

DUKANE

Intelligent Assembly Solutions

Dukane Corporation

Dukane Corporation is an American manufacturer of ultrasonic plastic assembly systems and audio visual equipment. Dukane's Intelligent Assembly Solutions Division opened a technical center in Tokyo in 2013. In September 2015, JETRO Chicago spoke with Russell Witthoff, Dukane Corporation's Director of Sales & Marketing for Asia & Europe, to learn more about the company and their strategy for Japan.

Dukane Corporation is a diversified global manufacturer based in St. Charles, Illinois. Originally founded in 1922 as a manufacturer of radios, Dukane is focused on manufacturing ultrasonic plastic assembly systems and audio visual equipment like video projectors, presentation monitors and mounting equipment. In addition to its headquarters in Illinois, Dukane has technical centers in Connecticut, Georgia and Michigan as well as in the Czech Republic, France, China, India and Japan. The privately held company employs approximately 275 people worldwide.

Dukane's Intelligent Assembly Solutions Division produces equipment for welding plastic components, utilizing techniques like vibration welding, sonic welding, hot-plate welding and spin welding. Dukane engineers work closely with customers to develop new applications such as cutting tacky and abrasive materials, welding of metal components, sieving, and fluid processing. Dukane's tools are used in a wide variety of industry sectors, including automotive, consumer electronics, medical devices, aerospace, children's toys, and packaging.

Beginning in the mid-1990s, Dukane relied on distributors to sell their equipment in Japan. Although it was a solid market for the company, management believed that the Japanese market held far more potential for their plastic welding products. The company conducted a comprehensive market analysis, comparing their products, features and costs to other similar equipment, and felt that sales in Japan should be much higher.

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Russell Witthoff, Director of Sales & Marketing for Asia & Europe for the Intelligent Assembly Solutions Division, noted that while using distributors in Japan was easy, there were a number of advantages to setting up an office in Japan and selling their equipment directly to customers. With a presence in Japan, Dukane would be better positioned to access the engineers at the OEMs who make decisions about equipment purchases. Having an office in Japan would allow them to be more responsive to customers' needs. And selling direct would eliminate the additional cost markup that distributors add on.

By early 2013, Charles Clark, then President of Dukane's Intelligent Assembly Solutions Division, had made the decision to put an office in Japan. It would serve as a technical center, providing hands-on sales, support and training. Mr. Clark reached out to the Association for Manufacturing Technology (AMT) and the Japan Auto Parts Industry Association (JAPIA) for advice. AMT and JAPIA each referred Mr. Clark to JETRO's Chicago office, which has a long history of cooperating with both organizations.

In early April, Mr. Clark and Mr. Witthoff met with JETRO Chicago's investment team, who explained how JETRO helps foreign companies like Dukane enter the Japanese market. They outlined the various Japanese corporate structures, the timeline for setting up in Japan and the related costs associated with each option. They also provided Dukane with a cost comparison for setting up in different regions as well as information on wage rates.

Later that month, Mr. Clark and Mr. Witthoff traveled to Japan and had meetings at JETRO's InvestJapan Business Support Center (IBSC) in Tokyo. There they consulted with JETRO's experts on a number of issues, including the incorporation process, tax & accounting, labor law and immigration. JETRO also introduced Dukane to the Saitama Prefectural government, who took them on a tour of possible office locations.



Dukane moved quickly and by early August, Mr. Witthoff was back in Japan to officially open Dukane Japan Co., Ltd. The first three employees all came from former distributors and were familiar with the industry and Dukane's products. By August 2015, the company had grown to 7 employees in Japan. The office is led by Kunihiro Shinjo, Japan Country Manager. Mr. Witthoff added that Mr. Shinjo's title would be changed in 2016 to Resident Director. "As we've opened around the world, we've seen how important that first hire is to successfully building the business."

Dukane's Tokyo office serves as a sales and tech center. The staff provides training on Dukane machinery and has equipment set up to demonstrate different capabilities. While Dukane considered Saitama Prefecture, they ultimately chose a location in Tokyo's Chiyoda ward. The office is located near the Kanda Station on the Tokyo Metro's Ginza Line, not far from Akihabara. The office is in a busy commercial area and is easy for out-of-town visitors to access. According to Mr. Witthoff, they have visitors coming in every week to see the equipment in action.

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Mr. Witthoff expressed his appreciation for all of JETRO's support and assistance, both in the US and Japan. JETRO introduced Dukane to a number of professional service providers, including a lawyer in Japan who advised them on setting up a KK and continues to serve as their official Managing Director,

as well as an accounting company which handles their payroll and accounting matters. Dukane also utilized the free office space provided by the JETRO IBSC in Tokyo.

Dukane's operations in Japan are still ramping up and they are still developing their human resources. The company is investing in training, bringing staff to the USA for training at the head office in St. Charles. They most recently added an office manager who will ensure the office runs smoothly. Dukane outsourced its accounts receivable & payable and payroll to Nagamine & Mishima Accounting, a local accounting firm which JETRO introduced. Mr. Witthoff remarked that Nagamine & Mishima have been enormously helpful and significantly simplified Dukane's operations in Japan. "That introduction from JETRO was huge" he said.

Mr. Witthoff admitted that hiring good sales people continues to be a challenge. Dukane needs people who speak some English, because they must work with engineers in Illinois. But they also need proactive sales people who have technical skills and understand how to develop new business. The company is working with HR agencies and online job sites to fill its open positions. While they have interviewed a number of candidates, too many were unqualified. Mr. Witthoff observed that a lot of the people were more interested in inside sales, servicing existing clients, but that they needed hungry go-getters who can bring new business in.

