

Interview with Sean Deng, CEO of OPPO Japan

# Consumers' Needs Are the Engine of Business for Smartphone Producer OPPO Japan

By Japan SPOTLIGHT

OPPO, a leading smart device brand that originated in China in 2004 and has expanded to more than 40 countries, is a good representative of Asian digital business. OPPO Japan, in particular, has been stimulating Japanese consumers' interest since its founding in 2017 with smartphones like the R11S with its highly advanced technology for taking photos, as well as the OPPO Reno A to meet the increasing need for cashless payments among the Japanese.

Sean Deng, CEO of OPPO Japan, kindly responded to our questions in the interview below.

(Interviewed on March 4, 2020)

## Self-Introduction

**JS: First, could you please briefly introduce yourself?**

**Deng:** I myself joined in developing the Indonesian market for OPPO in 2011, and I was appointed the managing director of OPPO Indonesia when it was established in 2013. In Indonesia, I worked on expanding the sales channels such as major chain stores and management, and I succeeded in having all of the chain stores in Indonesia sell OPPO products. I became the CEO of OPPO Singapore in March 2014, and in order to fit in with the smartphone market in Singapore which, like the Japanese market, has a strong presence of mobile carriers, we made a contract with the three biggest mobile carriers. We were able to grow our smartphone brand into the third best in Singapore in just three years. In addition, I became the CEO of OPPO Japan in 2017, and here I am.



Sean Deng

whole of Southeast Asia. Then in terms of a one-stop e-commerce solution and enabler arm, we have Jet Commerce which is an agent for online business across various platforms targeting various groups of consumers. Then we have OASE which is also an accessories arm, in terms of general consumer products. We have seven main business groups in Southeast Asia currently.

Why or how we can develop such a huge business group is because of our unique corporate structure. We like to be seen as a bunch of business partners who work jointly together, seeking ventures and opportunities, as opposed to a dominant top-down huge corporate structure. For example, a major Japanese company president in Indonesia is very unlikely to have another business idea

and just do it while maintaining his position in his company, because his company is an empire, under a parent-child company structure. We are more like a federation – business is constructed by common shareholders so there are no restrictions in venturing into new business. We see Southeast Asia in a situation similar to China 10-15 years ago. The business ideas can be duplicated to Southeast Asia. Whatever business model we choose or business venture we enter has to fulfill three criteria: the model is either tested in the United States or China; the market size is humongous enough; and third, it is within our familiarized areas. People might ask, why would a company from the consumer electronics industry do cosmetics? But if you peel off the surface, consumer electronics or cosmetics, the core is actually similar, it is all about consumer business and involves human-intensive and capital-intensive business in nature. It all involves broadly the same steps, like product structuring identification, R&D, production, sales and marketing. So, things that

## Thoughts on Consumers

**JS: In the light of your working experience in Indonesia, how do you see the potential for your business in the Southeast Asian market?**

**Deng:** We first entered Southeast Asia in 2013 with OPPO. Now we have seven business groups in the region. In the consumer electronics segment we have OPPO, Realme and iMall. In terms of the other sections we have YOU which is a cosmetic brand, and J&T Express which is the number one superpower in logistics in the

we choose usually fall into similar patterns that we are familiar with.

**JS: What do you think about Japanese consumers? Are they different from Indonesian or Chinese consumers?**

**Deng:** Japanese consumers are very unique. Mature. I think since the bubble era, consumers are vastly more mature than before. So spending on consumption has diverged either into the very high end or the very low end, the basic end – the necessities. So, they are mature, logical, and rational. Secondly, I think Japanese consumers value the brands and products simultaneously. They see the intangible and tangible values at the same time, and expect quality of product. The standards are higher than the rest of the world. So in the rest of the world, most values of a product have been seen as something easy to fulfill. It has been considered a commodity. Your water boilers and their water boilers – all boil water, but the quality and standards are different. Just like a phone. In the rest of the world, you can guarantee that one year of service is enough. But in Japan sometimes it is seven years. Hardware is four or five years; some other consumer products like routers that emit WiFi signals require seven years of maintenance. These are completely different industrial standards in terms of quality assurance. The intangible parts are the high levels of service. You have an utterly high level for the tangible parts, and an insane level for intangible parts. The consumers want to receive all these values at the same time.

