



KILLING GIANTS

10 STRATEGIES TO TOPPLE THE GOLIATH IN YOUR INDUSTRY

The Killing Giants Interviews

Koichi Kimura, CEO and founder of Miki House

I first saw Miki House when I was living in Japan back in the 1980's – an upscale children's clothing brand and retailer. But they seemed to pop up in a lot of places doing other things. They were into language schools, publishing, martial arts studios and other things that I thought was inspired. I reached out to Mr. Kimura in my early days researching Killing Giants through his New York offices, where they have a boutique in the Rockefeller Center neighborhood. Thanks to the diligence of Mr. Yoshi Takeda, Miki House's man in the US, I secured what I believe is the only English language interview of Mr. Kimura in existence. And it's worth the work to find. As the interview was conducted in English via email, below is the verbatim exchange.

Stephen Denny: When you began Miki House, you entered an industry with significant competitors (both branded and “unbranded”) who could have responded with lower prices or higher quality. How did you approach this challenge -- your “David versus Goliath” moment? What were your concerns, what convinced you to go ahead, and how did you launch this effort in the early stages of your company?

Koichi Kimura: Looking back to the days when I started my business and got into the children's clothing market in 1971, I remember that several new fashion magazines for ladies, like “Anan” or “Non-No,” were first published, the interest in the lady's fashion was raised, and the disposal income among the middle class people was increased in Japan. At that time, designer's labels were very popular and the fashion for adults already became common, but the fashion for children was not established yet. There, the odds were for us.

When I analyze those starting days now, I believe that the key success factor was gathering of correct information. I made every effort to thoroughly conducting marketing research. Coincidentally, (we had our first son) at that time, so I was in a perfect position to research the children's clothing as a consumer, too. Also, Honmachi in Osaka was the center of wholesale for apparel and textile at that time, and many retailers from Kyushu, Shikoku, and Chugoku areas were coming to buy the products. Therefore, I could easily listen to the buyers about what sold better. When I researched the high-end children's market, I found that there were already several potential competitors in Baby, Kids, and the Junior market and I decided to sell my products to the stores, which took those high-end products. However, as I took a closer look at the merchandising in those stores, I found that there was no better product for the toddlers, children between infant and kids! Toddlers, children between 1 – 3 years old....I thought, “here is the market!”

“We want to be a company, which is not only famous for children's clothing, but also reliable for whatever needed for children.”

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To make competitive samples, I bought many real products, which sold very well in the high-end boutiques, analyzed them well. I also listened to the true and real voices at the retail venues and reflect the real information on our production. I think that it was working well. I listened carefully to the people, who had a good sense on fashion and understood what “added value” is. Then, I transferred these messages to the designer, so we could create the products, which were appreciated among the target market. I think that there was no off-target information. Luckily, my wife, Yoshiko, (she is now the executive director of MIKI SHOKO CO., LTD.) used to be a designer, so it was easy for her to make the samples that I wanted. Also, she had a very good sense on fashion.

At that time, I was 26 years old, the perfect age for the fashion business. Actually, the management people of the competitors were relatively older and most of their companies were larger. Therefore, even though the younger employees of their competitors brought back innovative and fresh ideas to their office, they were not listened to by the management. On the contrary, we were small company run by two owners (me and my wife), so we were the fastest manufacturer to realize the real needs. We could make the products, which consumers wanted “now” at the fastest pace.

Actually, when I started my business, there was a moment I wanted to give up my hope. It was the time when I vended with my samples. I intentionally visited the distant retailers, which were supposed to place relatively big order and receive a lot of products in one delivery. First place was Kagoshima city. The best retailers there had exclusives of all the high-end brands. Therefore, I targeted on only those kinds of stores. However, I was completely turned away at the door. I even could not get the business card. Likewise, the best stores in Yashiro, Kumamoto, Nagasaki, Kurusu, Saga, and Hakata slammed the doors in my face! Here, I felt I should give up. Even though I had the best design, they never looked at it. If the products were bad, I had to accept their refusal. However, they did not even see my products! They rejected me before seeing my products. Since we were an unbranded company then, I could not get any appointment in advance.

“I believe that every company has to return its profit to the society. Honestly, most of the things that we do now cannot be realized if we are just worried about the today’s profit. We simply think about the better things for children and do whatever necessary to do. This is the way that the other companies cannot imitate and only MIKI HOUSE can.”

