

Doubling Sales Year after Year

By George Faas

One of the most exciting foreign business stories in Japan in recent years has been that of Rolm Japan and its founder, William Crawley. Crawley, a casual-mannered Hawaiian, started out alone in Japan in 1981 to sell Rolm's digital telecommunications equipment. In the past three years, Crawley has attracted so many customers that Rolm's Tokyo office is now cluttered and bursting at the seams with new business. Crawley's candid answers in this interview reveal much of the story behind Rolm's ability to double sales year after year in the Japanese market.

Q: Mr. Crawley, would you first please explain Rolm's relationships with Sumitomo Corporation and Omron Tateishi Electronics Co. I've read that Omron plans to sell ¥7 billion (about \$35 million) worth of Rolm PBXs (private branch exchanges) in fiscal 1985.

A: When we first came into Japan, we looked at a whole range of companies in electronics, trading, and telecommunications. Sumitomo had some strengths that we needed early in our entry into Japan. Primarily they had the expertise in the import/export area that we needed. When you come into Japan for the first time, you get overwhelmed with paperwork. So rather than going out and hiring 15 to 20 people to handle the paperwork, Sumitomo took on that role. They also helped with access to various government offices.

Q: Sumitomo is your exclusive importer?

A: Well, they have been. Originally, we arranged a three-year agreement with Sumitomo. This was basically what both companies wanted. It worked well for both of us during the interim, the start-up phase, and throughout the three-year period. After three years, however, both parties mutually agreed not to renew the contractual arrangement.

Sumitomo fulfilled its responsibility as an importer and liaison handling the paperwork with government agencies. But obviously, we are here to sell our products, make money and promote Rolm. As we moved into the real selling



William Crawley, vice president of Rolm Japan, Ltd.

business, Sumitomo could not offer us the selling expertise we needed. There was nothing particularly bad about our relationship at that time. Sumitomo simply filled a need during the start-up phase. They received payment for their services.

Now we are getting away from all the paperwork and formalities that we initially had to go through in the start-up phase. Rolm is now in the promotion, selling, and installation phase. In this phase, we are working directly with Omron Tateishi, which provides sales and support work for our CBXs in the Japanese market. (CBX—computerized branch exchange—is the term Rolm prefers to use when referring to PBXs.) IBM is Rolm's parent company and Omron a distributor.

Q: Omron is a Kyoto-based company, but Rolm's headquarters are in Tokyo. Do you find any problem—communication-wise—with Omron having its head office in Kyoto?

A: We think it's irrelevant where their head office is located. Their headquarters could just as well be located in Hokkaido (Japan's northern island). We do not deal with their head office. What makes our relationship unique is that we've set up here in Tokyo a completely separate division of Omron Tateishi which is responsible for our CBX sales here and in the Osaka area.

Q: Are you referring to that Omron Tateishi office right across the street?

A: That's correct. We have our showroom over there, too. We have 65 people in their Tokyo office strictly devoted to our CBX sales and service. Omron Tateishi provides sales, engineering, market research, maintenance, and support.

Rolm started out four years ago with Omron Tateishi and provided extensive training to their staff at Rolm's factory in the U.S. They know our procedures. We know about their culture and their needs. So there has been a good balance and a good understanding of how Rolm wants to do business in Japan and how a company like Omron Tateishi can service and help us.

Q: Do you think Japanese assistance is indispensable to a foreign company's success in Japan?

A: For our size of company, our type of business, and the direction we wanted to go in the Japanese market, I think it's essential to work through a large company that can give you a presence and an image in the Japanese market.

Market research pays off

Q: Are you on target in your volume and dollar sales in Japan?

A: As far as the forecast that we made up four-and-one-half years ago when entering this market—"yes"—we are on target. We are doing very well in sales. As a matter of fact, we were the first foreign company to get type approval in Japan and we are still the leading foreign PBX supplier in Japan.

