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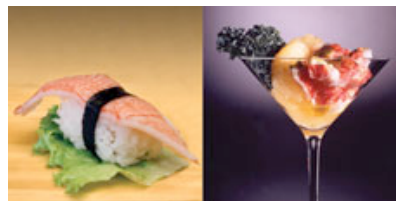
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Fish sticks get fancy

Imitation may be the greatest form of flattery, and Sugiyo proves it with high-quality seafood product



Sugiyo USA Vice President Susan Ruiz says the company made a smart business move last year when it dumped its lower-tier products in favor of focusing on higher-quality lines.

By Amanda Baltazar

A small fishing town with a population that cares about buying local sounds like the ideal location to set up a seafood business. But Sugiyo USA has found its hometown has been its hardest market to crack.

Established in Anacortes in 1986, this private company manufactures and sells imitation crab products across the country.

While its original market focus was foodservice facilities, in the last few years there's been a shift in focus to selling to retail operations, grocery stores specifically, such as Winn Dixie, Publix and Jewel, and here in the Northwest, QFC.

“As people trade down with the economy, retail is the place to be, especially supermarkets,” said Susan Ruiz, vice president of the company.

Sugiyo still does some foodservice sales and has recently started selling to nearby casinos, a business it expects to grow.

But the Anacortes market hasn't been so easy, said Ruiz. “Here people can go down to the dock and buy crab or can put their own crab pots out.”



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The town wasn't chosen at random for Sugiyo. It was primarily an economic decision. In the mid-1980s, it was considered a distressed county by the Washington Department of Trade, and was an area with very high unemployment. And in fact, when Sugiyo set up its offices on T Avenue, it was the first company to venture into the uncharted industrial area.

Other things that fell into place: Anacortes had the right sewer availability and power, and another feather in the city's cap was that it bears an uncanny resemblance to Nanao in Japan, the location of Sugiyo's parent company.

"The parent company, Sugiyo Co., Ltd., has views like this with water and mountains, and even has an arched bridge leading onto the island where it's located," said Ruiz.

As for Ruiz herself, her employment with the company was also a stroke of luck. Having worked with the Department of Trade and sent to Japan to meet the president of Sugiyo Co. to encourage him to open his business in Anacortes, Sugiyo made her an offer she said she couldn't refuse.

And it proves to have been a good hunch on Sugiyo's part since Ruiz now serves as the company's vice president and is one of the three minor shareholders (the other two are in Japan and the major shareholder is the parent company) and has worked for more than 20 years with the company.

And under Ruiz, the company has grown.

Back when Sugiyo was starting out, the company had three product lines. In the 20-plus intervening years, many products have come and gone, but one of the original products, the flake style, remains, along with three others (see sidebar). All products are sold individually frozen.

"Our strength is the R&D department in Japan," said Ruiz, who added that the company is always developing new products so it doesn't become a commodity. And in fact, 25 percent of Sugiyo USA's products are exported to Japan since the parent company there makes different products – traditional items such as tempura, soups, egg tofu, dried seafood, prepared bean dishes and fish sauce – but none of the same products as Sugiyo USA.

In manufacturing the products, much of the messy work is done before the fish gets to the plant. The fish is all filleted and headed, and arrives frozen and quality-controlled. "We have to temper it, chop it and mix the fish with spices and eggs," said Ruiz.

Sugiyo positions itself for growth

In Anacortes, annual production varies year to year, but according to Ruiz, a good year is around 40 containers of 40,000 pounds each, or 800 tons per year, while an average year is closer to 400 tons. Gross sales were \$12 million last year and are projected to rise to \$14 million this year.

However, like everyone else, Sugiyo has had its fair share of woe from the economy. Last year the price of its raw product – pollock being the main ingredient in its product lines – doubled in an eight-month period. "So we narrowed our product line to only manufacture our high-end products," said Ruiz, "and there were some real returns on that last year."

Sugiyo cut its major product lines "because we were trying to respond to what customers wanted. We pretty much eliminated our bottom tier because other companies were bringing in lower-grade products from China and India that were cheaper. It was just a blessing we did it so early."

The challenges now, said Ruiz, are maintaining the quality of the products Sugiyo does produce. "We are the most expensive out there but distributors know that we provide quality."

Consumers are also getting to know the Sugiyo name more, she said, but the company does not advertise directly to them. "It proves not very cost-effective and we'd rather keep our product affordable."

So instead of advertising to consumers, Sugiyo spends its marketing money on education. Consumers are cooking at home more but don't always know how, Ruiz explained, so the company is putting money into its sales people who are



Susan Ruiz has been with Sugiyo USA since the company's beginning.

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training grocery store managers. They then provide recipes, product and cooking demonstrations. “That turns out to be a better return on investment than mass advertising.”

Strong bonds, lean operations

Sugiyo’s success doesn’t all come from outside. Most employees have been with the company for years and the retention rate remains very high.

“We were able to attract some phenomenal people who started out in production or supervisory positions and are now in management,” said Ruiz. “Our key people have been with us for well over 20 years.”

To keep this retention rate high, Sugiyo heavily screens employees to make sure the relationship works well from both sides. “We, as humans, want to have meaningful, productive work and have a little control of our destiny,” she explained.

The employees at Sugiyo also bonded at the get-go, she said. “We all came into this brand new plant together and began working in a construction trailer for a while before we hired our full local workforce. And we all did everything,” Ruiz recalls a time when she and the company president were putting labels on cases and cleaning the floor.

And a fire that devastated the building in December 2006 also brought the employees together, as they worked together for months in nearby makeshift offices, with nothing but cell phones and laptop computers.

But Sugiyo is a very lean operation with around 80 employees working out of this 75,000-square-foot plant. “All production managers are very hands-on, and when there’s a truck to be loaded, everyone, including the three directors, pitches in. That’s another thing that’s held us together for so long.”

The office positions at Sugiyo range from accounting and marketing to administration and customer service, but the bulk of employees work in the 60,000-square-foot manufacturing department within the main building, and most come from Skagit County, although a few hail from Oak Harbor.

Sugiyo is also trying to make its energy use leaner, too. Since the fire, it has worked closely with Puget Sound Energy and found there were incentives to install energy-efficient lighting and to learn ways to save energy – using motion-sensor lights in certain areas, for example.

The company has also become a big proponent of recycling and now recycles all of its cardboard, metal and plastic.

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