

Past JETRO Client

Test Engineering Company Averna Anticipates Japan Office to Help Triple Japan Revenue

February 2011 - Averna is a test and quality solution provider for communications and electronics device makers. Founded in 1999 and headquartered in Montreal, Canada, this privately-held company has offices in Atlanta, Georgia; Mountain View, California; Toronto, Canada; Guadalajara, Mexico and most recently opened one in Yokohama, Japan. Regional Sales Manager for Asia, Etienne Frenette, spoke with us about what opportunities led Averna to Japan, his experience developing the business there and establishing the office, and why he anticipates tripling Japan revenue in the next few years.

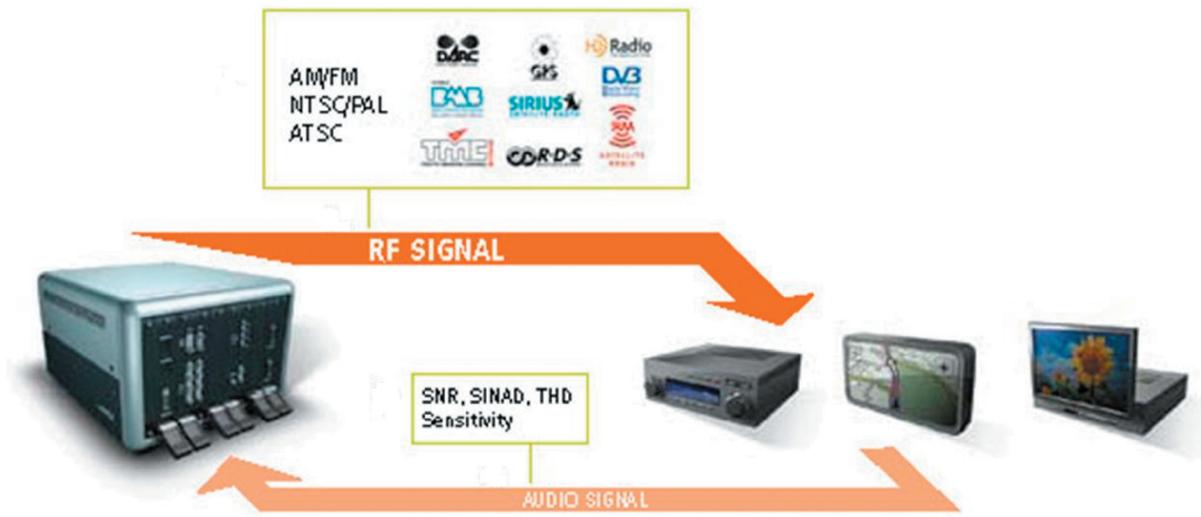


Opportunities in Japan & Market Entry

Japan is home to many of Averna's target customers--some of the world's largest communications and electronics device makers--but it wasn't Averna who sought these customers first; rather, it was the other way around. "We sell a very niche product that's very unique on the market," said Mr. Frenette. "The demand for our product [in Japan] came from customers themselves contacting us directly." To validate the market opportunity, Mr. Frenette worked with Averna's global supplier to meet with target customers and confirm their interest in Averna's solutions. Then over the next few years, as Mr. Frenette worked with a local distributor to continue growing the business, Averna saw an increase in inquiries not only from Japan but also from the rest of Asia. Anticipating that revenue from these regions would pass a certain threshold in 2010, the company opened a Japan office in April and designated it as its Asia headquarters. "It was clear for us that to better tackle these markets, we needed to have a local presence in Asia," said Mr. Frenette.

In addition to meeting the growing demand from Japan customers in general, Averna wanted to better address the needs of R&D and design centers of the automotive electronics sector, a key market for the company. "Japan is at the forefront of the automotive market and automotive electronics, and there are lots of R&D centers and strong decision-making centers here in Japan," said Mr. Frenette. "Unless we have a direct presence that allows us to talk directly with the design centers and the decision centers in Japan, it makes it very difficult to have significant business with

Japanese companies.” Among Avera’s customers in Japan are automotive giants Toyota, Honda and Nissan, as well as their main car radio and car navigation suppliers, including DENSO, Alpine and Clarion.



Universal Receiver Tester (URT) Test Platform

Working with JETRO to Establish the Office

To establish the direct presence in Japan that Avera was seeking, Mr. Frenette took advantage of JETRO’s free services. Working with the Toronto office, he gained information on the steps necessary to set up a business, the different business entities that could be established, costs related to each, and other aspects of establishing the business, like banking, finance, tax and insurance. “This was the first step we took, and we basically got all the information we needed from JETRO,” he said.

