

Past JETRO Client
VERISILICON, INC.



October 2009 – VeriSilicon, Inc. is a semiconductor design and manufacturing outsource company who established a Japan office in September 2005. Since then, its Japan sales as a percentage of company totals have grown from under five percent to over 15 percent. We spoke with Bill Wang, General Manager of VeriSilicon United States and Corporate Vice President of Business Development, about his experience establishing the office, working with JETRO, and growing a business in Japan’s semiconductor market.

Opportunities in Japan

VeriSilicon’s customers consist of fabless semiconductor companies and systems companies who need an outsourcing company to design and/or manufacture semiconductors. Because Japan is home to so many household names in consumer electronics, VeriSilicon sought to establish an office close to these potential customers. “In Japan, proximity is especially valued in the business culture,” Mr. Wang said. “In the US, it’s probably much more acceptable to do business or place orders over the phone. But in Japan, you don’t do that. You have to spend time in front of the customer, rather than just service them out of the US.”

To test the market, VeriSilicon hired a consultant to conduct business development activities in Japan and generate sales leads. From these initial activities, VeriSilicon saw that “clearly, we needed to expand our business,” said Mr. Wang.

Establishing the office

After seeing the need for a Japan office, VeriSilicon worked with JETRO to establish it. Through working with JETRO, VeriSilicon obtained a checklist for establishing an office, cost estimates, human resource procedures, and information about payroll in Japan. VeriSilicon also gained an overview of the different types of businesses that could be formed, regulations related to each, and help with locating a permanent office. “JETRO was able to help us have a more comprehensive overview of the key steps of setting up the office in Japan,” said Mr. Wang. “That was very helpful because if we tried to assemble all of those bits and pieces of information on our own, I’m pretty sure we would have left a few out without knowing it. Getting this help from JETRO lessened the workload for me.” He added, “Also, knowing that JETRO is a government agency assured me that we would comply with the rules and regulations of the government in setting up the office.”

Results and Outlook

While there are companies in Japan who offer services similar to VeriSilicon's, said Mr. Wang, what sets the company apart is that instead of providing only one type of service involved in making a chip—such as designing, manufacturing, or intellectual property licensing—VeriSilicon provides several. “We are more of a one-stop-shop kind of supplier,” he said. In addition, VeriSilicon's large China operation enables the company to provide its services at very competitive costs. This differentiation has helped VeriSilicon grow its Japan sales—as a percentage of company totals—from less than five percent to over 15 percent since opening the office in September 2005. The office has also grown from one employee to seven.

Looking forward, Mr. Wang described how the company's experience in Japan can be used in other markets. “From our company's standpoint, Japan is a very, very important market for us to stay in and continue to grow in because the knowledge, the products, and the services that we provide in Japan will one day come to China, Taiwan, Korea, and other parts of the world,” he said. “Also, the level of detail and focus on quality apply to the rest of the world in terms of our clients.” As for future growth, Mr. Wang said, “We have high hopes in Japan. Right now, Japan represents 15 to 20 percent [of global sales]. We should be expecting 20 to 30 percent over the next couple of years.”

Business in Japan

We asked Mr. Wang to compare some aspects of doing business in Japan to those in the US, based on his experience. The following is a summary of his responses:

	Japan	U.S.
Working with customers	Japanese customers are not as aggressive as US customers. In Japan, 'tried-and-true' ways are preferred over new; customers are a lot more risk averse.	US customers will view a new entrant as a new opportunity to do business. They're much more open to a new entrant's proposal and be willing to try something new.
Gaining new customers	Japanese customers will examine your service to make sure it works to avoid problems in the future before they start a full-blown relationship with you. It takes much longer to gain a customer's business officially in Japan.	American companies tend to start a relationship right there, and go with it, fixing any problems along the way.

Standards for business	Japan customers tend to be very meticulous and detail-oriented.	American customers tend to focus on the key aspects of the business. They will be less focused on the third-level details.
Marketing	Japanese companies view tradeshow more seriously.	

Advice and Insight

Mr. Wang also provided some advice and insight for companies planning to establish an office in Japan:

- **Be patient in developing in the Japan market.** You have to be prepared to spend a lot of time there. If you're serious about Japan, you need to invest in the market for a good year and a half, maybe two years, before you really start reaping the fruit of your investment.
- **Be very humble when you approach new clients** because compared to the existing incumbents, you are nobody in Japan.
- **Do your homework** and work to gain the trust of and credibility with your clients. Japanese customers tend not to trust new entrants easily. They actually want to observe and qualify the new entrants before they start doing business with new companies.
- **Provide a solution before the sale.** You have to demonstrate the product to the client, understand their needs, hear their requirements, and then provide a solution before you can even talk about a sale.
- **Having a long-term relationship with the client is important.** Long-term business relationships carry a lot of weight in Japan, which is to a lesser extent in the United States.
- **The cost of running a Japan office can be high**—not the employee salaries but the ancillary benefits were higher than I expected.
- **Having a Japan office is very important** because it symbolizes our company's commitment to the Japan market. That's very important for our Japanese customers because they see our people day-in and day-out. They feel that we are a reliable partner to do business with. Also, our business is very complex, so it does not fit the characteristics of our business well to operate in the market in a way other than having an office.

Japan Company Profile

Japan Company:	VeriSilicon K.K.
Established:	September 2005
Employees:	7
Business:	Semiconductor design and manufacturing
Location:	The Imperial Tower, 8th floor Uchisaiwaicho, Chiyoda-ku, Tokyo, 100-0011 Japan
URL:	http://www.verisilicon.com/
Parent company:	VeriSilicon, Inc.

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**Note: The opinions contained in this article are based on the experiences of the interviewee. They are not representative of all experiences in Japan or working with Japanese companies, and do not reflect the opinions of JETRO.*

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