

M-Industry Japan Inc.

M-Industry, a subsidiary of the largest food retailer in Switzerland, Migros, became incorporated in Tokyo in November 2014. M-Industry engages in the development, manufacture and sales of private brand products (food and cosmetics) sold at Migros' supermarkets. Although having focused on the development of sales channels in the European and North American markets, M-Industry is now taking aim at Asian markets as its next overseas strategy establishing its first Asian base in Japan.

Migros, the parent company of M-Industry, is a food retailer founded in 1925 in Switzerland. As the country was in the midst of economic depression following WWI at the time, Migros gained a loyal following of customers, particularly among housewives, by selling private brand (PB) products of high quality at reasonable prices. Steadily expanding business thereafter, Migros became a cooperative association in 1941 by dividing and distributing shares to its customers. It is now one of the leading corporate groups in Switzerland boasting the following strengths: one quarter of the Swiss are members of its cooperative association; the number of its employees reached 100'000 as of December 2015 ; and sales for the fiscal year 2015 posted 27.4 billion Swiss francs.

M-Industry was established in 1928 as a division for the development and manufacture of PB products sold at Migros. The food and cosmetics products manufactured by the company amount to 90% of Migros' product lineup, and the number of PB products that have been produced so far surpasses 20,000. M-Industry has been actively expanding its overseas business. The company is now exporting its products to more than 50

countries around the world, taking advantage of its reasonable price-setting thanks to mass production, the high-end image of the Swiss brand, its proprietary food processing technology and its product development with consideration for the environment and health.



Background to M-Industry's business expansion into Japan

David H. Chalk, Managing Director of M-Industry Japan KK explains the reason for its business expansion into Japan as follows: "The vastness of the Japanese market was attractive. The Japanese food market ranks second following the US market, but its food self-sufficiency rate is low at 40%. We thought there was still enough room for imported food products to enter the Japanese market." M-Industry has positioned Japan as a key market and conducted surveys on consumption trends of the Japanese people. The recent establishment of its subsidiary in Japan means not only the addition of a sales base, but also the strengthening of its marketing strategy.

Mr. Chalk goes on to say that Japan can play

a crucial role in the company's business expansion into Asia. "We take Japan as a gateway for our expansion into Asia. Asia has a number of markets with great potential, but in most of them we cannot meet the needs of the region based solely on our knowledge accumulated in the European and American markets." To gain know-how in Asian markets, M-Industry decided to firstly enter the Japanese market, which is close to other Asian countries both geographically and culturally, and is known as a mature market with discerning consumers who seek higher quality.

Difficulties in M-Industry's business expansion into Japan

M-Industry has been introducing Swiss Delice, a brand that covers beverages, jam and biscuits, since it entered the Japanese market. This brand had conventionally been targeted at large-sized supermarkets, but in Japan it is targeted at retailers mainly handling imported food products. Mr. Chalk cites the reason for this as follows: "Just after we entered the Japanese market, the Swiss franc surged and the retail prices jumped. At supermarkets with a great number of Japanese products, our products became less competitive." M-Industry therefore needed to change its original course of selling to major retailers, and started selling to relatively small-sized, high-end imported food retailers. To market the products by placing emphasis on Switzerland's high-end image, the company introduced its original products such as Swiss biscuits made with its proprietary ingredient composition and jam that goes well with wine and cheese. As a result, the company's business performance has been favorable. "Since the situation is far from our original plan, we are now changing course. However, we will never change our

original goal of delivering our products to every corner of Japan," said Mr. Chalk enthusiastically.

Brand strategy in the Japanese market

One of the brands launched in Japan other than Swiss Delice was Café Royal, a capsule-type coffee brand. Boasting the top share in the Swiss market, this brand is being introduced in Japan's rapidly-growing capsule-type coffee market. Sales of ZOE, a cosmetics brand that ranges from lotion to anti-aging products, was commenced in October 2015. This cosmetics brand has been developed to ensure the products are suitable for the skin type of Asian women, based on feedback from 100 Japanese women who took part in a product trial. In addition to Swiss Delice, Café Royal and ZOE, other new brands for dairy and other products are being planned for launch.

As a new trial, M-Industry is held "M-Industry Fair" at EXITMELSA, a commercial complex in Ginza, for two weeks in October 2015 and opened a shop there for a limited period. The company considered this initiative as an opportunity to directly communicate with Japanese consumers through the sale of Swiss Delice biscuits and jams as well as Café Royal coffee. The goal was to gain potential sales opportunities via channels other than wholesale and online sales. "In the future, we would like to open a shop in Tokyo where people can drop in without hesitation and hand pick our products directly," said Mr. Chalk.

Support from JETRO

When M-Industry established its Japanese subsidiary, JETRO's Invest Japan Business Support Center (IBSC) provided it with support services, including various

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consultations on incorporation procedures such as company registration and personnel management. Regarding the support from JETRO, Mr. Chalk said, “JETRO’s advice on how to establish our base was enormously helpful. If we had tried to solve all the problems with its establishment on our own, it would have taken more time. We also appreciate the fact that most of JETRO’s services were free. We couldn’t be more grateful for that.”



David H. Chalk
 Managing Director of M-Industry Japan KK
 (May 2016 Interview)

Corporate history

1925	Migros and M-Industry established in Zurich, Switzerland
1941	Migros changes corporate structure from stock company to cooperative association by dividing and distributing shares to customers
2014	M-Industry Japan established as first Asian base of M-Industry group

M-Industry Japan KK

Establishment:	November 2014
Business:	Export, import and sales of food, beverage and cosmetics products Marketing of various products
Parent company:	Federation of Migros Cooperatives
Address:	7th Floor, 32 Shibakoen Building, 3-4-30 Shibakoen, Minato Ward, Tokyo Postal Code: 105-0011
URL:	http://www.mindustry.co.jp/

JETRO’s support

- Support with procedures for incorporation
- Provision of market information
- Provision of information on permission and authorizations