Q: What have been your sales over the past few years, and what are your targets during the next two?

A: To begin it took us eight to 10 months to get type approval for our products. And now for more than three years we've been actively marketing and selling our products. The first year, three-and-one-half years ago, we did only \$500,000. But we thought that to be good since we had targeted close to that amount. The second year Rolm did significantly better

and sold over \$3 million. In the third year, we approached \$9 million in sales and were still climbing very rapidly. We've more than doubled our sales in Japan each year, and we expect to double sales again in 1985. We have projections for 1986 and 1987, but I think I'd better hold those until a later time. Nonetheless, I expect we'll do well and keep on target.

Q: *Can you keep up the doubling?*

A: We think so.

Q: *What is your share of Japan's PBX market?*

A: There are two ways to measure market share: existing installations and the share of new sales. Rolm pays more attention to the share of new sales being sold every year in the Japanese market. Of that amount, we have close to 2%.

Q: *Are you going after the high technology niche of the PBX market?*

A: When we talk about advanced technology, I usually transpose that to office automation. To us, high tech means there are digital telephone sets, work stations, PCs, facsimile machines, and other advanced technology equipment in an office. Rolm is focusing on and doing very well in this area.

Q: *What is the range of prices for your systems?*

A: Our prices vary as widely as those for automobiles or airplanes. You could get a Rolm CBX system for as low as \$25,000 or as high as several million dollars. It depends on the size and the number of connections you're making to an office. If your system only involves ordinary telephones, obviously that would be a lower priced system. If it involves connecting work stations, word processors, or local area networks to home computers scattered throughout the world, your system could run higher.

Q: *I've heard that Rolm did two years of intensive market research studying Japanese business practices before entering this market.*

A: That's right. Let me clarify the two years. First, we did one year of intensive pre-entry research on the Japanese market. This was preceded by approximately one year of work with NTT prior to the formal announcement to open up the door to foreign companies. After the announcement, Rolm continued its research on the Japanese market. In this second year, we were putting together and training our sales, marketing, and engineering teams.

Q: *Was that an inordinate amount of market research, or do you suggest that foreign companies interested in entering the Japanese market do this much preparation?*

A: I put it under the heading of doing

your homework, and any company entering a new market—including a Japanese company entering the U.S. market—has to do a certain amount of market study beforehand. I think a one-year study of the Japanese market should be sufficient.

NTT deregulation a breakthrough

Q: *What changes has Rolm experienced since NTT was deregulated in April 1985? Are things getting any easier for you in Japan? And are the Japanese thinking "buy American" or "buy foreign"?*

A: It has certainly gotten easier in this business to enter the Japanese market. It has also become easier to get type approval too. The application procedures are more simplified today. The regulatory issues have been relaxed significantly over the last year-and-a-half. This biggest change came about back in April last year when the USTR (U.S. Trade Study Representatives) finalized one year of negotiations with Japan's *Yuseisho* (Ministry of Posts and Telecommunications) and NTT. Evolving out of that was the new test organization called JATE (Japan Approvals Institute for Telecommunications Equipment). NTT has transferred all of the test procedures over to JATE, which now has all the responsibility. They now report to the *Yuseisho* and are regulated by that organization.

The USTR should be commended. They did a magnificent job. They came around to companies like Rolm, AT&T, ITT Corp. and GTE—all the American companies in the telecommunications business here in Japan. They listened to our requests on relaxing the regulatory issues and the test and application procedures. The USTR, after interviewing all the American companies here, developed a list of 32 Japanese articles that appeared to be too tough for us all; anything from a test procedure to an application of a regulatory procedure was an issue. Then over a year's negotiations with the Japanese, they succeeded in relaxing, modifying, or changing 28 of the 32 standards. I think that was a significant step forward.

