

Maintaining high growth specializing in continuous business with companies and offices and aiming at global sales of 50 billion yen by repetition and differentiation

Daiohs started the first OCS (office coffee service) business in Japan, and now they have been providing continuous services such as coffee, water, tea servers and clean care to 200,000 domestic and foreign companies. The company became the third-largest office coffee service provider in the U.S. They have achieved high growth with a seemingly simple business model that they contract with unspecified number of business offices and provide a service on a regular visit. I asked President Ohkubo, the founder, about their future growth strategies.

### **Success in OCS business in the U.S.**

#### **Continuing to achieve a high growth rate of 10 % each year**

President Ohkubo established Daiohs in 1969. At the same year, the company joined a franchise chain of clean care products business that provides entrance mats and cleaning mops. Daiohs achieved first place in nationwide sales among chain franchises by operating for offices and developing business partners, not for homes which is a traditional way. Subsequently, they started OCS business in 1976 that leases office coffee machines to a company for no charge and a staff regularly visits and delivers coffee grounds and maintains machines. At that time, soluble coffee was popular in Japan; however President Ohkubo thought that US style OCS would be popular in Japan someday from his experience of overseas training.

In 1988, the company started the OCS business in the U.S., and now they have extended to 22 states. They have expanded the market and became the largest in the West Coast and the third-largest in the U.S. The sales for the fiscal year ended March 31, 2017 is 26,057 million yen, of which 15,028 million yen is the sales in the U.S.

"About three years ago, sales in U.S. businesses surpassed that in Japan. The U.S. business has been growing steadily at around 10 % every year on average for the past 10 years. In the future, we plan to reach sales of 250 million dollars (about 25 billion yen) annually by 2024 aiming for expansion to all states in the U.S. I think that the potential of our OCS business is greater in the U.S. than in Japan." said Mr. Ohkubo.

Companies in U.S. are noticeably understaffed, and there is a tendency to compete for personnel by enhancing and improving welfare services such as coffee services. In this June, the company acquired Blue Tiger Coffee Inc. which has a service that enhances the sense of premium to traditional OCS, and made it a subsidiary. "Blue Tiger targets only companies which provide generous welfare to employees such as those in Silicon Valley. Their coffee unit price is more than 10 times higher than what we offer, and they also provide tea, snacks, fruits and salads. They are currently operating separately from our traditional OCS, but the needs for these services will increase in the future. Since it is getting competitive every year to get personnel in Japan as well, we will adopt U.S. know-how in the future and will aggressively offer proposals to Japanese companies. "

### **Original sales promotion system for promoting customer's continuous contract**

In Japan, the company provides various businesses in addition to OCS such as bottled water service, a tea server which can provide several kinds of tea, coffee and water and clean care service that is operating as the company's own business independent from a franchise chain. The average unit price per customer is about 10,000 yen per month, and many companies and business offices have three to five year-contract. The number of new customers hit a record high of more than 200,000 worldwide in this June.

"Dedicated client representative system" is one of the systems that enable them to have contracts with a large number of companies and business offices and continue to increase sales. The company has two sections to continue contracts with customers. One is a section to visit customers regularly and provides services, and the other is a section (CDR) to care for customer satisfaction. The section that carries out customer care is area-based, and the person in charge carries out proposal activities across all the business of the company.

"It is difficult for a staff regularly visiting customers and delivering products to communicate with a person responsible for making a decision in a company. Therefore, area-charged customer care staffs are supposed to meet with a person heads up management department and offer a proposal. For example, if a company contracting our coffee service has a contract with another company's mat rental service; we will recommend having a contract with Daiohs for a mat rental service as well for their total benefits. Starting this year, we also launched nationwide development of facilities services including clean care and so on, so we think that we can still grow domestically." said Mr. Ohkubo.

In the section for developing new customers, sales staffs are allocated each area and required to develop customers further in their own area. They have created detailed original databases such as a customer distribution in one area, which companies are using products from other competitors and who is responsible. Sales staffs are operating business basically based on the databases.

## Accumulating business that has necessity to continue

The company has adopted "an integrated manufacturing and sales system" in which they roast coffee and produce pure water used for the beverage services, and wash cleaning supplies such as mats, mops for facilities



No need to lift up the water bottle

services in its own factories. Since the cost can be kept low, price competitiveness is also high under this system.

They also have been working on new products to differentiate them from other companies' products. They have developed a new water server which is the first one in the world. Previously, it was necessary to place a heavy water bottle at the top of the server. But since the new water server is structured to pump up water, the burden is reduced by just placing the bottle at the bottom of the server.

A new type of tea server which is a water server with a function of making tea is also popular. Previously, a tea server was expensive, over 500,000 yen per one machine. Even if you rent it, it was more than 15,000 yen a month, so only large companies could afford it.

The company has been proposing a plan for a new type tea server that can lease at 8,000 yen per month at minimum (tax excluded) with materials for 500 cups.

Customers are pleased to be able to choose a type of drinks and also with acceptable prices for small and medium enterprises.

"Our company is not a coffee company or a water company. It is a company that comprehensively covered customers by accumulating necessary businesses. This continuous business makes the number of customers reached 200,000. We will

continue to achieve high growth in the future, and in 2024, seven years later, we are aiming at group sales of 50 billion yen including Japan, the U.S. and Asia in total." said Mr. Ohkubo.



### Profile (Shinichi Ohkubo)

He was born in Asakusa, Tokyo, in 1941. After graduating from Chuo University, he joined Yomiuri Advertisement Company. After leaving the company, he went to overseas for corporate training in distribution research in the U.S., Germany, Sweden, the Netherlands, Switzerland, etc. After returning to Japan, he joined the management of his father's rice shop and founded Daiohs Inc. in 1969. Later, he established the new business utilizing rice delivery system and further became a franchisee of clean care business. Then he started the first office coffee service business in Japan and expanded its business areas such as water service, tea service, recycled toner, clean care service and coveralls. He has been expanding his business to the U.S. and Asia and showing solid growth as a total office service company