

Past JETRO Client

Unique Technology and Brilliant Staff Drive Success in Japan

*Interview with Mr. Hiroyasu Hozumi, Representative Director and CEO
ReachLocal Japan (Tokyo)*

March, 2013 – Companies with a global scope are likely eyeing the Japanese market. Even with the recent emergence of China, India, and other East Asian countries on the global scale, Japan remains one of the world's biggest economies, and a critical point for a company's globalization. How do global companies enter the Japanese market, and how do they find success there?



One company that has found recent success entering the Japanese market is **ReachLocal**, an online marketing firm that targets local businesses. ReachLocal is headquartered in Woodland Hills, CA. They have garnered widespread acclaim for their unique marketing solutions, and have been rapidly expanding their business worldwide ever since their 2004 debut. Their Japan office was established in 2011, and they began full-scale operations in June of 2012.

In January of 2013, **JETRO** visited **ReachLocal Japan** in their new office in Tokyo. **Mr. Hiroyasu Hozumi**, Representative Director and CEO, and **Mr. Koichiro Mizuno**, Director of Marketing and Training, sat down with JETRO to discuss the key factors that made ReachLocal consider Japan as a vital part of their globalization strategy.

Global Expansion - Japan as the Eighth Market

ReachLocal never stops evolving. Since its establishment in 2004, the company has continued looking ahead, developing innovative tools and online marketing solutions for small-and-medium-sized businesses. They went public on the NASDAQ exchange in 2010.

They first took a step onto the global stage by expanding to Australia, and then established offices in the U.K., Germany, and other countries. When the company made the decision to launch their first Asian office, their eighth market, they were confident in their decision. Some Japanese companies had already expressed interest in their services, and their offices in other countries provided solid business models. The industry-leading internet marketing technologies they had developed in the U.S. were suitably localized, ready to market to Japan.

The company brought on Mr. Hozumi, now the Representative Director and CEO of ReachLocal Japan, to head the expansion effort. They were certain the timing was right to enter the Japanese market.

Mission: Reaching Out to Small-And-Medium-Sized Businesses in Japan



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ReachLocal's business model in Japan is currently centered around their unique marketing tool, **ReachSearch™**, a search engine advertising service for web and mobile devices. ReachSearch targets advertising to all major search engines and online directories, as well as other sites and directories at the local level, making their clients easy to find.

When a consumer clicks on an online ad and visits a business website via ReachSearch, and chooses to contact the business via phone, the contact they have with the company will be tracked and integrated into ReachSearch's data analysis. ReachSearch lets businesses know how exactly how many of their calls were placed due to web marketing, even recording phone calls from customers. ReachLocal also analyzes all the search data to check which advertisements and which keyword searches produce the most effective result for the business, and optimize web campaigns for the business.

ReachLocal also provides real-time analysis to their customers. Clients do not have to wait for a month to get an analysis report from an agent, but can check results immediately. Clients can know at any time how many phone calls, emails, or inquiries were generated by online marketing, then choose to optimize their advertising plans accordingly. This helps clients to reach their target market as quickly as possible.

In addition to the advantage of their technology, Mr. Hozumi highlighted other company strength. "Existing online marketing agencies have not reached small-and-medium-sized businesses," he said. The agencies may think that their small advertising budget will not yield significant profits. "Leveraging the advantage that we are a global company, the company successfully built a profitable business model in supporting small-and-medium-sized businesses. This is our strength," Mr. Hozumi explained.

Their ideal clients include doctors, plumbers, dentists, and veterinarians. Their business model fits into clients who advertise their businesses, where phone calls make up a vital part of their business, and when such calls are made in an emergency. For example, when someone is in an emergency situation, they are far more likely to search online and immediately make a call to a business providing a solution. Such business owners recognize how important advertising is. The company has already contacted over a few hundred of businesses by demonstrating their unique advantages such as tracking and

recording phone calls, low cost, and transparency of effectiveness by reporting.

Japan Office Crucial To “Localization”



Mr. Hiroyasu Hozumi,
Representative Director and CEO

At the initial deployment phase in Japan, some challenges arose, and Mr. Hozumi and his staff put a lot of energy and time into localizing their business solutions. Operational processes had to be adjusted to suit Japanese market practices. Documents to be shown to clients had to be revamped. They learned that company materials intended for Japanese clients could not simply be translated from English verbatim, but needed to be rewritten to demonstrate a full understanding of the company’s offerings, strategies, and culture.

Mr. Mizuno, as one of the first staff members to be hired at ReachLocal Japan, was sent to ReachLocal’s California headquarters for several weeks in order to acquire a full understanding of the services the company provided. With their knowledge deepened, Mr. Hozumi, Mr. Mizuno and other staff spoke to potential Japanese customers, learning the best way to present those services to attract a Japanese audience and making tweaks to their presentations accordingly. “You can’t do such tasks from overseas,” Mr. Hozumi emphasized.

Small-and-medium-sized businesses recognized the values ReachLocal brought to their businesses. With the support of ReachLocal representatives, a dentist, for example, does not have to spend extra hours on preparing and analyzing their online ads. The dentist can simply focus on their core business practices, and through ReachLocal, online ads will bring in more customers at a low cost.

