

Soft Power & Tough Jeans

An interview with Giles Padmore, head of international distribution & based in the United Kingdom, & Shinichi Haraki, founder & CEO of Iron Heart the WORKS Inc.

By Richard P. Greenfield

Iron Heart is a company well known to Japanese jeans fans. Originally, and still today, a good part of the client base are motorcycle riders, which tells anyone how tough the jeans really are. Shinichi Haraki founded and runs the company. Giles Padmore is the international distributor and runs the Iron Heart website for ordering online.

Q: I would like to roll this back all the way to the beginning and ask how all this got started?

Padmore: For me it started about eight or nine years ago when I realized there was a large market for Japanese denim that wasn't being fulfilled effectively in the West. So I wrote to three or four of the ones I had identified as being appropriate for the Western market and Haraki-san wrote back and said yes. I think I was very lucky because Haraki-san had a friend who spoke English so the email was actually read.

Q: But you had not yet met?

Padmore: No.

Q: So was he the first to say yes?

Padmore: He was the only one to say yes.

Haraki: The first answer was really not yes or no but let's meet. And we actually met in Los Angeles.

Q: Sort of halfway between Tokyo and London?

Haraki: Yes. I wanted to meet with Giles only to see what kind of person he was, not to talk about our specific business affairs such as "what I want to sell" or "how much I want to sell" etc. Because I cannot decide to work with any person unless I find he or she would be a good business partner. When I met him for the first time, I thought to myself that he looked a big nice guy and we could work together well.

Q: About five years ago it seemed that you had a few staple products; now, looking at the newsletters, it seems almost like you have moved to those plus very seasonal items. How did that happen?



Giles Padmore (left), head of international distribution & based in the United Kingdom, & Shinichi Haraki (right), founder & CEO of Iron Heart the WORKS Inc.

Padmore: I think for the first year of our relationship the products were our standard core products.

Haraki: The newer products happened gradually, not all at once. Since eight years ago when I started business with Giles, sales of our goods have been increasing at the same rate as his goods sales. Our sales have been gradually increasing and we have not had any sharp increase.

Q: Was that a function of demand, people directly asking or even saying "I want this", or you thought you could sell more?

Padmore: Well, Haraki started making more seasonal stuff and the collections have been getting bigger and bigger. There are effectively three types of products that Iron Heart makes: there's the standard stuff, standard jeans, standard jacket, accessories, that are always available. Then there's the seasonal stuff, and those are items Haraki dreams up and they are presented to the

retailers when we come over twice a year. Then the third type is stuff that I dream up and ask Haraki to make for me. In most cases that has not even been for sale in Japan.

Q: So let's take that third group. If you propose something, can Haraki come back and say "Giles, rethink that."

Padmore: He can come back and has done and say "No, I won't do it, it does not fit in with my aesthetic." And I don't make that mistake very often now, but I used to. Part of the reason for that growth has also been the forum (on the Iron Heart website) and that's generated an enormous response from customers and, if you like, a great free research and development base.



Q: How large is the forum?

Padmore: 4,000 active members.

Q: That is not a small group.

Padmore: No, and you can probably say that there are ten times that number who look at it but don't register. And I think the forum has been part of the increase in demand in the West, this huge flow of ideas and intelligence and really, once in a while an idea that is so good we ask ourselves why we didn't think of it. But the one thing that I am very, very careful about is to create products which have Haraki's DNA. It always has to have Haraki's DNA.

Q: And the forum was started when?

Padmore: About four years ago. And I think it has transformed our business because there are some things Haraki has had to make for the Western market that would simply not sell in Japan.

Q: Coming to 3.11, how bad were you hit?

Haraki: Most of the factories we work with are in western Japan, so they were not damaged.

Padmore: But there was an impact. There were companies making clothing in the Fukushima region, and they could not stay there so they came down and were placing demand on facilities we were using.

Haraki: There was certainly a problem in terms of the impact upon our production region. However, it was not a big confusion because we had reserved the production facilities earlier.

Q: Looking at trends in your business, how much is inside Japan and how much is outside Japan?

Haraki: Looking at total sales, one-third is outside Japan, two-thirds are inside Japan.

Q: And the western part of the market you see increasing?

Padmore: Well the western part of it now includes all of Asia except Japan.

Q: Let's say the ex-Japan market then?

Padmore: Really, my biggest customer may be a retailer in Thailand. Southeast Asia is a very large market for us.

Q: You sell a lot of jeans on the US West Coast.

Padmore: We have an American retailer, who had only one or two shops when we met, but he now has stores on both coasts and is about to open a new location and he will open more soon.

Q: Let's move over to your side of the pond. Your newsletter listed a lot of events you were giving in Europe.

Padmore: The United States remains my single biggest market. If we combine retail and online sales, that would be followed by Thailand and that would be followed by Germany now and then Switzerland. Germany is growing very fast now; I had one retailer there, now I have five.

