

Interview with Hidechika Kawai, president, Evryx Japan K.K.

“ShaLink” Cuts Opportunity Losses

Evryx to Boost Mobile Visual Search Service in Japan

Interviewer: Kanji TAKAMASU



Hidechika Kawai, President, Evryx Japan K.K.

Evryx Japan K.K. is another example of a foreign-affiliated firm that has successfully entered the Japanese market. It provides a state-of-the-art mobile visual search service called “ShaLink.” Probably most readers have never heard of such a word. ShaLink is a mixture of the Japanese word *sha* meaning taking photos and the English word *link*. ShaLink, which is a visual search service for mobile phones equipped with cameras, allows a cell-phone user to get instant information by snapping a photo of a certain product and e-mailing it to Evryx’s server, which then recognizes the image and sends back an Internet link on the product if the image matches registered data. Using the ShaLink service, consumers can get a lot of information on a given product and also can purchase it instantly. ShaLink is a new type of cross-media service. Evryx Japan President Hidechika Kawai, 49, speaks about the company’s business prospects in an interview with *Japan SPOTLIGHT*.



Q: What led to the founding of Evryx Technologies Inc. in the United States?

A: Our founders are engineers who served for NASA’s Jet Propulsion Laboratory and had long been involved in the lab. The founders applied for patents for their technologies on image recognition and on automatic transmission of an Internet link for the image sent. The patents were granted later. Evryx Japan K.K. has also applied for patents. Evryx Technologies Inc. was founded in the United States to promote its business model using the basic patents. In addition, I have had my patent certified.

Q: What made Evryx Technologies decide to launch business in Japan?

A: Japan was ahead of the rest of the world at that time in the mobile phone business. Japan also ranked at the top in terms of the diffusion of camera-equipped mobile phones. It was easily understood that a combination of mobile phones as a ubiquitous tool and Evryx Technologies’ service would provide good service for consumers. So, we decided to enter the Japanese market.

Evryx Japan was established in February 2006. The purpose of its founding was to promote the download of ShaLink application software through Japan’s three major mobile phone service providers. In September 2006, our service was linked up with mobile phone services offered by KDDI Corp., the operator of the “au” brand service, NTT DoCoMo Inc. and SoftBank Mobile Corp. We have since then launched approaches to various businesses. In the future, we are planning to have the ShaLink service incorporated into each cell-phone handset. Besides these Japanese mobile phone service providers, we have also made it possible to use the ShaLink service through Microsoft Corp.’s Windows Mobile and Apple Inc.’s iPhone services (still under negotiation).

Q: Evryx Technologies is extremely unusual in that it is based in the United States, but it first launched its business in Japan. Did you find any difficulties in launching venture business activities in Japan?

A: There are difficulties in launching any business in any country. A mature economy is not enough for launching a venture business. I think there are social and cultural barriers as well to be overcome for market and brand development in a foreign country. Notably, in the case of Japan, we have felt this is a society that reacts carefully to a new venture business. It may be because there remains the peculiarity of Japan being an insular state. We also feel that first-mover profits cannot be secured sufficiently in Japan. Business costs such as office expenses are much higher than in the United States and other countries.

Q: There are a number of individuals and organizations who support entrepreneurs in the United States, such as the so-called angel investors in Silicon Valley. Did you get any support in Japan?

A: We received very mature support from JETRO’s Invest Japan Business Support Center (IBSC). The first task when we start a ShaLink business is to find an office to work in but it has to be in a good location. Under the IBSC program, we could rent an office for the first three months of our business. In addition, we could receive various information and advice. As we were introduced by JETRO, which is a government-backed organization, we were able to get a good recognition from our potential partners and customers. I think the JETRO support program is helpful for foreign firms seeking to enter the Japanese market.

Q: What is your plan to be successful in the Japanese market with the ShaLink visual search service for camera-equipped mobile phones?

