

## Past JETRO Client

### LitePoint establishes Japan subsidiary, seeks to gain above 70% market share

February 2011--Founded in April 2000, LitePoint Corporation provides advanced test solutions for the development and manufacturing of wireless devices. LitePoint's solutions help



customers increase the speed at which the design of a wireless device can transition from design to production by significantly improving operational and testing efficiency. Ten years after its founding, LitePoint opened an office in Tokyo. We caught up with senior vice president of sales at LitePoint, Luc Schoups, and representative director of LitePoint Japan K.K., Takashi Sato, to get a look into LitePoint's expansion to Japan and their experience working with JETRO to establish the Japan office.

#### Opportunities in Japan & Market Entry

LitePoint saw opportunities in several aspects of the Japanese market--the sheer size of the market, its history in process optimization, and the global nature of electronics production today; a process in which Japanese companies play a key role. "Japan is a major market and also a key center of electronics innovation," said Mr. Sato. "There are many major consumer electronics brands in Japan in addition to major module makers, and component makers." Mr. Schoups highlighted the alignment between LitePoint's business and electronics manufacturing in Japan. He said that LitePoint solutions help its customers optimize production, while Japan's kanban (or just-in-time) system optimizes production scheduling and the kaizen system is designed for continuous improvement in any process. "LitePoint solutions enable even greater improvements in both the kaizen system and in the kanban system," Mr. Schoups said. He added, "Electronics today can be designed in one country, manufactured in another, and assembled and sold in yet another. LitePoint helps companies optimize their role in this 'distributed value chain' and also the value chain itself. And because Japanese electronics companies are a 'cornerstone' in this process, Japan is an extremely important market for LitePoint." Mr. Schoups concluded, "We can't complete a chain without the Japan components in there." For these reasons, Mr. Sato said, "We thought it is natural that we go to Japan."



iQxstream Mobile Test System

LitePoint began its business in Japan by selling through a distributor. Then in 2008, a major brand referred LitePoint to some key customers in Japan, and business grew significantly. Upon seeing a growing need to provide more “local support, faster response and more in-depth technical support” to its customers in Japan than what its headquarters and Chinese subsidiary were able to provide, said Mr. Sato, LitePoint decided to establish an office.

“We really wanted to demonstrate that we are fully committed to the success of our customers,” said Mr. Schoups. “I don’t think we could demonstrate that commitment without having a serious local presence in Japan.”

### **Establishing the Office & Working with JETRO**

At the end of 2009, LitePoint met with JETRO and began the office-setup process. During initial meetings, JETRO gave LitePoint an overview of what would be involved in setting up an office in Japan. Then LitePoint visited the JETRO office in Tokyo and received introductions to legal, accounting, and recruiting professionals. “JETRO has a very extensive professional staff that covers all the aspects of what we needed to establish a Japan office,” said Mr. Schoups. “And JETRO always presented us with multiple candidates for each needed professional, so we could interview, evaluate, and select the best professionals who satisfied our needs,” added Mr. Sato.

Then for a few months, LitePoint utilized the temporary office space in JETRO’s Tokyo office as a logistics hub and also used JETRO’s office address to register the company in Japan. “We made the JETRO office space as a base in Japan and to register LitePoint Japan K.K.,” said Mr. Schoups. “Without a permanent location or permanent address, we couldn’t do that.”

After registering the company in April 2010, LitePoint began preparing its Japan office for launch. Working with the real estate broker introduced by JETRO and a remodeling firm, LitePoint found permanent office space and made design adjustments to ready the space for its staff.

In September 2010, working with a public relations firm also introduced by JETRO, LitePoint held

a press conference announcing the launch of its Japan operation. “The press conference was well attended by 15 journalists from major newspapers and magazines,” said Mr. Schoups. “We received coverage in industry newspapers, online articles, online media, and a few follow-up interviews. We also engaged with some of the newspapers to place space advertising. We were very happy with the results.”

“JETRO was a one stop shop which provided everything we needed,” said Mr. Sato. “The professionals they referred to us were top notch.” Mr. Schoups added, “JETRO really facilitates the process, but it also gives you a much higher level of confidence in the success of the process because of the whole comprehensive and professional organization that JETRO has put together. We’re very impressed with and very grateful for the services provided.”

## **Business in Japan**

From their experiences working in Japan and in the U.S., Mr. Schoups and Mr. Sato gave comparisons for different aspects of doing business in each country. They emphasize, however, that the differences are not black-and-white.

### *On gaining new customers*

- Mr. Schoups said, “You first have to earn Japanese customers’ trust, and then they will look at your product. Also, Japanese customers are very detail oriented. They thoroughly analyze a product before they make the commitment to buy. The process is longer, but I believe it’s very sound because in exchange for the investment of time you make upfront, you get more customer loyalty over the long term.
- Mr. Sato said, “Japanese customers are very cautious about buying from newer companies. It would take months or even years before they are convinced that your company is trustworthy and your products deserve their attention. They need to hear your name repeatedly not only from your distributors but from other sources like their suppliers, customers, and/or competitors.