Q: Where?

Padmore: Berlin, Cologne, Darmstadt, Hamburg and Potsdam. I also have a retailer in Moscow, and just opened a proper one in London. We also sell in New Zealand, Indonesia, Singapore and Taiwan.

Q: Indonesia, Singapore and Thailand ... the first and the last, at least, used to be motor scooter markets — maybe they have moved up the value chain to motorcycles — but these are hot, tropical countries and these are heavy jeans.

Padmore: In the main these are young people, late teens and twenties who, I haven't worked out why, love this heavy stuff, the heavier the better.

Haraki: We are certainly appealing to our domestic customers with the notion of "jeans wear for motorcycle riders". But we are not making jeans only for the purpose of having bike riders wear them. We are just saying our jeans exactly suit bike riders as one of their sales points. But we are insisting upon our concept that blue jeans are commonly accepted by anybody, whoever they may be — European, American or Asian. We fixed a core identity of heavy weight denim jeans and raised the quality of five-pocket jeans. That is one reason why our jeans have become popular.

Q: A part of the reason we wanted to do this interview is that there has been a lot of talk about “soft power” whether anime, manga, whatever. Do you feel like an ambassador of soft power?

Haraki: Yes, that is true. Textile goods like jeans are a good way of expressing Japanese aesthetics. Shipbuilding, airplanes, paper or books would be another way, but we chose jeans, a clothing product. They are suitable for Japanese skills. I don't think producing formal suits would be so suitable, but the Japanese are excellent in producing jeans. The Japanese personality is good for making jeans, we do not know why. This may come from traditional artisans' instincts such as in indigo dyeing technology. I believe the Japanese are very skillful in adding new added value from their original culture to imported goods and creating new products with a global reputation. Jeans are no exception. Jeans came to us, of course, from the US but we have developed our own style. Perhaps that is a kind of soft power.

Q: But you were cool before there was “Cool Japan”. The government wants to put all this money into pushing Cool Japan. Do you need the government to help you?

Haraki: I heard about this budget program, but I think I do not need it now, though this might be a help for our business in the future.

Q: In another area, do you expect any impact from the consumption tax, on either your Japanese or overseas sales?

Haraki: Our sales in April, and so far in May, are the best ever. The reasons why sales are increasing in spite of the tax hike may be that we do not have any competitor in our business and that our business is extremely simple. As we don't have any rival, we don't have to worry about a possible negative impact of the tax hike upon price competition. We do some advertising but not a lot, and we do not have large exhibitions the way many other brands do; in fact, we have no exhibitions at all. I leave all the overseas business with Giles. This way our business is so simple.

Q: One of the things that the government is also considering is setting up Special Economic Zones (SEZs). Some of these would be to attract foreign direct investment and some would be for Japanese companies. Would a program like that help in what you are doing?

Haraki: I don't think the government is so concerned with jeans, or clothing or any apparel. Their concerns seem to be with IT and other industries.

Q: I wonder if that is actually true. Whenever this talk about SEZs or soft power comes up, so does Japanese fashion. I do not want to say that the government is aware of your problems — they are not — but it may be too much to say that they do not care.

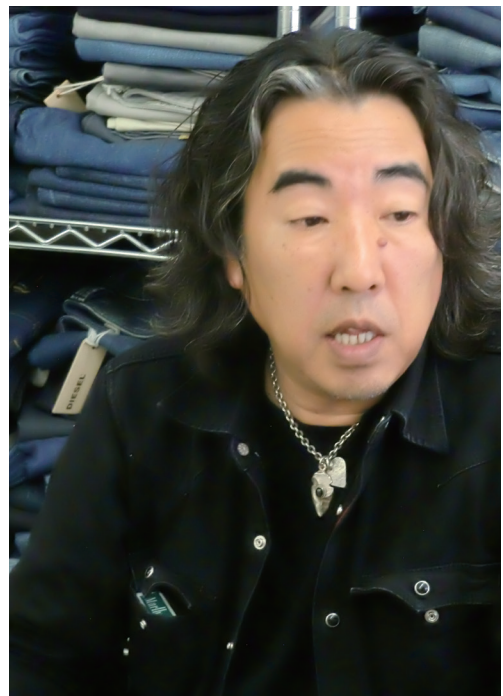
Haraki: Really I would not expect help from them. Overall the apparel business is going down, the money is going down and the number of people working in the industry is going down, partly because it is harder to find people who want to work in the industry. We have the best technology in our textile industry in Japan to produce clothing that sells well all over the world. Whether the government knows it or not, we will do what we want and do not expect anything from the government.

Q: The labor issue is one that is really cited frequently, in other interviews I have done, in articles I read, and so on, and that would be part of the package of creating these SEZs so that people can come in and work.

