly than ever. However, we have developed our business only in Japan for a long time, so we had no foothold for overseas expansion. The challenge was how to find overseas customers. Every time we met various domestic manufacturers and suppliers, we asked them to introduce customers and connections for exporting overseas, and finally in 2012, they introduced us to a Japanese consultant in Malaysia who had experience importing auto parts. We identified the following business opportunities in Malaysia.



Local business partner

- Since Malaysia has a population of 30 million and the market size is not so large, major companies have not been actively entering the market, so there are opportunities there for SMEs.
- As in Japan, left-hand drive has been adopted and there are many automobiles made in Japan on the roads. Since automobiles made in Japan have few failures and are very reliable, it is suitable to sell automobile parts made in Japan.
- Japanese luxury cars are particularly popular with wealthy people, and many cars are imported from Japan on a parallel import basis, however, the supply route for the parts has not been established and obtaining parts is difficult. Some parts can be obtained but delivery takes time, therefore, there is a chance of selling auto parts for parallel imported cars.

Under these circumstances, we consulted Hyogo International Business Center in May 2014 and decided to conduct investigations in Malaysia using the support project to investigate overseas expansion for small and medium-sized enterprises provided by the center.

■ Achievement after the Support from Hyogo International Business Center

Since it was a challenge to clarify what kind of parts would be accepted in the market, we took the opportunity of the support project to investigate overseas expansion for small and medium-sized enterprises, and went to Malaysia in June 2014 to investigate consumables such as belts and brake pads, as well as high-performance materials such as air conditioner filters. We also examined what kind of parts made in Japan other than those mentioned above would be accepted. First, we asked the Malaysian consultant mentioned above to investigate the following.

- The name (model, year) and number of automobiles imported in parallel from Japan and distributed in Malaysia
- Import tariff rate, transportation cost, storage cost for each part
- Concrete distribution prices of the target parts in Malaysia
- Distribution route for general automobile parts
- Required license when selling products
- In addition, we visited parts suppliers and maintenance factories to ask them about the following: of all the parts used in cars in Malaysia, which parts are manufactured by Malaysia and Japan joint-venture companies; parts commonly used in cars in Japan and their local selling prices; potential for selling Japanese-made auto parts; the price range and type of parts that can be sold, etc.



Local retail store

When we consulted with Mr. Asakawa, a member of the overseas expansion promotion staff at Hyogo International Business Center, on how we can make this investigation more accurate, the center introduced us to JETRO Kobe which the center collaborates with on a regular basis as part of the framework of Hyogo-Kobe International Business Square. As a result, we were able to receive a JETRO expert's individualized support services for entering emerging countries. In November, we visited Malaysia again with this expert and gave a presentation on the parts that we brought to the site at the auto parts association and at the automobile parts wholesalers. As a result, in addition to being able to learn more about the parts accepted in the Malaysian market and receiving orders for two containers, our company's annual sales in 2016 increased by about 20% compared to before the overseas expansion, reaching 1 billion yen.

■Future Prospects

We now have a sales network for development into Malaysia and are doing well. So far, we have also conducted field investigations in countries such as Thailand, Vietnam, India, Sri Lanka, and Bangladesh. We found that Sri Lanka and Bangladesh were promising, therefore, we are now strengthening market development in these two countries. Meanwhile, since there are many restrictions in India to selling products directly, we are considering exporting products via Sri Lanka. After our investigation, we thought that Vietnam was not promising.

■From Overseas Expansion Promotion Staff (Shiro Asakawa)

They had the opportunity to start overseas expansion through their adoption of the support project to investigate overseas expansion for small and medium-sized enterprises in FY2014. After that, while they were promoting overseas expansion, our center introduced JETRO. They applied for the JETRO expert dispatch service and were accepted, which led to the development of new sales channels for overseas markets with new products, and they started receiving new orders. This serves as a good example of success. It was worthwhile to support and cooperate with them for about three years in total.