Then, I realized that I never thought about what the potential customers wanted at all because I just focused on how to establish a business with them and sell my products. I did not express inside of myself, either. I was just like a middle-aged pusher who tried to sell rubber strings, which were not attractive to anyone at all. Now, I changed my sales style. I completely stopped “selling my products”

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and started to appeal “how I can help them”. “How can I help you?”---this style of thinking did work very well and finally, I got the first sales in Kokura. The young mothers did not like the polyester, which did not absorb sweat of their children, for their clothing. Natural materials, such as cotton and silk, were good for babies. Yet, most of the children’s manufacturer still used the old-style polyester. The retailers, who knew the needs of the users very well, were puzzled between what they have in their stock and what their customers really wanted. Now, I came into the stores and asked the owners “how can I help you?”--- you know what happened! The first buyer of our products had his friends outside of his territory, so he kindly introduced me to the friends and I got new orders from the friends. Then, the friends also introduced me to the other friends and I got more orders....It was the essence of business that I learned at the nadir of my career. I can say that the change in thinking was the starting point of current MIKI HOUSE.

It was said that the children’s market was going to shrink due to the low birthrate even when I started the business in early 70s. However, I thought that grand parents had enough disposal income and I was sure that they would spend their money toward their grand children. Today, Japan is much more wealthy country than ever. Therefore, we should continue to create much better products and deliver our basic concept, “Safety and security for children” to our customers. In that way, we should try to make the consumers remember that MIKI HOUSE is the trustworthy brand for children. In short, our simple philosophy since establishment is “continue to create better products for children.”

“I believe that there should be an ideal shape of a company. We would like to continue to be closer to the ideal. Again, therefore, the scale of the company cannot be interpreted by volume of its sales.”

SD: Miki House is an unavoidable brand for a parent of a young child in Japan today. How important is it to be in many places where your customers can find you and to offer them a broad selection of products and services, as opposed to being focused purely in apparel? What role do you see these non-apparel brands playing in the growth of the Miki House brand?

KK: MIKI HOUSE’s main mission is “to create children’s culture.” We want to be a company, which is not only famous for children’s clothing, but also reliable for whatever needed for children. Based on this mission, we support minor sports, such as Judo, table tennis, and archery. We also provide violin class with creative methods, publish picture books, and manage desert boutiques for family. One day, someone said, “You guys are doing these activities for your better profit.” However, I believe that every company has to return its profit to the society. Honestly, most of the things that we do now cannot be realized if we are just worried about the today’s profit. Of course, as a for-profit organization, we should make profit in any way, but we do not need any profit from the activities, which do not match with our philosophy. We simply think about the better things for children and do whatever necessary to do. This is the way that the other companies cannot imitate and only MIKI HOUSE can. We feel strong pride of this fact and the pride is the base of all our activities.

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In the meantime, I am not satisfied with the smaller scaled company. However, from my point of view, the “scale” of the company cannot be measured by the volume of sales and profit. The real “scale” should be measured by the pride of each single employee. I want to make MIKI HOUSE a company, in which each employee feels pride on the name of the company when she/he give her/his business card to the others. The current base of MIKI HOUSE is run on this way of thinking. I think that “cosmetic” or “mindless” advertisement campaign or brand strategy cannot always establish a real corporate brand. If you just stick to the profit, you might start to feel that the supporting of the sports and volunteers are just waist of money. I believe that there should be an ideal shape of a company. We would like to continue to be closer to the ideal. Again, therefore, the scale of the company cannot be interpreted by volume of its sales.

There are large companies, which produce easy-to-be disposed goods. Also, there are companies who do not contribute to the society at all and seek for their own profit only. However, I want to create the products, which can contribute the society, and provide services, which delight the people. Even though the size of the company is small, we want to be a company, which people feel irreplaceable and cannot live without it.

SD: What was the spark that launched your idea to expand your business beyond apparel? How did your customers and business partners first react?

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KK: Currently, MIKI HOUSE is doing a variety of activities other than apparel. As we understand the needs of the consumers and the cause of the problems for children, we try to approach to each single matter.

For example, the support for sports athletes. To provide dreams is our life’s work at MIKI HOUSE. Usually, most of the companies do not want to spend the money for supporting minor sports. That is why we support them. We are not only fostering the athletes, but also broadening the base of the sports world. One of the activities is “MIKI HOUSE CUP: International Amity Junior Yacht Regatta.” We try to provide the children with big dreams and life targets. Also, we provide Judo Lesson for children at our own sport stadium in Osaka for free. Around 250 children come to learn Judo. We do not intend to foster them as star athletes. We teach them good manners and etiquettes as well as *kokoro* (heart, spirit or mind) through the traditional Japanese sport. If you want to foster child to be a good person, intellectual education only does not work. The sport is very important for her/his development mentally and physically. You can cultivate your character through sports. I feel that Judo club has a big potentiality.