Buliding Credibility In Japan

Although new to the Japanese market, ReachLocal is steadily building their credibility. They have a powerful partnership with Google: the company is one of the few **Google AdWords™** Premium SMB Partners in Japan. The top executive of Google Japan was in attendance at ReachLocal’s Tokyo press conference in 2012, demonstrating their solid business relationship.

Multiple awards prove the company’s fast growth in the industry: the company topped the **Deloitte 2009 Technology Fast 500**, and marked an amazing 146,050% growth rate in 2009 (second to Google since 2004). Their credibility has been further bolstered by their debut on the NASDAQ index. With their amazing technology and their exceptional business aspects, ReachLocal Japan continues to steadily increase their client base.

ReachLocal Japan credits their successful launch in the Japanese market to another important factor:

“We are sales people with a face,” said Mr. Hozumi. The company will go and visit clients, so they can explain the advantage of their business plan in person. Mr. Hozumi expressed, “It is important to show that we have a well-staffed office, and that our U.S. company is a legitimate company.”

Building the Organization

“We originally considered a merger and acquisition, but after contacting about 20 companies in Japan, we realized that it would be difficult and time-consuming to integrate our unique qualities – our energy and our fast-paced environment – into an acquired company,” explained Mr. Hozumi. Having reached this conclusion, it was decided that it was essential for the company to establish their own subsidiary in Japan.

Before opening their Japan office location, ReachLocal spent 43 business days in the center of Tokyo at JETRO’s temporary office space, the **Invest Japan Business Support Center (IBSC)**. The headquarters found out about JETRO and its free office space service. The IBSC facility benefited ReachLocal a great deal as they ran a series of interviews to hire their staff. “[The IBSC] has many meeting rooms suitable for interviews. The rooms are nice and the location is ideal. I interviewed all of the initial sales staff at the IBSC,” Mr. Hozumi commented.

Their new office is not very far from the JETRO Tokyo headquarters. Once their office was set up, Mr. Hozumi started to build up a team made up of members he knew were capable of rolling out the business quickly. Mr. Hozumi was the only person assigned to the Japan office by the company headquarters. The rest of the team was locally hired. At first, he looked for people who he knew were capable of multi-tasks. Mr. Hozumi noted it was difficult to find such manpower unless you know them well already. Mr. Mizuno already knew Mr. Hozumi and that was how he joined the company. ReachLocal is a technology company and therefore Mr. Hozumi’s networking contacts in the IT and telecommunication industries he maintained from his previous work experience also helped him find right resources.

Employees are important assets of ReachLocal. Mr. Hozumi hopes for all staff members to be self-motivated and instilled with a sense of culture. Some new staff members will be sent to the California headquarters for several weeks or months, to ensure they fully understand the workings of the company. Executives from company headquarters, as well as other overseas offices, will fly to the Japan office to keep up communication. Global conference calls will be scheduled for the Japanese time zone, with staff at California headquarters asked to stay at the office until late at night. ReachLocal ensures through these practices that all their employees stay connected, and that all staff worldwide feel a sense of solidarity with one another.

Integral to Success: Market Potential, Unique Technology, and Brilliant Staff

ReachLocal is already looking ahead, both inside and outside the Japanese market. While ReachLocal Japan opened their office focusing mainly on the quality solutions such as ReachSearch the company already provided, they plan to introduce more marketing solutions into the Japanese market in the future. They are continuing to rapidly expand, proactively hiring as they plan expansion to other Japanese areas such as Osaka and Fukuoka. They expect to have about 100 employees working in the Tokyo office by summer of 2013, and they plan to continue their expansion into the Asian market.

We asked Mr. Hozumi why the company opted to select Japan as their first market in Asia. He smiled and said, “When establishing a company, the most important thing is human resource. [ReachLocal decided to open an office in Japan] because they had someone that they could rely on.” It was Mr. Hozumi himself. He then claimed, “[When establishing an overseas office,] human resource is the key. [Since we have a great staff and] know that the market potential is here, I don’t see any reason why our company can’t succeed in this market.”

JETRO’s Perspective

One of JETRO’s missions is to promote investment in Japan. We support foreign companies in setting up Japanese offices. JETRO connected with ReachLocal in 2011.

“We are glad to support ReachLocal,” said Mr. Masaki Fujihara, Director of Business Development at JETRO New York. JETRO realized that ReachLocal would make a strong “Invest Japan” case. “When we met ReachLocal, the company was already a global company with a unique business model and solid growth. We were excited that such an innovative company selected Japan as their first market in Asia,” Mr. Fujihara commented.

There are over 4,000,000 small-and-medium businesses in Japan¹, so potential business needs for ReachLocal are huge and always expanding. JETRO looks forward to the great success of ReachLocal Japan. We hope to visit them again, and discover how much further their high motivation will take them.

1) 2012 White Paper On Small and Medium Enterprises in Japan (Small and Medium Enterprise Agency): http://www.chusho.meti.go.jp/pamflet/hakusyo/H24/download/2012hakusho_eng.pdf

About ReachLocal

Worldwide Headquarters

ReachLocal, Inc. (NASDAQ: RLOC)

Woodland Hills, California

www.reachlocal.com

Year founded: 2004

Chief Executive Officer, Director: Zorik Gordon

Japan Office

ReachLocal Japan

Minato-ku, Tokyo

www.reachlocal.co.jp

Year founded: 2011

Employees: 78 (as of March 1, 2013)

Representative Director, Chief Executive Officer: Hiroyasu Hozumi

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