Dukane is working hard to grow its business in different industries within Japan. Most of their sales in Japan come from the automotive and medical devices sectors. While the medical device business has been increasing, the automotive side has slower to develop. Mr. Witthoff cited the preference among Japanese auto makers for locally sourced machine tools, as well as locally sourced parts. A related challenge is brand recognition. Because Dukane relied on other companies to sell their products, customers did not have a relationship with Dukane.

Dukane has worked hard to build its business in the USA among the Japanese transplant companies, especially in the automotive sector. Mr. Witthoff said the team in Tokyo is now working to leverage their network of contacts from those firms who have since returned to Japan. The company understands that doing business in Japan requires patience and persistence. In time, Mr. Witthoff believes Dukane's products will gain momentum in Japan.

While Dukane has a few competitors in Japan, Mr. Witthoff said that its focus on customer service really sets it apart from other equipment makers. Dukane's products are among the best in class with high-quality engineering and are price competitive. Dukane has a strong global network and can service multinational companies in almost any market around the world.

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Mr. Witthoff added that one of the strengths to selling direct to customers in Japan is that it removed the additional costs tacked on by the dealers. Dukane's machines are very high quality, and not an inexpensive purchase. With the dealer mark-ups, the equipment was often out of reach for many firms.

Now Dukane is able to offer the same equipment at more competitive prices, making their products more accessible and with the added benefit of in-country sales and service.

When asked about guidance for American companies considering Japan, Mr. Witthoff said it is important for foreign firms not to buy into the myth that Japan is closed, or too expensive or too hard. That misconception kept Dukane out of Japan for a long time. He said the company should have set up an office 10 years ago. There are obstacles but they can be overcome, especially if companies utilize JETRO's support. He said that Japanese companies are receptive to innovative, effective products. It is important for companies to understand that success in Japan requires a local presence, and the best way is to have your own office.



One unexpected problem Dukane encountered was setting up a bank account. The first bank suggested by the accountants at Nagamine & Mishima indicated that they would reject Dukane's application for a new account. Mr. Witthoff was shocked that a bank would turn business away like that. While he could understand strict banking regulations, the most cursory due diligence would have shown that Dukane was a well established and reputable company with excellent credit. The team at Nagamine & Mishima worked with Dukane to identify an alternative bank that would accept their business. They eventually opened two accounts, one at Shinsei Bank and another at Mizuho. Shinsei has a reputation for being very accommodating to foreign businesses in Japan. It offers English-language online banking and other tools which make it easy for Dukane to transfer funds between the US and Japan. Mizuho is an older, more prestigious bank, something which is very important in Japan. Dukane uses Mizuho for invoicing and paying bills in Japan and uses Shinsei to transfer funds between Japan and the US.

Mr. Witthoff acknowledged that Japan can be a difficult market to operate in: it is far away; there is a significant language barrier; and it has a unique business culture, which is extremely risk averse. He said Japan's overly cautious nature means that projects are slow to develop and can be put on hold quickly when problems arise. Foreign currency exchange rates are also an ongoing challenge. Despite these issues, Japan is a lucrative market for Dukane, home to major manufacturers in all of their target industries. Dukane is positioning itself to service Japanese customers who are expanding operations into Vietnam, Thailand and Indonesia. The company sees great opportunity in Southeast Asia and expects that as Japanese manufacturing grows in the region, so too will Dukane's business. Having a technical center in Japan enables the company to build relationships with the key personnel responsible for purchasing decisions.

Looking forward, Mr. Witthoff said that they are already looking for a bigger office which can accommodate a larger staff as well as some light manufacturing. Over the next year, he would like to add two more sales people as well as a machinist. They are currently outsourcing some tool & die work to a machine shop in Chiba, but they need to be able to do some machining in-house. He hopes to find

a suitable space somewhere in Tokyo or Chiba. Long term, he said the company may also consider setting up an office in the Nagoya region to be closer to automotive companies like Toyota, Denso and Aissin.

Mr. Witthoff said that Dukane's plan is to set up offices in 3 or 4 more countries over the next 5 years. Despite the recent slowdown in Chinese manufacturing, sales there have been especially strong and demand is expected to stay high. In 2015, Dukane set up a new office in India and already employs 10 people there.

“The first meeting with JETRO was huge.”

As our conversation drew to a close, Mr. Witthoff remarked, “The first meeting with JETRO was huge.” He had been traveling to Japan for years but it took a long time for him to get comfortable. Working with a distributor kept him in a bubble. They would pick him up, take him around to customers' offices and then out to dinner. It was easy but it also sheltered him, as well as the company. Over time, Mr. Witthoff read up on Japan's business and culture and started to explore more and develop his own relationships. “It was a big moment when I got my Suica Card and could get on the Tokyo trains by myself,” he joked. But this all made Japan more accessible, and gave him a better feel for the market. Since then, Japan has become one of his favorite business trips.

Mr. Witthoff also admitted that while he had heard of JETRO, he thought that JETRO only worked with big companies. He was surprised to learn that JETRO was interested in helping small & medium sized companies like Dukane. “JETRO provided us with such excellent support and assistance. The JETRO staff in Chicago and Tokyo helped us make sense of the process for setting up a company and showed us that we could do it. They made it seem real, possible. JETRO removed the doubt and uncertainty about setting up a company in Japan.”

Dukane Japan Co., Ltd.

- Establishment: August 2013
- Business: Design, manufacture and sales of plastic welding equipment
- Parent company: Dukane Corporation, St. Charles, Illinois
- Address: First Bldg. 6F, 17, Kanda-Higashi-Matushita-cho, Chiyoda-ku, Tokyo 101-0042
- URL: www.dukane.jp

JETRO's Support

- Provision of IBSC temporary office
- Consultation with JETRO expert advisors
- Support with procedures for incorporation
- Support with finding real estate/rental space

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