## Potential & Difficulty of Japanese Market

**JS: We are curious about the future trend of digitalization in Japan. We think that digital technologies may not necessarily have a good “chemistry” with the national culture of Japan. Would you concur?**

**Deng:** Chinese and Southeast Asian populations are more adaptive and ready to accept new things, while in Japan you still have a lot of things being done manually or on paper. I may not be the best person to comment on digitalization, but the businesses we are in are part of the bigger ecosystem of digitalization and in this ecosystem our hardware and products can boost the digitalization of some functions.

**JS: Japan has long been trying to attract IT ventures, but it is difficult to attract volume of FDI to Japan because of the limited potential of digitalization here. However, as you mentioned Japanese consumers are**

**somewhat demanding, so Japan could be used as a testing market, would you agree?**

**Deng:** I don't think that is the case because the Japanese market is just too different. The user case in Japan cannot be replicated in other parts of the world; it is the other way around. If global players want to do business in Japan they have to alter everything – how they manufacture, how they do R&D, how they talk to consumers. Japan is one isolated case, and is running another standard to other parts of the world. It is not globally scalable because of its uniqueness. People always use Singapore as a test phase because you have the mix of Western and Eastern and a super easy business environment to enter. The market size is small, so if you lose money it is limited. Japan is a very expensive market for a test phase.

**JS: How do you see the future of the digital industry overall? As well as economic, the social impact could be enormous.**

**Deng:** It depends on how it all plays out. It could affect a lot of people's jobs.

**JS: Some people are concerned about rising unemployment and that AI could take some human jobs. However, some people say that with greater learning about technology, we won't have to worry about unemployment.**

**Deng:** Japan is very productive in its tradeable goods – the automobiles, the robots, the upper stream components. The tradeable segments are very much productive. That leads to a high wage level in the non-tradeable goods. If we were to introduce AI and robotics to reduce the employment rate in the non-tradeable segment, the revenue will be the same but the bottom line will be down because we use AI and robots. Then, with all the savings, it depends on the government, how they want to circulate the money back to the people who are unemployed. With digitalization we will see a huge boost in the non-tradeable goods segments such as services thanks to increasing efficiency and productivity. Whether that is good or bad depends on how this country wants to harvest that increased productivity to benefit people.

**JS: Do you see any difficulties or impediments to doing business in Japan?**

**Deng:** Almost all the global players when they enter Japan face an enormous amount of barriers and difficulties. Simply because Japan

is running its own system and in order to adapt and survive in Japan it is a painful process to alter yourself – to reform and reshape so that you are fitting the business needs. Japan is a very expensive country and consumers are paying the highest telephone bills in the entire world, almost 100 times more than in India, and even compared with Western Europe, Japanese consumers are paying five to 10 times more than European consumers. Where do all these revenues go? Is it because of over-service or lack of digitalization? Digitalization can help reduce costs and improve efficiency, but how do we make sure these are circulated back into society? People who lost their jobs due to digitalization could actually benefit from it.

**JS: As you mentioned, the Japanese market is a little tough. Did you need help from services like JETRO to understand the market?**

**Deng:** No. Our business philosophy is that every business in every circumstance should always be able to survive on its own. So we always try to be self-dependent and survive rather than relying on help from external parties. There are a lot of challenges to overcome in order to set up new business ventures. For example, due to the regulatory burden, a new business in Japan needs almost three months to open a bank account, and to register a company is even more insane.

**JS: Do you think deregulation is necessary to make it easier to do business in Japan?**

**Deng:** Even though such policies and regulations are in place, people manage to make it happen. From an entrepreneur's perspective, you have to overcome all these regulations. It is also the merits of such a difficult business environment. The merits are, for those who just want to test the waters or have a trial, they are less likely to come to Japan, which makes the market cleaner for those who are dedicated to thriving. On one hand, business faces an enormous amount of difficulties and a huge entry barrier. But, on the other hand, business also enjoys a huge opportunity, so it is a fair game.

## Entrepreneurship

**JS: As an entrepreneur, you may not find the start-up business in Japan to be so active. How do you see entrepreneurship in Japan?**

**Deng:** It is tough; the social environment is not that welcoming. Imagine a 25-year-old guy who drops out of a company to start his own business – maybe he would have difficulty in getting social

support or recognition. Society in Japan is not so pro-entrepreneurship in the way that the US or Israel is.

**JS: Why are Japanese reluctant when it comes to entrepreneurship? Does it start with parents?**

**Deng:** From a cultural perspective, I am not sure about the underlying reasons that hinder people from taking the first step. I do know some venture capitalists here and join their gathering sometimes, and it seems that there is a sizable group of people that are young and energetic and starting their own businesses. Some of them already have a top line of over \$100 million. Speaking of the vast majority of the general public who do not take that step forward, I still need time to understand it.