Then for a period of about a month and a half, Mr. Frenette used JETRO’s temporary office space in Yokohama, Japan to set up the Avera Japan office while looking for permanent office space. From the JETRO staff, he received advice regarding different business locations, the differences between using a serviced office versus renting, and also was introduced to several tax experts for establishing an office in Japan. “The whole company [Avera] has been very, very happy with the level of service we got from JETRO,” he said. “The amount of information and the precision of the information we got was just amazing.”

He added, “JETRO really played a key role as a consultant to give us all of the specifics of setting up an office in Japan, and their pure third-party opinion was very valuable for us. I didn’t feel that there was any personal interest or financial interest, other than of course, investing in Japan.”

Results & Outlook

Having a Japan office has made a substantial impact on Averno’s Japan business, says Mr. Frenette. “Being able to be here, directly talk with our customers, and be very responsive have made a key difference and brought us some revenues that we wouldn’t have had if we didn’t have the office here.” Compared with some of Averno’s competitors in Japan, Mr. Frenette says, “I think our key advantage is that we took the decision to have a local office here to show our commitment to Japan. We’re also technically able to present and talk with our customers directly here.” Supported by these advantages, Mr. Frenette anticipates Japan revenue to triple in the next two to three years.

Not only has the Japan office helped Averno’s Japan business, it has also influenced its business in other areas of the world. “The goal of our Japan office was to be close to the R&D and design centers of the Japanese companies,” said Mr. Frenette. “At the same time, this had an effect globally because Japanese companies tend to be quite centralized. Finding a direct presence and direct communication with Japanese companies here in Japan is also having a ripple effect on the business we can get from Japanese companies overseas.” And since Averno’s Japan office serves as its Asia headquarters, the company sees the office “as a step forward to address other Asian markets.”

Business in Japan

From several years of working with Japanese companies while living in Japan, Mr. Frenette provided some insights into doing business there.

- **Marketing and business development:** Japanese customers are a lot more sensitive to Japanese-targeted marketing and messages. So although you can have a worldwide brand, messages and marketing campaign for a specific service or product, Japanese customers are a lot more sensitive to having a targeted marketing campaign or message for them. And when I say that, it’s not only a pure translation in Japanese of the overall words or collateral. It’s more really understanding what the difference is in the Japanese customers and trying to adapt the marketing and business development to those needs.
- **Gaining new customers:** Japanese customers put a lot more value on direct face-to-face meetings than customers in other markets, I would say, even in other markets in Asia. In the U.S.

and Canada, it's quite easy to do business over the phone, web conferencing, email and so on, and actually go all the way to fulfill the deal without actually meeting the customer. In Japan, we saw direct impact on the customer's response, their interest in our product, and their openness after several face-to-face meetings.

- **Working with customers:** In Japan, customer put a lot more value in keeping in touch with their suppliers. If I compare to our U.S. customers or some of our customers in Europe, after the product has been implemented, we follow up on the phone, through email and so on, and we meet them once in a while. However, in Japan even after we successfully completed a first project, we keep on developing relationships with them and spending time in face-to-face meetings. That's the key to developing further relationships with our clients in Japan that's going to lead to further business down the road.

- **Standards or expectations:** The reputation is actually very true: Japanese customers have very high expectation for their suppliers and their partners for quality, involvement and responsiveness. They are a lot more demanding on these aspects compared to other markets like North America or Europe and some Asian customers as well. While this may mean a lot more effort on our side--both for Averno and our distributor--I feel that all the effort leads to a better relationship and more business down the road. So they are very demanding, yes, but I think they're also very loyal to their suppliers that work with them.

Advice

Giving a couple pieces of advice for companies working toward establishing a physical presence in Japan, Mr. Frenette offered:

1. **Opening up an office in Japan needs a real commitment.** It is not something that can be done very easily. It is very easy in terms of getting help from JETRO with the setup process. However, from a cost and ROI perspective, it's something that needs true commitment to stay here for the long term. So I think if you are committed to invest in Japan, then the customers are going to see it and appreciate it, and you're going to see the revenue. But it's not something that can be done without a true commitment from the whole company.
2. I recommend them to **get in touch with their local JETRO representative** to help throughout the whole setup process and logistics.

Japan Company Profile

Japan Company: Averno Technologies, Inc. Japan Branch
Established: April 2010
Employees: 1
Business: Test and quality solution provider for communications and electronics device makers

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