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Ramen noodle supply geographies in the Kansai region of Japan: Transaction costs and semiotics in the 'make or buy' decision

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ABSTRACT

Restaurants are an important part of the cultural economy of, cities. Ramen noodle shops are Japan's most popular type of restaurant. This paper provides a geographical analysis of ramen restaurant noodle supply in the Kansai region centred on Osaka, Kyoto and Kobe. Theconceptual point of departure is the age old question in transaction cost theory: to make or buy? By drawing on theory in economic geography, this paper illustrates how this decision is constituted also by cognitive and cultural concerns, and communicated via semiotic cues that are evoked in the Japanese concept of kodawari or commitment to authenticity and craftsmanship, as well as the institution of noren wake, which is a form of social reproduction characterized by enduring loose ties between chefs and the shops where they trained as apprentices. Drawing on three years, of data from 467 ramen shops in the Kansai area published in Kansai Ramen Walker magazine, the author uses ArcGIS to plot restaurant addresses in relation to their mode and location of noodle supply. This method allows for visualization of regional patterns that are then explored through ramen shop and noodle supplier firm case studies and neighborhood scale analysis. Ramen shop noodle supply is primarily local, either on site, or, procured from suppliers in the Kansai region. This pattern reflects economic efficiency in regards to transaction costs. However finer, grained analysis reveals why the variety of choices seen across the region is shaped by cognitive and culture processes that are most evident at the neighborhood scale.

1. Introduction

The 'make or buy' decision is a classic problem in economics (Coase, 1937, Williamson, 1981; Monteverde and Teece, 1982). Manufacturers or service firms must choose whether to make or perform a function in-house, or purchase it from the market. In simplified form, when the transaction costs associated with finding, contracting and maintaining supply of an input from the market reaches a certain threshold, it is more efficient for the firm to perform that function itself, using an internal rather than social division of labour. Within economic geography, disciplinary debates surrounding the spatial dimensions of flexibility, vertical disintegration and industrial restructuring have illuminated the geographies of the make or buy problem in diverse industries (Gertler, 1988, Scott, 1988, Sayer and Walker, 1992). Related research on global value chains has similarly cast light on how industries as a whole organize themselves to geographically apportion value-adding functions (Gereffi et al., 2005, Hess and Yeung, 2006, Coe et al., 2008). In other words, the geographic articulation of making or buying has been a significant area of disciplinary focus.

The cultural products industries, that is the broad array of sectors whose output is characterized by high symbolic value, have been fertile terrain for examining many of these theoretical developments, whether this is vertical disintegration in Hollywood or neo-artisans in the fashion and design sectors (Scott, 2005, Rantisi, 2002). These industries also offer ample empirical evidence of the turn towards what Allen Scott (2008) calls a cognitive cultural form of capitalism, centred on metropolitan areas, whereby economic activities in general are increasingly infused with greater degrees of knowledge, aesthetic and symbolic, content (see also Lash and Urry, 1993).

Restaurants are important parts of this new urban economy. They provide amenity value to the consumer city, serving as magnets for the creative class who use restaurants as informal places for knowledge formation and exchange (Glaeser et al., 2001, Florida, 2002, Currid, 2008). On the labour side restaurants serve as concentrated sites for low wage employment for many of the jobs customers do not see. They are also places of work for wait staff and others whose jobs call on them to perform, often entangling restaurant workers in socially asymmetrical interactions with customers that involve emotional labour and other soft but essential skills (Crang, 1994, Seymour, 2000). Open kitchen layouts where the whole restaurant is on display and work increasingly demands cognitive and cultural skill, blur these 'front and back' distinctions (Goffman, 1967). In terms of their position within food supply

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chains, there is now a substantial literature that problematizes how urban food commodity chains operate within and across various geographic scales (Blay-Palmer and Donald, 2006, Desrochers, 2012). Yet there are few studies that examine restaurant supply chains through a cognitive-cultural lens. By 'following the thing', Cook (2004), for example, has illuminated the semiotic political economies of food commodity chains that terminate at the supermarket. Such an approach might be readily borrowed to understand the restaurant sector as another food supply chain terminus, where cognitive-cultural value-added is potentially at its highest. Consequently, the present study turns its lens on the restaurant supply chain and investigates the economic and semiotic geographies of managerial choices to make or buy a key culinary input.

This article examines the noodle supply chain to ramen restaurants in the Kansai region of Japan. Ramen is Japan's most popular type of restaurant. Variety is an important dimension of Japanese cuisine, and ramen in particular (Freedman, 2016, Reiffenstein, 2017). The key appeal of ramen, basically a bowl of noodles in soup, is that it serves as a platform for a tremendous amount of novelty, ingredient diversity and geographical variety. There are 36 recognized regional styles of ramen in Japan, each using different ingredients (pork bones, chicken, seafood, etc., or any combination thereof) for the soup base, enhanced with either salt, shoyu (soy sauce) or miso, and featuring a variety of toppings (SRM, 2015). Noodles are the only ingredient common to all ramen. Yet this seemingly simple ingredient is anything but, with suppliers offering several hundred noodle varieties including custom batches developed exclusively for and with particular shops. Meanwhile, other sets of shops have bought small, complex machinery to make their own noodles. All shop managers therefore face a choice: to make or buy their noodles.