A: I think it depends on a steady and balanced growth of ShaLink-based undertakings: (1) commercial campaigning, (2) inducement of consumers from print to online media ads based on the cost per action (CPA) concept, (3) affiliate marketing and social networking services, and, in the future, (4) development of a business model patterned after Google's image search. Plastic beverage bottles are one of our targets in the field of commercial campaigning. Our target for the CPA business is to guide consumers from magazine photos and gravure pictures to online services. Snap an image with a mobile phone from advertising photographs, newspaper ads, digital signage in public spaces, fashion mail-order catalogs, TV shopping channels, or any other means, and then e-mail it to our website. If the image is registered in our database, our server will recognize it and automatically send back a URL for an Internet link. Users can get information on the product at any time and also can purchase it instantly.

ShaLink is also capable of searching for video footage and so can meet the needs of the broadcasting industry that has ad spots. Businesses use a range of media to try to approach consumers, but at present they can catch consumer response only through the sales volume of their products or services. ShaLink will help businesses grasp consumer interest in their products or services even before purchases are actually made.

Q: What is ShaLink's superiority to existing search businesses?

A: As you know, Google dominated the world through its text search service on the Internet. Google's overwhelming source of revenue is AdWords, which offers pay-per-click advertising and site-targeted advertising.

Our ShaLink visual search service will become more convenient and more powerful, keeping pace with an increase in the number of images registered in our database server. Our technologies offer image-recognition services for both still and video images. Our server is designed to be capable of processing data quickly even if the amount of data in it sharply increases. Currently, the image-recognition rate stands at more than 95%. The number of registered images has reached 30 million and we are ready to accept more than 10 billion images in the future. Its performance will advance and never deteriorate.

Such high-level performance will be required for a server to provide advanced recognition service as Google does. We are currently studying the possibility of registering encyclopedia contents in our server. If we are successful in this regard, it will be a powerful tool to help consumers get information on unknown or interesting words, send back data to consumers, help them purchase what can be bought instantly, and eventually reduce business opportunity losses.

Q: What kind of business model are you planning to establish in Japan?

A: At first, we focus on a success in a campaign and online business. Secondly, we provide a sort of closed-loop corporate business in which the ShaLink service is customized for each valued customer. The ShaLink service will be effective for events such as a railroad stamp rally. And for online shopping for goods through e-commerce,

How the ShaLink service works:



Source: Evryx Japan

ShaLink will be an effective tool for the sale of books, CDs and DVDs through the linkage with affiliate marketing and social networking services. The ShaLink visual search service is much easier to handle than text search. Consumers can access from anywhere with their mobile phones. Advertisers can reduce opportunity losses and induce consumers into buying behavior. There may be other unexpected applications of the ShaLink service in the future. Finally, Evryx's technology can support huge amounts of images and movies because of the advantage of technologies we hold. That will enable us to go beyond Google, Yahoo!, and other text search companies. That is a goal which I am seeking to achieve.

Q: What is your business perspective for the future?

A: They are called mobile phones but, as you know, verbal communication is only one of many functions. In Japan, mobile phones are already equipped with the global positioning system (GPS), in addition to e-mailing, photo-snapping, movie-shooting and photo/video-transmitting functions. In the near future, the 3.9 generation of mobile phones will flood the market. It is an advanced information terminal that is equivalent to or even exceeding personal computers. Mobile phone users, always carrying handsets with themselves, will find image search service for mobile phones more and more convenient. We therefore believe chances for the ShaLink visual search service will be much greater.

Q: What is your strategy to achieve that projection?

A: I think it most important for us to gain wider user recognition of ShaLink because we have just launched the business. So, one of our immediate targets is to ask mobile phone service providers to install the ShaLink visual search function in their handsets. At the same time, we are planning to link the image-recognition function with interesting applications. Connection to a website with a single click will help the user find it very convenient.

We also plan to conclude business alliance agreements with major businesses. This is because we believe text search technologies have become fully mature and the ShaLink service will provide companies with new, interesting business chances.

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