Padmore: In my view, for us that would be very difficult to do because there are all these interdependent parts: you have the dying factory, you have the weaving factory, you have the finishing factory. There are maybe 10 different places our stuff goes to, before it gets here. And some of the actual tasks might be small but this whole interdependent group of people whom Haraki has worked with for years, you either have to take the whole lot and move them or it won't work. I don't know if the interdependence, the sort of jigsaw that we work with, is unique in Japan or not.

Q: It's not. After 3.11 there were many stories about this and some serious questions.

Padmore: I don't mean to sound negative about the initiative but I just can't see Haraki going down to his mates in Kojima and saying “Right. Let's all move.” You know, I have been down there and one of the really interesting things is that a lot of these factories that we use to make our fabric, they are house factories. There is a house and then another building.



Q: Meaning you have only ten or twenty people?

Padmore: Two. One of the factories that we visit, it is a husband and wife team, I do not know if anyone else works with them but the factory is really a shed on the side of the house.

Haraki: This kind of SEZ might work for mass production but our business is really based on the community, on this network of small factories, so for us it is not so useful. In the case of clothing production, we need local communities just as we had a long time ago. There were indigenous regions such as those with strength in dyeing technology or in weaving technology, etc. We cannot integrate such different local areas into one SEZ. Therefore, I don't think the textile business will need such an SEZ. We will stick to the traditional way to produce textile products and not mass production at the cheapest cost.

Q: There seems to be a contradiction in this. In one way you are describing growing demand for the product and a larger niche in a variety of markets. On the other hand, here at home you are describing a declining ability to produce. How do these things gibe, particularly for you, Giles?

Padmore: I end up with the problem but it's not my problem. That's not me shrugging my shoulders. Haraki's got his hands full with getting that fabric, getting enough jeans made in the factories, and he is proactively thinking of ways to solve those problems, like at his own expense putting some more machines in the factories so that we can duplicate some of the processes where there are bottlenecks now. I think a lot of Haraki's time is spent worrying about how he's going to make all this stuff.

Q: Well then a lot of your time would be spent worrying about whether he is going to succeed.

Padmore: Not much of my time is spent worrying about whether he will succeed because I have ultimate faith that he will. The way that problem manifests itself to me is in product waiting time, so rather than waiting eight weeks for a new jean I might have to wait 16.

Q: But what does that do, what's the business impact there?

Padmore: I don't sell as much as I could.

Q: So you are talking about a business loss if that problem is not solved.

Padmore: Yeah, you are, but Haraki and I have always said that we're happy to grow this business slowly rather than have it skyrocket. So the problems are definitely there, but they're being managed. The fact is my business is growing 20 or 30 percent per year, and Haraki's is growing bigger than that overall. Yes, we could be growing quicker but we're doing well. When I tell my contemporaries in the UK about how my business is going, they always want to know how I am doing that in this climate. So we're losing business but we're still growing.

Q: Overall you are describing a growing business. It has not been an easy few years in the world economy. Would you say that overall you are growing because you have a niche that can and is growing, and because you have a presence in countries that are newly affluent and where there are larger groups with disposable income, such as Thailand and Indonesia?

Padmore: I think it's not just Thailand and Indonesia. The market is growing as people get educated about how great Japanese stuff is and I have a very loyal customer base that not only comes back, but gets on the forum and talks about this stuff, and does word of mouth. If I lie in bed at night and worry about anything it would be what if Haraki can't solve all the problems at the factory, because then I'm hosed.

Q: Then let me throw you a really difficult one. A lot of your business is online and we have horrific security problems in online business now. A few examples: they discovered a hole in Microsoft XP that is a mile wide without a patch, and last Christmas season one-third of Americans had credit cards compromised between Target and Neiman-Marcus.

Padmore: That actually isn't something I worry about, though perhaps it should be. I guess I have faith that we will get it fixed one way or another.

Q: When we first met most of your business was online.

Padmore: Still most of it is, but I guess if people become too nervous or the fix takes too long I can hire people to work the phones.

Haraki: Thanks to the progress of IT, Internet sales have expanded and new businesses using IT were born. We are very grateful for such progress, since we can sell our products online by taking advantage of the Internet. But we are not adopting a business of selling a large mass by producing a large mass. If we have trouble in the Internet sales business, we will choose face-to-face contact with our customers to make our products sell well.

Q: In Japan, how much of your business is online?

Haraki: A quarter. We also have our own shop, which is also a quarter, and then retail is about half. But as time goes by, these ratios will change and we cannot fix the best balance among these sales methods. The key to our business success is not like a lesson from a business school textbook about the best ratio among three different sales methods. Instead, our business is based upon local communities and human handicraft and we leave such local man-made goods with Giles, my friend, to sell them overseas. This is our key to success. Most importantly, as Giles said, we do not have to be rich but happy. This is our business goal and I don't think that expanding business is always a useful goal. There are many other ways to achieve happiness than expanding business. So staying away from government policy, even though we are aware of it, is certainly one way of conducting our business.

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