

CLSA teams up with ‘Chanel for children’

JAPAN’S CONSUMER MARKET, the third largest in the world, may appear intimidating to outsiders. Adapting to unique local tastes, a different language, and the need for strong relationships with relatively small-scale domestic distributors are among the biggest hurdles for foreign PE players.

CLSA Capital Partners (CLSA CP) turns the situation on its head by making these areas of weakness its own strengths. An international network is still part of the offering, but the team identifies opportunities through a highly localized team and deep industry knowledge. This is what led the team to Bloom Group, a manufacturer of squishable toys made of scented foam rubber – an unusual consumer play, but one with a strong domestic following.

“The toy industry traditionally hasn’t been that easy for private equity to access,” says Kei Shitomi, a senior vice president at Sunrise Capital, CLSA CP’s dedicated Japan private equity arm. “What we like about Bloom is its long operating history – the company is a pioneer in this category – stable growth, and strong customer network. Because of its high-quality products and design excellence,

Bloom has been dubbed the ‘Chanel for children.’”

Sunrise recently agreed to buy the company for an undisclosed amount, with the founder retaining a minority stake. It sees huge upside in the squishable toy segment, with Bloom well



Japanese toys: The cute factor

positioned to consolidate its market-leading position. “The squishable toy genre in general accounts for around 15% of Japan’s toy market, but the founder of Bloom believes there is the chance to increase this to 30% or more,” says Shitomi.

Bloom has been in this business for over 20 years. Its first squishies – which take the form of animals, foods and original characters conceived by the company – in 2002. Its brand has since gained international recognition partly through social

networks such as YouTube, with followers in Europe, North America, and China.

At present, Bloom’s major distribution channels within Japan are family amusement arcades, variety stores, the Takara Tomy toy store chain, and company-owned specialty squishy stores that operate under the Mooosh brand.

One of the priorities for Sunrise is professionalizing Bloom’s management by recruiting additional designers to work on product development and marketing executives to strengthen sales capabilities. There are plans to enter new consumer verticals such as stationery and widen the target market by appealing to male and adult consumers as well as the core young female demographic.

As for overseas expansion, one part of the strategy will be working with external partners to open physical stores. The first outlet opened in Taiwan in January, but Shitomi is already setting his sights further. “Our focus is going to be the US and European markets because of their size,” he says. “There are some competitors in these markets, but they aren’t as good as us.” ■