

Are You Ready?

This document is meant to ask questions which will help you determine if your company and product or service are ready for the Asia markets. For a more in depth assessment, please contact us at Asia Pacific Ventures at www.apvco.com.

What is your purpose in expanding to Asia?

Is your purpose to get access to the global product lines of the international companies based in Asia?

OEM license arrangements or bundling arrangements are often the desirable paths in this case.

Is your purpose to get access to the local markets in Japan, Korea, or China?

Many large corporations who have strong reputations globally do not choose to enter Asia on their own. Walmart, for example, chose to first buy a minority share in a Japanese retail chain, then increased ownership to majority share, but continued to do business under the Japanese company name, Seiyu. Sun Microsystems, Microsoft, Oracle and others first came to Japan selling product through distribution partners, and only after business reached critical thresholds did they make the investment to build subsidiaries in-country.

APV can help you develop the best strategy to maximize all your objectives and find the best partner who complements your strengths and is committed to the same strategic vector.

Is your purpose to get funding from Asian sources?

There is not nearly the same level of available venture capital in Asia as is available in the US. Nevertheless, it is available, and APV has many connections we can leverage to find those capital sources, in China, Taiwan and Japan.

These investors are not often willing to lead a funding round, though, so it is best to have a lead investor in hand when approaching the Asia market.

Most often, strategic corporate investments are done as an outgrowth of a larger technology or product partnering arrangement. That means that the company has to be primarily interested buying or using your product, and as an outgrowth of that interest, they may be interested in making an equity investment.

Do you have a strong sales record in your domestic market? Are you a category leader in the domestic market?

Asian companies are more conservative than many Western companies, and are reluctant to be the first to adopt a new technology. Furthermore, if you don't have a strong reputation in your own back yard, they are going to be suspicious as to why you are going international.

Overseas business is risky for them as well as you. You have to reach a higher bar of excellence to win business overseas because if you are up against a marginally less capable local competitor, you will likely lose.

Is Asia the only market for your product?

This is the only exception to the rule requiring success at home before expanding overseas. For certain product or technology categories, Asia is the primary and secondary market globally. For example, consumer electronics or robotics are markets where the vast majority of companies in this category are in Asia. If Asia is the primary market, then it is not only necessary but also acceptable to those targeted customers for you to address them first before achieving success domestically.

Is your product ready for the global market?

If you are approaching Asian companies with a proposal to include your product in their global sales, you will normally be expected to have the product internationalized and localized for all the global markets for which it is targeted.

Quality, quality, quality – in our experience, quality problems are an issue with almost every new relationship between East and West. The Japanese demand for quality is unmatched and always underestimated by US companies. For the Japanese, a surface defect is an indication of underlying problems. Attempts to explain away the problem (as being surface only, and therefore not a problem) will never correct this deficiency in the eyes of the Japanese evaluator.

Internationalized and Localized? Many companies wrongly assume that they can sell products in Japan with English user interface and or English documentation. While in certain cases it is possible to sell SOME product in this way, in almost all cases, this attempt fatally hobbles the success of the product.

Is your company ready to expand internationally?

Is your board and senior executive team 100% committed to expanding into Asia?

The cost of expanding in Asia is so much the financial cost of securing customers or partners, but even moreso it is the cost of senior management attention to this critical region. APV Consulting will certainly supplement your resources in the beginning phase, but it is the senior management team who must be available to consider the strategic implications, and must be prepared for exhaustive product trials and/or due diligence. Japanese companies are nothing but exhaustively thorough when it comes to evaluating products and companies. If you want to meet with the senior management levels of Japanese' largest corporations, it is best accomplished by having the most senior executive of your company be in attendance at the meeting on the ground in Japan.

Do you have the financial resources to fund the effort as far as you need?

As a rule of thumb, a wholly owned subsidiary in Japan or other country in Asia will ultimately provide the highest profit margin for your business and will give you the most control over the direction

However, this is also the option with the biggest cash outlay, since it must be funded entirely by your company and its investors.

Another rule of thumb is that companies in Asia will not make investments or commitments to you before you have proven to their satisfaction that your product performs to their requirements. They may purchase a trial unit if your position is strong and you have a good track record at home. Otherwise, you must provide product for evaluation and support free of charge through their initial evaluation phase.

A trading partner or distributor is often the fastest route to the market place in Asia, but the tradeoff is that you have little control over how the product is sold, and what resources are applied. If your goal is brand equity, the trading partner will probably not provide much value. APV Consulting can help you make arrangements that allow for early entry and have the right flexibility to enable you to move on to more profitable arrangements as your business grows enough to support that effort.

How strong is your value proposition for your target customers?

If your product is in very high demand by customers in Asia, you can expect them to make the necessary investments to put the product into the market place and/or internationalize and localize the product for local and global markets.

On the other hand, if your product is more valuable in your view than in the customer's view, you may need to fund the market development initially so as to show your partners that the product has business merit for them in their region.