In addition, we have been operating “MIKI HOUSE Kids Pal,” unique educational classes for younger children, at major department stores in Japan since 1998. We co-funded it with ShoPro. We provide unique enrichment programs with original curriculum. We believe every child has a big potentiality. It is

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important to provide better effect on the children at their early stage. In the meantime, we intend to support working parents through this activity, so we accept child over 1 year old.

Unfortunately, it is not safe for children to play by themselves nowadays, but it is not mentally healthy for both child and parent if he/she always only with her/his mother. It is difficult era for parents to foster their children, too. That is why we established a new website, named Go-Go-Ikuji.com (www.55192.com), a parenting website where parents can communicate each other. In the website, parents can get necessary information from professionals, like doctors or educators. They can also get precious advice from experienced parents, or the parents who have same problems. I would say that it is a “pearl of wisdom,” which solves anxiety and distress from childcare, on the Internet.

My idea is that we should try to understand what the mothers need from those voice and reflect that true voice on our production, too. That is one of the ways of real communication with the customers.

SD: Is your approach of offering many solutions to your core market unique to the Japanese consumer? Do you believe this approach – apparel, education, publishing, etc. – will translate to international markets, as well? How do you think you will have to modify this as you move into other markets?

“The real information always exists at the retail site. The written information is already obsolete.”

KK: The first overseas presence of MIKI HOUSE was done back in 1985. We opened a wonderful store at Victoire Square, one of the best locations in Paris at that time. Now, it has been 24 years since then, but our presence is only limited in 19 cities in 9 countries other than Japan. I think that it is the second start-up era for MIKI HOUSE. There are huge markets in the world, like in Korea and in the US. We are doing a relatively big business in Korea, where real market potentiality is 1/3 of Japan. We have been in doing business in Europe for over 20 years, but it is not really started yet, so I look forward to seeing the blossoms of the brand over there. I imagine that the total sales outside of Japan will surpass the total sales in Japan soon. For the overseas customers, the price point is a little higher than in Japan due to inevitable import duty and transportation cost, but there still is a huge demand on our products. Actually, we have amazing client lists with eminent celebrities in our shops in Paris and Milan. I think that this is because of the quality of our products. There is no border between countries when it comes to quality products. Objectively, our quality products are unrivaled in the world market, too. “Providing better products for children”---I can say that the philosophy that we have deeply valued since our establishment can work both domestic and international market. We have already attained a certain level of quality, which can work all over the world.

Recently, we have exported a lot of picture books written in Japanese to the other countries where Japanese is not a common language. The publishing department of MIKI HOUSE has developed very

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much with over \$10M sales a year. Picture books with the function of toys are very popular in overseas, too. There are so many competitors in the world, which produce only apparel goods, but a company, like MIKI HOUSE, who can provide “Real Culture”, including education, books, and other children related goods and services, is not so common. I am always conscious of exporting not only goods but also “MIKI HOUSE culture” to the world.

SD: How do you communicate with your customers – not just talking to them, but listening to their feedback as well? How do you stay in touch with their needs and understand how trends are evolving? How important is it to keep this dialog going?

KK: The main reason why I tried to collect the real voices from the customers is that I believe that the famous proverb, “Profit is coming from the source. (*Yoshi’s comment: The meaning of the proverb is “If you purchase sellable materials, you can get the profit.”*) We have to provide the goods and services that the customers want. Therefore, we need to collect “good quality” information.

Needless to say, the “quantity” of the information does not mean anything. The “quality” of the information is important. Especially, we are creating the fashion products, which should be always reflected on the people’s preference and each era’s atmosphere, so it is really critical to get the best quality information.

The real information always exists at the retail site. The written information has been already obsolete. The person in charge of the retail site has the freshest information. Yes, it’s human being. We have to detect who is the key person. Then, it is important to establish a good human relationship with her/him.

Recently, we started to have merchandising strategy meeting at my second house in a resort area in Japan 4 times a year. The major store managers in each area and people in charge of design department, production department, and sales department come together to feedback real customer’s voices to the head office. The real feeling, opinion, and information of the store side people are shared with the people in the design & production department so that we can create new products and services for the customers. By utilizing our over 200-direct management-shops network all over the world, we can hear the fresh voices from the shop managers with a good sense.

By the way, even the style of this meeting is very “MIKI HOUSE”. If there are only formal sessions, people never speak up their *honne* (true voice). So, everyone stays in the resort hotel or my second house before the strategy meeting, has BBQ, and enjoys Karaoke, so that we can establish “human relationship.” In this way, people can naturally talk and share the “alive” information in a fresh condition. Again, I strongly believe that the business can be built on the good people and their relationship!

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