The ramen industry's capacity for variety and innovation supports a substantial media, whether television, comics, magazines or social media. These media publish an enormous volume of locational data that is a trove for researchers. This paper draws upon these media, along with interviews with key informants, to illuminate the decision by ramen shops to either make their noodles on-site (*jikaseimen*), or to purchase them from a specialized noodle manufacturer (*seimensho*). Drawing on three years of data from 467 ramen shops in the Kansai area published in *Kansai Ramen Walker Magazine*, the author uses ArcGIS to plot restaurant addresses in relation to their mode and location of noodle supply. The series of maps derived from these data provide an aggregate visualization of the make or buy choice.

This regional cartographic analysis is complemented by neighborhood and firm case studies that frame supply chain management decisions as simultaneously cultural and cognitive practices, captured in this case with the Japanese concepts of *kodawari* and *noren wake*. Fukutomi (2014) has identified *kodawari*, the steadfast commitment to authenticity and appreciation of craftsmanship, as a key concept for understanding ramen shops. This study uses the idea of kodawari to make sense of noodle supply decisions. Kodawari in this case proves to be syncretic, so it explains the decision both to internalize noodle supply within the shop, as well as the alternative choice to rely on a dedicated supplier who is specialized to provide high quality, small batch and often customized noodles to match the ordering shop's idiosyncratic soup. *Noren wake*, on the other hand is the Japanese form of business reproduction where a long-serving apprentice is granted independence, but with ongoing relational benefits from the mentoring firm ~ literally and figuratively the splitting of the shop's entryway curtain or *noren*. Supply chain choices appear also to be influenced by these relationships, both practically in terms of lowering procurement transaction costs, and symbolically, as a means of shop promotion. Make *and* buy choices are leveraged to allow shops to stand out from their neighbors. This competitive differentiation produces a mixture of firm-specific managerial choices that reflect a variety of manifestations of kodawari and/or noren wake. This paper therefore suggests a way in which the economics, economic and managerial geographies of the make and buy decision might be better theorized within cultural products industries through cartographic and semiotic analysis.

The paper is organized as follows. It first reviews the make or buy problem in economics and economic geography, before suggesting how management geographies attuned to the cultural and cognitive dimensions of economic practice might offer a new vantage point to readdress this age-old problem. It then introduces the ramen restaurant industry and its geographical dimensions. The main body of the paper begins by presenting the method used to generate the subsequent series of maps that illustrate noodle supply choices and pathways. Firm and neighborhood analysis follows.

2. The make or buy decision in economics, economic geography and management geography

In his classic paper Coase (1937) explored the boundary between firms and markets and argued that it is the transaction that should be the central unit of analysis in economics. His specific focus was on determining why some functions are performed within vertically integrated firms, while in other cases these functions are performed via market transactions. In subsequent scholarship this problem has become known as the 'make or buy' decision. According to Williamson (1981), contracting firms can only tolerate a certain threshold of uncertainty or opportunism on the part of suppliers before the efficient course is to make the input themselves. For example, if the asset specificity of an input is high a firm may avoid a contract that locks it into purchasing an input (i.e., in Monteverde and Teece's (1982) example, an automotive frame die) for which there is only one use. Similarly, if a contract is incomplete, that is characterized by a great deal of complexity and hence uncertainty then vertical integration is the efficient choice. In contrast, firms that require frequent, standardized inputs generally find that buying is more efficient via institutionalized spot markets for these commodities. Without going into too much detail, one can generalize that subsequent elaboration of this idea has played a central role in theories of the firm and organizational studies (Nelson and Winter, 1992, North, 1990, Penrose, 1995), while also influencing research in economic geography which has sought to embed this problem within social and cultural contexts.

Piore and Sabel's (1984) *Second Industrial Divide* prompted significant debate in economic geography as the discipline sought to interpret the shift from mass production to more flexible and vertically disintegrated forms of production (Gertler, 1988, Scott, 1988, Sayer and Walker, 1992). This moment brought considerable interest from geographers to understand the make or buy decision across a range of industries, whether automobiles (Schoenberger, 1987, Kenney and Florida, 1993, HUallacháin and Wasserman, 1999), robots (Patchell, 1993b), forestry (Hayter, 2000, Prudham, 2002) or cultural product sectors (Maskell and Lorenzen, 2004). Research on food commodity chains has been similarly fertile terrain for readdressing the geographical dimensions of the make or buy choice, for instance in recent research that has looked at efforts to shorten agro-food commodity chains for environmental reasons or to meet consumer preferences for authenticity, or urban planning for food security and social justice (Ilbery and Maye, 2005, Feagan, 2007, Blay-Palmer and Donald, 2006; Desrochers, 2012).

It is also clear from a time series of reviews on the nature of the firm in economic geography (Hayter and Watts, 1983, Dicken and Thrift, 1992, Maskell, 2001), from those that first sought to bring business theory into economic geography to more recent scholarship shaped by emphases on relationality and practice (Jones, 2014), that there is a significant albeit largely implicit intellectual debt economic geography owes to transaction cost theory (c.f. McCann, 2010). Regardless of whether approaches that focus on firm decisions and organizational structures are called enterprise geography, or the more recent label management geography (Schlunze et al., 2012, Jones, 2018), geographically attuned theory offers much for embedding these