

Roly Doll: Ready to Face Fresh Challenges

By Kiyoshi Ozawa

The Saison Group, led by flamboyant poet-businessman Seiji Tsutsumi, is one of Japan's highest profile business empires. Centering on the Seibu Department Store chain, the group's highly diversified businesses range from nationwide supermarket and convenience store chains, restaurants and hotels to life insurance, consumer credit, real estate, publishing, travel and film production. Recently, the Saison Group has drawn attention for its aggressive business deals, symbolized by its purchase of Inter-Continental Hotels in 1988.

Roly Doll Inc. is still just a small part of the hard-driving Saison family. Yet its unique management under an American president is translating into outstanding growth. Starting out by baking and selling American-style cookies, Roly Doll has now diversified into the travel business, and is importing furniture and fashionable sundries. Roly Doll may not be a household word in Japan, but its "Aunt Stella" cookies have won the hearts of Japanese women.

Capitalized at ¥100 million, Roly Doll boasted sales of ¥3.8 billion (\$25.3 million at the rate of ¥150/\$) in the business year ended in February 1990, and is projecting sales of ¥5 billion (\$33.3 million) for the current term. It ranks first among Japanese quality cookie makers, with 62 stores throughout the country as of the end of February, including 22 franchised chain stores.

Considering that sales in the year ending in February 1986 were only ¥1.9 billion from 21 stores, Roly Doll's growth has been spectacular. As for profits, its president, Joseph Dunkle, is reticent. "We're in the black," he says in fluent Japanese, "but the figure is not good enough to disclose. Our expenses are heavy and, above all, we haven't raised our retail prices for years." Nonetheless, Roly Doll's declared fiscal 1989 income was ¥86 million, a big 79% increase over the preceding year.

To be sure, the Saison Group has many

giants. There is the Seiyu supermarket chain with annual sales of more than ¥1 trillion (\$6.7 billion), the Family Mart convenience store chain, and the fast-growing consumer credit company, Credit Saison. Besides, there are such listed companies as Seiyu Food Systems Inc. and Parco Co., as well as the over-the-counter registered Yoshinoya D&C Co. and the unlisted Seibu Department Store. Compared with these giants, Roly Doll is a midget. Yet it merits attention for its unique management and future potential.

A convert to Tsutsumi's philosophy

Roly Doll owes its growth to 46-year-old Dunkle, a native of Pennsylvania. Before coming to Japan, Dunkle was an ice cream manufacturer in New York. While with the U.S. Army, he spent a year and a half in Japan in the mid-1960s. "I became interested in the country and wanted to start a business here," he recalls. He was especially impressed by the entrepreneurial spirit of Tsutsumi himself. He later had an opportunity to meet Tsutsumi in New York. Explaining his dream of returning to Japan and getting into business there, he secured the businessman's backing for his venture.

Dunkle started out in Japan in the autumn of 1973 by teaming up with Seiyu to open a pilot ice cream shop, and subsequently started the manufacture of ice cream.

However, it proved not at all easy to run a business in Japan. Shortly after Roly Doll was established as a joint venture with the Saison Group in April 1974, the oil crisis rocked the world economy. His plans to open his own stores in Japan fell through, while his efforts to market his ice cream through mass-sales stores failed. Burdened with huge debts, Roly Doll was driven to the brink of bankruptcy.

It was then that Tsutsumi's undaunted



Joseph Dunkle, president of Roly Doll: Fighting spirit is a key to business success in Japan.

entrepreneurial spirit came to his aid. Taking personal responsibility for the business failure, Dunkle surrendered his 35% equity interest in Roly Doll to the Saison Group. In exchange, he asked Tsutsumi to commission him to manage the company. The request was granted. Although he had been stripped of his stock holdings, Dunkle was promoted from managing director to president in 1982.

With a new lease on life, Roly Doll switched its focus from ice cream to "handmade" cookies, cookies made from quality ingredients with a personal touch, rather than stamped out by machines. Upscale cookies were selling well in the United States as a gift item at the time, while the Saison Group had started to market its hugely successful "*Mujirushi-ryohin*," simply designed quality goods that did not sport a famous brand name. Dunkle put two and two together, and decided to make homemade cookies that would appeal to consumers for their simplicity and delicacy. He thought the 1980s would be an age of segmented markets, and that there would be great demand for

high-class, expensive goods. He targeted his stores on women aged 25 or older.

Dunkle decided to try his hand at simple Early American-style cookies like those his Aunt Stella had baked when he was a child back home in Pennsylvania. Taking into account Japanese preference, he reduced their size from 12-13cm in diameter to 7cm or so, cut the sugar used by two-thirds, and made them harder.

Moreover, he did not use cookie molds. Instead, he decided to hand-mold each cookie. "When I started this business, there were a number of American competitors selling cookies in Japan. But most of them used molds and mass-produced their cookies, and in the course of time they withdrew from Japan."

Selling Early American

Roly Doll has kept on rolling ever since thanks to Dunkle's dedication to the details of production, packaging, containers and store decor. But above all, Roly Doll owes its smooth growth to carefully targeted marketing and advertising. Roly Doll's containers and wrapping paper are so elaborate that buyers hesitate to throw them away. The stores are designed to evoke the simple and honest life of the Amish, German Christian emigrants who went to Pennsylvania to escape persecution in their home country. The Amish believed in making everything at home by hand, and refused to use machinery.

Dunkle familiarizes his customers with the Early American image via the *Country Gazette*, a small-format bulletin published on the 25th of every month, as well as with a monthly calendar which Roly Doll distributes to its customers. "Our customers are always the principals," Dunkle says, "I always tell our employees to think from the standpoint of our customers." To see that his principles are being followed, he visits every Roly Doll store throughout the country.

Now that it has emerged from rehabilitation, Roly Doll is preparing for its next advance. Dunkle's immediate target is to increase the number of Aunt Stella stores to 80 in about two years and to move into what he calls "lifestyle marketing."



Aunt Stella cookies have been a hit with Japanese women.

Under the lifestyle marketing, Dunkle is having Pennsylvania manufacturers make decorative furniture and items like the dolls and interior decorations already gracing the Aunt Stella stores for sale in Japan. He is also organizing tours to "Amish Village" in Pennsylvania. In August this year, the company began designing children's wear jointly with Seibu Department Store, and hopes to open at least 10 children's wear stores within the year. Dunkle, it seems, has no end of ideas. "In the future, I would like to open women's apparel shops, and then get into publishing," he says.

So far, the only deviation from Dunkle's handmade policy has been its three "Pennsylvania Home" dessert parlors. Started in 1987, the parlors are oriented toward mass-marketing. Eight different types of cookies were developed for the parlors, and are also supplied to outlets such as Kyoto Royal Hotel under an OEM agreement.

Meanwhile, Dunkle is looking overseas. Last year he established a wholly owned subsidiary in Taiwan to manufacture packaging materials. He plans to set

up another in Hong Kong this year. The idea is to reduce costs by importing packaging materials. And in the future he plans to open cookie stores not only in Taiwan and Hong Kong, but in Singapore as well.

"My target is to go public in 1995 as a new store with an old tradition, which is what Tsutsumi calls my company," says Dunkle. "Foreigners have a tough time in Japan because Japanese have both *tatemae* (surface intentions) and *honne* (true intentions). But if someone has the fighting spirit to take up the challenge, he can succeed in business in Japan."

Dunkle neither plays golf nor visits night spots in Ginza with his clients. Instead, he enjoys taking out the employees of stores which have set sales records and treating them to wine and dinner. "I can do this because I am a foreign president," he says with a smile. "I only scold my employees for doing nothing." ■

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