**JS: You are a high-tech company, and of course commodities are a general trend. However, innovation is still necessary. Do you have any Japanese partners in developing technologies?**

**Deng:** Yes, we have been partnering with a lot of Japanese suppliers and technology powerhouses to realize our vision in further developing user cases. We have very good relationships with many Japanese suppliers. There is merit in pursuing innovation with Japanese companies especially in the areas we focus on. We don't think that providing consumers with excessive amounts of technology is actually benefiting them. We would rather identify and fulfill their needs in actual user applications and scenarios. This is more important to the general public, because we are making phones for everyone, not some niche segment that only wants advanced technology. Japanese technology powerhouses have been helping us to fulfill the user cases that we identify, like how to make usage of a phone more fun and enjoyable by popping up the cameras. They really help us co-develop and co-engineer a lot of things, like evening the speed of cameras popping up has been achieved through thousands of tests. You want the camera to pop up fast in the initial stage and slow later on, so this is aesthetics. All of these nitty-gritty details could not be achieved without reliable partners like our Japanese suppliers.

**JS: Have you always cooperated with large companies? How about SMEs or ventures in Japan?**

**Deng:** The difference between the Japan set-up and Indonesia and Malaysia set-up is that due to heavy requirements from telecom operators in Japan, the R&D has to be done partially here, which is why we have R&D teams just outside the office. Whereas the others

are pure commercial units. Even though we have some R&D here, it is mainly for cracking the customization for the telecoms, not taking care of the supply chain or feature identification. The procurement guys, the R&D guys, will have a much clearer picture in terms of the scales, the criteria, the levels of expertise that we are looking for when selecting venture partners.

**JS: Maybe consumers will finally determine the future of the business?**

**Deng:** In our business, Apple actually does not really care about the business units. One same iPhone for everybody. But of course they are in a position to set rules like that, whereas the telephone companies or B2B partners try to identify a consumer phone versus a business phone. It depends. Though you have to customize products like the military segment, for the general business segment, in terms of hardware perspective, I don't think there has to be additional implementation of customized features. However, in the software part, yes. The software part is mainly dealing with software applications or development houses for working with the device manufacturers with the telephone companies. You have to do adaptation tests or configurations.

**JS: I wanted to ask a question about market entry. You made a very interesting point about using Singapore as a testing base. Is this specific to the Southeast Asian market or do you also use Singapore as a base to test Japan?**

**Deng:** It's not my idea; it is that Singapore is generally seen as a test base for business. People have different measurements on why it is a test base for business.

**JS: In the case of Japan do you use any other testing base or do you just use a boot-strapping strategy to test it all in Japan itself?**

**Deng:** We just want to do it here, so no need to test, just come! The best way to learn how to swim is to dive into the ocean.

## Future Business Strategy

**JS: You must have some future strategy for your business. Can I ask about your plans?**

**Deng:** In the consumer electronics segment we don't have such a fancy strategy. Our strategy is really to understand the business

environment, understand the consumers, understand how it goes, adapt, thrive and then make the business work. That is the basic logic.

**JS: 5G may provide you with lots of business opportunities.**

**Deng:** At the country level, for the smartphone business, I don't see the necessity to emphasize strategy; it is rather tactics. It is a battle, not a war. The war is a global scale thing, but this is a battle. In a battle, people emphasize tactics only. Especially nowadays, devices are commodities. Other than brand value, what is the difference among the different device makers? It is the same thing. Everybody has 5G, so it is not something exclusive or proprietary.

**JS: Do you think 5G will be a revolution for consumers in particular?**

**Deng:** In the 5G area, we do see clearly identified user cases in the B2B segments, while in the B2C cases people are still digging for the actual user cases. Initially, 5G is going to benefit business segments, but the benefit to consumers is not that clear yet.

**JS: It is really thrilling to think about what kind of new products will emerge from this 5G and future digitalization, especially for us non-experts. I am enjoying what sort of movies will come out, something like *The Matrix*.**

**Deng:** Yes, it is truly thrilling. Maybe, in the near future, there will be some key 5G devices for the digital economy that will be promoted by public policy so Japan can keep up with the global trend. **JS**

Written with the cooperation of Joel Challender, who is a translator, interpreter, researcher and writer specializing in Japanese disaster preparedness.