I said mostly the American companies participated in changing those procedures and regulatory issues, but the Japanese companies—including the "big four" in our business (NEC, Fujitsu, Hitachi, and Oki Electric)—also benefited from that spearhead of activity from Washington, because they were confronted with the same tough set of regulatory issues as the Americans. You didn't see the Japanese companies banging down the *Yusei-*

sho door with complaints. It took the American side to do that, and then both sides benefited. I think the Japanese companies should appreciate that the American companies accomplished this fact.

Q: *Rolm signed a contract with NTT in the spring of 1984 to supply CBX equipment. This was your second breakthrough with NTT. Can you tell us how you won this lucrative contract, beating out the "big four" here in Japan as well as other European and Canadian companies?*

A: Sure. NTT over the last two or three years has released several tenders for PBX equipment. One such tender, the EP-10, which called for less than 100 phone lines per system, was put out to bid when NTT first opened its doors to foreign trade. We bid on that one, and so did ITT and six Japanese companies. The six Japanese firms formed a consortium, and they won a part of that tender. ITT won the remainder.

The next NTT tender that Rolm bid on was larger—100 to 500 lines. That tender was awarded to a Japanese company. The third tender, EP-21, was even larger, and everyone bid on it. Rolm met the specifications. It was a very large PBX from 500 to 5,000 lines. At that time, the Japanese companies did not have the features or the system that could handle that many lines. It required a high-speed processor, wide bandwidth, and the capability to handle enormous volumes of data. Rolm met all of the specifications including, of course, the price budget target, and we were awarded the tender in the spring of 1984.

Q: *How has this affected your relations with Omron? I understand that you now sell to NTT and that NTT acts as a Rolm distributor.*

A: For the record, let's clear this point. Rolm has never by-passed any of its distributors, and we don't intend to. Omron has been representing us, and Omron cooperated with Rolm on the bid. We bid it jointly. Omron is responsible for servicing the contract. The parts and the equipment are supplied via Omron directly to NTT, and for any service or application questions that come up, Omron is called in to directly answer to NTT.

Q: *Do you have any relationship with Mitsubishi?*

A: We are starting a relationship with them. For this, we have divided up our product categories. For Japan we have found that we need additional sales and marketing help, especially with our low-end products. There are fewer customers for our larger systems. But as you approach the smaller companies who require smaller systems, there are tens of

thousands. It's impossible for any one company to call on all those small companies. Rolm has several ranges of products. When we market our small-end products to Japan's 50,000 to 80,000 small companies, we need a large distributor or dealer base. Larger companies demand more. They demand a larger, more sophisticated system. They demand connectivity to local area networks, host computers, data terminals, and work stations. The smaller companies generally do not. Therefore, we focus our most experienced people on the mid to high end, while the low-end can be handled by a multiple dealer channel. Omron sells to the midrange, while Mitsubishi sells our low-end products, 100 phone lines and less.

Q: *Do you feel NTT is treating foreign firms fairly when considering their bids on tenders?*

A: I believe NTT is treating foreign firms fairly. Any day of the week you can go down and talk to the NTT procurement director or the engineering director, their doors are always open. They're sincere. They don't give evasive answers. My experience has been that they bend over backward to help the foreign companies. I feel NTT will bend further for a foreign company than a Japanese one.

Success with Japanese clients

Q: *I understand you have quite a few foreign companies as your accounts. What is the ratio, and which is your better potential market, Japanese or foreign companies?*

A: When we came into Japan, we were able to make much faster headway with the foreign companies, the reason being familiarity. Most of the foreign companies knew Rolm as an international and U.S. domestic supplier. Many use Rolm throughout the U.S. Rolm has several hundred of the *Fortune* 500 corporations as major accounts. The foreign banks and foreign conglomerates knew us and felt comfortable with us. Some of them even came to us and said they were glad we were here. Rolm is very strong in network capability. We're strong in airline systems, department stores, banks, and specialty systems. With these strengths, foreign companies in these businesses felt comfortable with Rolm. Now we're concentrating on and getting more Japanese customers. The balance has shifted and now we have more Japanese clients.

