Okinawa Industries and Industry Domains
-- Strategic Business Fields--

(1) Suggestion of Four New Industries

As you see in Figure 2, the relationship between both resources and advantages and target markets suggests three new industry domains in Okinawa.

The figure also shows new classification of industries. The Existing classification of industries such as the primary industries, the secondary industries, and the tertiary industries is based on the view of industrial society. It focused on material values and on the level of industrialization. But today, markets become more matured and information and ideas have special value.

New classification is necessary to estimate new values and to figure our “proper target market” according to “Market value-added principle”.

Combination of resource/advantage (A in Figure 2) and target markets (B in Figure 2) leads potential new industries (C in Figure 2). In other words, resource/advantage and markets decide domains.

“Okinawa Trade” type industry is based on geographical advantage and it targets both Japanese markets and Asian markets. The industry carries its process of production and distribution internationally. Imicom, Inc. imports parts of personal computer from Taiwan and assembles them in Okinawa.

“Okinawa Place of Origin” type industry utilizes abundant natural resources to differentiate its products from ones in mainland Japan. By having certain market share, the industry can take the initiative. Okinawa sells 75% of Chrysanthemum for the equinoctial week in Japan and it is the main producing center.

Even market share, including both Japanese and Asian markets share, is not so large, “Okinawa Specialty and Niche Market” type industry which is based on Okinawa’s own culture, history and human resources has real potential to obtain “Okinawa fans”. Health foods such as curcuma and aloe vela, with the brand name of Okinawa, sell 6 billion yen annually.

“Okinawa Policy-Strategy” type industry is not on Figure 2. Because of the technological development, computer software industries and digital contents industries have promising potential with proper governmental policies and business strategies.

Many call centers (telephone customer service center) have been set up in Okinawa and they will provide 3,000 employments.
These are the four potential industries targeting markets outside Okinawa. This classification is based on management styles and target markets not on technology and production. This new approach can be called industry type approach.

(2) Formation of Main Producing Center in Okinawa

Okinawa has not had a main producing center for the nationwide market. It might because Okinawa has not been well organized. Now Okinawa has comparative advantages on weather, environment, and resource and it can form “Okinawa Place of Origin” type industry as you see in figure 2. But small chrysanthemum is the only product that Okinawa has 70% to 80% share in the national market. (Exact market share is 87%) Okinawa affects the price of the small chrysanthemum because it is the main producing center. Okinawa does sell ukon (turmeric) and mango but these are products for niche market.

Goya (Memordica charantia or Nigauri) was not so famous to people in the mainland Japan but now it is getting popular because of the effort of Okinawa people. Analyzing this Goya case, I would like to explain the strategy to expand production and to form a main producing center.

Until 1991, the cultivation area was around 200ha and the crop was around 3,500t a year even the numbers are slightly different from each year they are almost the same amount. (See figure 4)

In 1993, both the crop and cultivation area increased rapidly. That is because F1 new breed Murubushi was introduced in 1993. In 1995, Shiokaze was also introduced. These new breeds are well harvested compared to existing breeds. Murubushi produced 40% more than existing breeds and Shiokaze produced 85% more.

Because the market in Okinawa is small, increase of the crop leads excess of supply and decline of price. So far, over 3,000t of Goya production has decreased the price. This kind of excess of supply was common in Okinawa and formers change their product to well-priced products whenever the excess happens. This is why Okinawa had been unable to be a main producing center.

But the case of Goya was different from other common cases. Farmers actively advertised their products to people outside Okinawa and supplied twice than the previous year to areas outside Okinawa. The increase of supply to areas outside Okinawa restrained the supply inside Okinawa even the whole production increased. (Price elasticity of Nigauri is -0.6. Production increased 10% but the price only decreased 6%.) In 1997, May 8 was set as Day of Goya and Goya have been advertised both in Okinawa and Tokyo to expand the market.

In 1993, Goya coordination committee was established with cooperation of Okinawa prefecture government and agricultural associations. The committee makes plans for cultivation area and for the crop every
year and the plan increased annual supply gradually to prevent steep fall in the Goya market.

In the result, a farmer earns 1.7 million yen for 10 are of Murubushi per year and 2.3 million yen for 10 are of Shiokaze. It means that a farmer earns 18,000 yen a day if he or she grows Murubushi and 24,000 yen if he or she grows Shiokaze.

These amounts of earning are much enough to give farmers incentive to continue Goya production. The numbers of farmers also increased. Then Okinawa can be a main producing center and can provide stable supply responsibly.

This case should be studied as a succeeded model. I am not sure that planners such as National Federation of Agricultural Co-operative Associations, Okinawa Economy-Agriculture Association recognize this success as a whole by themselves.

The method to create a main producing center used in this case can be applied to not only agricultural products but also to fishery products and to industrial products.

Supply should fit to demands of consumers and mediators. Time, quantity, quality, standard are the most important factors when you supply products. Considering these factors, producers in Okinawa should be well organized and motivated with reasonable earnings.

Strategy for nationwide products and niche market products are different (See figure 2). To form a main producing center for nationwide product, producers need to be well organized even though the people in Okinawa is not good at organizing and to make niche market product, individual creativity is much more important than organizing.

For both products, it is meaningful to establish “Okinawa organization for standardization” to examine quality of product and to standard them. The organization should provide stable Okinawa brand and also after selling services.

**Community Business and Micro Business [Supplementary Argument]**

~Beyond Venture Business~

I will talk on community business and micro business in the different way from industry domain that I talked in (1) to (2). Mainly I will focus on both businesses in Okinawa.

Now many people are expecting promotion of high tech industries such as digital contents, computer system, and digital communication in Okinawa. However reality shows that it is not so easy to establish stable high tech industry in Okinawa. Open rate, that is rate for starting new business, is 4.0% in Okinawa and
close rate, that is rate for closing company is 6.4%. These figures are average rates in the period of 1986 to 1991 and they are the highest in Japan. 4800 companies started and 4300 companies winded up of business in the period in Okinawa. Demand for new business is big but competition is also hard. If you see companies in Okinawa, they are usually “ordinary companies.”

If you analyze ordinary companies with the prospective of both community business and micro business, you can solve many problems in business field in Okinawa. Then what is Community business and Micro business? (Hereafter CB and CM.)

CB is local project for the local people by the local people. With CB the local people enrich their community life by themselves. They get their own knowledge and method together and start business for the community.

MB often targets at niche market and create new employment even though it does not always have latest technologies. It is related not only to business but also to a particular purpose or social activity.

You can see a graph with community-global axis and profit-purpose axis in figure 6.

What kind of problem can MB and MC solve in the community? What kind of promotion can they make? The answers are the follows:

- Development of life size business opportunity
- Solution for unemployment
- Work as a purpose in life
- Combination of work and life (Creation of new work style)
- Self-employment, Combination of employment and business promotion
- Production with business expansion in community

Okinawa has much potential human resources for community business. Experienced retired people, young unemployed people, house wives who quit her job for marriage or childbirth can play a great role in community business. Right now the system for these people are not enough to start new business. We need new system to make potential human resources to be active in community business. Community collage can work well for a first step.

Now, management skill and capital are lacking for community business. The management and money are essential to start business. NPO or other organizations should help people in the community to start business.