

How to Enter the Japanese Market in a Cost-effective Way

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When your business is growing in the US, you want to grow it further by extending your business beyond the US. You might consider entering the European market first and then to a lucrative market of Japan next. There are basically 3 major approaches you can take. Of course, there are some variations to each approach.

They are:

1. Go to Japan and establish “Your_Company K.K.” with an office and a complete set of staff, including support and sales.
2. Team up with a distributor to whom you can outsource everything from localization, sales to support.
3. Use a specialized consultant who is well connected and who can provide services in a very cost-effective manner.

Which option is best for you? That really depends upon your situation.

The # 1 option is best when you have already established your presence in Japan and when you can justify cost of operations. But when you are trying to enter the market first time, you are not well known and thus, cannot expect a quick increase of revenue. This approach at the early phase may not be very suitable since you need to explain why your revenue is not growing rapidly to your board and investors. This is suitable when you are already in the Japanese market for a few years, your presence in Japan is getting visible as you acquire customers/clients and your revenue is growing. In order to grow further, you need a local office with country manager who can make local decisions as your current and prospective customers/clients would put more trust in your operations.

The #2 option is used often since it is a kind of outsourcing to a local company who knows the local market. This is a convenient way to enter the market since everything is supposed to be done in Japan on your behalf. This option works well if you could find a right distributor and partner for you. However, as in the case of #1, at the very early stage, is there going to be a lot of opportunities for revenue? Those distributors themselves need to justify being your distributor and may require some upfront commitment in terms of monetary compensation. Also,

they are the ones to push your products/services and it might become difficult to control your market later when your products/services get good traction and you want to establish your own “Your Company K.K.”

Both #1 and #2 are excellent ways to enter the Japanese market but at the early stage of your business in Japan, they may not be the best option for you. The #3 makes sense when you are hardly known in the Japanese market. Of course, you need to find a right consultant who has a web of networks in those companies likely to be your customers and partners and who has done this before (thus, knows all the pitfalls to avoid). A well-connected consultant could help you to enter the market. He can guide you through the Japanese market to get to right sets of customers and partners in a very cost effective way. At the early stage of the entry, it takes long time to find right sets of customer and partners. In other words, you need to employ an opportunistic approach. This is very cost-effective since the consultant does not waste his time (and thus, not your money). He only conducts scouting and business development when there is a good opportunity. When critical mass is reached, it is time to consider your “Your_Company K.K.” You should also consider hiring a right consultant who is willingly to make a transition from the early stage to the next stage.

Now, a question is how you find such a good consultant. Typically, you think such a consultant only exists in Japan. Let’s look at a consultant living in the US. You wonder how the consultant living in the US could do business development for you in Japan. If he/she does not know the market or has not met with those who might be your customers/partners, he is required to have face-to-face meetings. What if he/she already knows whom to contact on behalf of you. Often times, simple telephone calls and/or email will do. Besides, many large Japanese corporations have their office in Silicon Valley gathering information on technologies and companies.

Come to think of the merits of a consultant in the US, there are several as below:

1. Time Zone difference: Yes, California and East Coast have 3 hour time difference but it is far easier than dealing with 13-16 hour time difference with Japan.
2. Business culture: A consultant living here tends to understand your way of thinking and easier to deal with.
3. US dollar: You can deal with the financial matter in US dollar.
4. Face-to-face meetings: If you want to see him/her in person, it is far easier to fly over to California than Japan.

Finally, I would like to add some criteria to choose a good consultant for you regardless where he/she might be:

1. Bilingual between English and Japanese (I mean native level). Talk to a Japanese as a Japanese and an American as an American. This includes understanding in both cultural and business practices in both countries.
2. Both business and technology backgrounds because he/she represents you in Japan.
3. Strong network of contacts at IT companies in Japan.
4. Track records

Do I know someone who fits the criteria? Yes, I know at least one. Please drop me a line at info@ipdevices.com.