Q: *Your company has been in the news quite a bit in Japan due to your successes in the marketplace, including, of course, your*

unique position as the first foreign company to get type approval from NTT. This has been, in a sense, a form of free advertising. What have you done to drum up further publicity, i.e., to get as much mileage as possible out of media coverage?

A: It has been somewhat like free advertisement, although if you consider all the work and the money we've spent in this market, it hasn't really been free in that sense. In addition to the news and publicity—which we feel rightfully belong to Rolm because of all our achievements—we've done a fair share of advertising. We've advertised in the English-language journals, newspapers, and magazines here in Japan. Our Japanese distributor, too, has spent large sums of money on advertising. All totaled, in the past two years we've spent nearly \$400,000 to \$500,000 in advertising. We are now running TV ads, too.

Q: *In an interview about two years ago you said that Rolm was two or three years ahead of Japan's "big four" in your CBX technology. You also said at that time that these Japanese competitors might be able to catch up to Rolm within a couple years. Have they done so?*

A: We don't think so. Rolm has continued to enhance its software. We've upgraded the memory in our processors; we've continued to enhance our whole system. We lead in both hardware and software, but we have a more significant lead in software.

Q: *Have you had success in taking corporate customers away from the "big four"? Are Japan's long-standing corporate relationships harder to crack than you anticipated?*

A: We've done fairly well at it. But it's very tough. If an account is happy and satisfied with the NEC, Fujitsu, Hitachi, or Oki Electric supplier, they usually have very little reason to leave. There are all sorts of "old boy" relationships in Japan that are very hard to break.

Top-level approval a must for success

Q: *How has your company and your job changed since IBM wholly-purchased Rolm Corporation last year?*

A: The actual operation of Rolm Japan has not changed significantly. There have been very few changes, maybe a couple in reporting procedures, but basically very few. Rolm Japan's role is still one of support in both sales and technical service.

Q: *Has IBM's purchase of Rolm upped your sales or changed your relationships with your customers in Japan?*

A: I believe it has. It has obviously given us an image boost. We find fewer companies now asking us during a sales call who Rolm is. The IBM tie-up helps us get through the door.

Q: *How will your office change in the next couple years in terms of employees?*

A: As you can see, we're very crowded. This is the original office we started in four years ago when it was just me; now we're up to nine people. We are moving into a new building. The new office will have about five times the space we have now, and we'll have a much better engineering facility there.

Q: *Are you considering manufacturing here in Japan?*

A: I personally believe it's inevitable. In order to gain the market share that we want by 1990, we'll have to manufacture in Japan.

Q: *How much market share do you wish to attain?*

A: From 15% to 20% of the new sales market by 1990. Over the last four years, we've been on track to reach that target. It'll be a significant achievement, but I think Rolm can do it. We've got the product, the people, and the ambition.

Q: *Do you have any personal advice you'd like to give to foreign companies that are considering coming over here?*

A: A lot. It's very important that they have their top management's approval—the blessing from the president on down—and that their commitment to Japan is 100 percent sincere. I've talked to a lot of people in the American community here, the high-tech companies like Control Data, DEC, Raytheon, General Electric... and they all say the same thing. You need top-level commitment and support. If you don't have it, you're not going to get a quick response from your factory to help you make inroads into the Japanese market. There have been very few who have come here as a one-man band and succeeded. It takes a team of people and support from the home office.

Q: *What do you think of life in Tokyo, and how much longer will you live here?*

A: Tokyo has a certain level of excitement. It generates the business stimulus. Tokyo's pace is a lot faster than other places I've lived in like Honolulu, Singapore, and Malaysia. For me, Tokyo is the height of fast pace in the Far East. After one or two more years here, I will feel I have filled a commitment and helped get Rolm organized and entrenched in the Japanese market. I already feel there's been much achievement. But in a year or so, I'll be ready to return to the slower pace of life in Honolulu. ●