### *On working with customers*

- Mr. Schoups said, “In other markets, if a competitor comes in with a lower price, the customer may not even tell you and you’re out. And you may not ever know why you’re out. In Japan if you have a strong relationship, a customer may let you know something is happening and you should sit down and talk to discuss the options that are available.”

### *On marketing and business development*

- Mr. Schoups said, “What [our customers in Japan] don’t want is a U.S.-designed product that is just being pushed on Japan. You need to demonstrate that you as a company understand that some of their requirements may be different than U.S. requirements. And then demonstrate your willingness and ability to adapt and to make these changes that may be required to fit their local requirements.

### *On standards and expectations*

- Mr. Sato said, “The Japanese concept of a tester is something they rely on, so they have very high expectations for the reliability and the quality of a tester.”

### *On human resources*

- Mr. Sato said, “I think in general that engineers in Japan are often not compensated as well as they are in other markets. But we are a U.S. based company, and we operate that way when it comes to compensation, so we are able to offer competitive salaries to our employees.”

## **Results & Outlook**

Since launching last September, LitePoint Japan K.K. has been growing in name recognition in Japan and receiving solid feedback from customers. “Those in the industry--the module business or the manufacturing business--know about LitePoint,” said Mr. Sato. “They have heard our name, either from chip vendors or their customers, as a major test manufacturer who can provide a solution which provides shortest time to market and the lowest cost to the manufacturer.”

One LitePoint customer, Norio Nakajima, Vice President of the Communication Mobile Division at Murata, expressed, “LitePoint’s unique technologies enable us, Murata, to significantly improve our operational efficiency and greatly contribute to our getting the trust of our customers.” In serving Murata’s own customers using LitePoint solutions, Mr. Nakajima said he “hopes to work closer together with LitePoint to further improve our customer satisfaction.”

Looking forward, LitePoint seeks to grow its market share in Japan to match that in other areas of the world. Mr. Schoups said, “Outside of Japan we believe we have 70-percent-plus market share in the segments that we play in. Our goal in Japan is to achieve the same dominant market share in the target markets segments that we play in.”

To do so, LitePoint Japan K.K. is looking to hire more great people. “What we’re looking for is a person with a fairly high level of technical skills that is less risk adverse on average and is willing to work for a smaller organization,” said Mr. Schoups. “The pool of people that we particularly look for is limited. The flip side of that is that the salary expectations are a little bit higher than they would otherwise be.”

“Japan is a key element, a key cornerstone in this global distributive value chain,” continued Mr. Schoups. “To complete the chain, we need to have a very strong presence in Japan.”

### **Insight & Advice**

Looking back, Mr. Schoups and Mr. Sato offered some insight and advice into their process of establishing LitePoint Japan K.K.:

- Mr. Schoups said, “Establishing the K.K. went smoother than I expected and great thanks to JETRO for facilitating it. But the recruiting took more time than we anticipated. We started our recruiting activity back in January [2010] or even before. But eventually, we found very good, capable candidates.”
- Mr. Sato said, “You have to establish a long-term relationship with Japanese customers. It’s not just one thing; providing a price and features is not good enough. It’s a much longer process to gain their trust and let them understand you as you understand them.”
- Mr. Schoups said, “Entering the Japanese market is not more difficult than entering other markets; it’s just different. It takes a little bit more upfront effort and a little bit more attention to detail. The process may be a bit more extensive, but I would not classify it as difficult. The process is different, and you have to go through certain hurdles and certain gates. You have to respect the sequence of those gates. You can’t shortcut that process. To me that doesn’t make it more difficult. It is just a different process.”
- Mr. Schoups said, “You need to have the K.K. Without a proper legal entity, you can’t hire people directly as full time employees, as Japanese employees; you have to either hire them as contractors or you have to hire them through a third party, and they’re not really full time employees. Not everybody wants to go out on a limb, but if you have the K.K., employees don’t have to go out on a limb. It’s more difficult to attract the right people without a K.K.”
- Mr. Sato said, “Without the K.K. entity, I don’t think we could have leased the office we are leasing right now. Those prestigious buildings especially are very picky about tenants.”

When asked if he had any advice for companies establishing a presence in Japan, Mr. Sato said, “Yes, talk to JETRO first.”

### Japan Company Profile

Japan Company: LitePoint Japan, K.K.  
Established: April 2010  
Employees: 4  
Business: Advanced test solutions for the development and manufacturing of wireless devices  
Location: World Trade Center Building  
21F, 2-4-1 Hamamatsucho, Minato-ku  
Tokyo 105-6121, Japan  
URL: <http://www.litepoint.com/>  
Parent company: LitePoint Corporation

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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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