

CASE STUDY 5 Kikkoman Foods, Inc.

Whole-Hog Localization

Nearly 350 years ago, in a village in Chiba some 30 kilometers northeast of Tokyo, Kikkoman began producing *shoyu* as a family business. Kikkoman was incorporated in 1917 and today the seasoning giant has a 33% share of Japanese domestic soy sauce production and exports its products to nearly 100 countries. Kikkoman's overseas sales share stands at some 25%, according to its consolidated account settlement.

In the U.S., Kikkoman's oldest and biggest foreign market, the name Kikkoman is practically synonymous with soy sauce. The American bottles and cans bear the label "all-purpose seasoning," a term originally coined in a *San Francisco Chronicle* cooking column in 1956 to introduce soy sauce. Kikkoman's publicity staff latched onto the phrase, and the next year, it made its debut on the labels of *shoyu* for export. But the association between Kikkoman and the U.S. goes back farther than that. Before World War II, Kikkoman had established several small soy sauce bottling plants—one in Denver and a few in Asia—mainly supplying Japanese emigrants with the essential seasoning. In 1949, Kikkoman was able to resume exports to the overseas market and in 1957 established Kikkoman International Inc. as its sales company, with headquarters in San Francisco.

Exports of soy sauce soared, and Kikkoman gave its American distribution network further muscle by investing in two American food trading companies in 1969 and 1970. The burgeoning popularity of Japanese food and continuing interest in low-calorie health foods meant that American cooks were using soy sauce in innovative recipes and to season dishes that would never be seen on Japanese dinner tables. Kikkoman decided the time was right to build a full-scale production facility in the U.S.

After extensive site surveys, Walworth, Wisconsin—120 kilometers northwest of Chicago—was selected for the U.S. plant. But when the company requested official approval to convert this area of grain-belt farmland into an industrial site, local residents were vehemently opposed. So strong was the opposition that in October 1971 Yuzaburo Mogi (now managing director) flew to Wisconsin from Tokyo to



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try to smooth things over. Mogi attended local town council meetings and discovered that residents were against the proposed Kikkoman plant for three main reasons: possible environmental pollution and ecological disturbance; real estate tax assessment increases due to higher land prices; and aversion to using fertile farmland for plant construction.

Mogi spent almost three months on the road with a slide show illustrating soy sauce production, speaking on Kikkoman's plans to incorporate the plant into the local farm community by buying locally produced wheat and soybeans and assuring residents that the plant would be pollution free and the company would bear its fair share of real estate taxes. He visited women's groups, farmers' associations and environmentalist groups, and eventually won over the opposition. The county council approved Kikkoman's request, and Kikkoman Foods, Inc. (KFI) was established in 1972 as a Wisconsin corporation capitalized at \$6 million. In June 1973, *shoyu* shipments from Kikkoman's first full-fledged overseas plant began.

The KFI plant had an initial output of 6,000 kiloliters; today 30,000 kiloliters stream out annually. Kikkoman soy sauce has a 45% share of total soy sauce sales in U.S. supermarkets. While most of the production at the Walworth plant is consumed domestically, small amounts are also exported to Canada and Europe. Production continues to increase yearly, with an annual growth rate of 10%. The main ingredients, wheat and soybeans, are obtained locally, and imports of production facilities are limited to items un-

obtainable in the U.S. Ninety locally hired employees have found jobs in the KFI plant, and the company is satisfied with overall operations.

The lessons Kikkoman learned from its experience in Walworth were valuable ones, and applicable to other Japanese enterprises that wish to avoid friction in setting up overseas ventures. Mogi stresses that "a foreign venture must be a real member of the local community." For such a venture to succeed on a long-term basis, he went on to explain, friendly relations must be established with local residents and the foreign company must maintain a sympathetic, low-profile attitude.

Today, KFI is going whole hog in "localizing management." The Walworth plant has only eight Japanese employees, in line with its policy of hiring as many local residents as possible. Its reliance on locally produced raw materials as well means that both manpower and materials procurement are localized. Kikkoman also emphasizes "localization of authority," and expects KFI to make its own decisions to suit local conditions. A KFI executive committee made up of plant executives, attorneys and consultants forms the basic decision-making body and Mogi, as head office representative, attends the committee meetings when requested to do so, then passes his judgments back to the head office. The Walworth KFI is an example of a foreign venture's success through cooperation and localization. ●

(By Ritsuko Misu, editorial manager, the *Journal of Japanese Trade & Industry*)