Chescom: Cashing in on Complaints

By Sadao Watanabe

Nakamichi Sasano used to fret over how to handle telephone calls when he was away from the office. But while many businessmen might have gone out and hired a secretary, Sasano decided to find a solution that would not rely on human labor. It may have seemed contrary at the time, but this dogged entrepreneur's persistence has paid off. With yearly turnover of ¥10 billion ($40 million at the rate of $1=¥250), Chescom Inc. today is poised to strike back at Johnny-come-lately competitors and plunge into promising new fields in electronic media. Chescom, the little giant in Japan's telephone transfer industry, is facing the most crucial test in its short history and its greatest opportunity.

Nakamichi Sasano, president of Chescom Inc.

Fast growth

Savvy Japanese entrepreneurs like to talk about "crevice businesses." The implication is that a newly emerging enterprise can insinuate itself into the cracks between major corporations and emerge with big successes from little fields left unattended by the heavyweights. It can literally cash in on the "crevices" between corporate giants.

The key to success for such a business is to identify the needs of clients and consumers more quickly than the competitors. The next most important thing is to be maneuverable and hard-driving enough to snare an overwhelming market share before big business comes barreling in. It is a strategy tailor-made for a venture business.

A sterling example of a successful "crevice business" is Chescom, the telephone call diverter company born of Sasano's search for an answer to his own office problems. Chescom found a niche of its own—re-routing telephone calls to designated locations—and has grown at an extraordinary pace ever since. It is a case of what might be called "double-double growth."

In 1979, Chescom had sales of only ¥300 million ($1.2 million). But the next year turnover shot up to ¥500 million ($2 million), then ¥1,100 million ($4.4 million) in 1981, ¥2,300 million ($9.2 million) in 1982, ¥4,700 million ($18.8 million) in 1983 and an estimated ¥10,000 million in 1984. That is a 30-fold increase in only five years, so it is hardly surprising that other firms are now trying to muscle in on the lucrative business. Ten are already at it.

No one has drawn more attention than mammoth Nippon Telegraph & Telephone Co. (NTT), which was privatized in April 1985. NTT got a late start in the diverter business in February 1982, when it launched commercial tests in Yokohama. Spurred on by this success, NTT, at the time still a public corporation, expanded the service to Tokyo, Osaka and Nagoya in March 1983. The next step was to spread out into other major cities, and by early 1985 NTT was providing diverter services throughout Japan. Yet despite the inroads of such giant competitors, Chescom continues to set the pace. It has fortified its dominant position, armed with an overwhelming 75% market share.

Chescom and NTT have each taken their own distinctive approaches to the phone diverter market. Chescom's system basically consists of a diverter and a phone. Calls are received on the diverter and connected to the designated location via the telephone. In NTT's case, calls are connected using diverting equipment installed at a telephone office. No terminal or extra telephone is needed.

With a system like Chescom's where two telephones are connected, voice volume is bound to be low. It was for this reason that, despite its commercial growth, telephone diverter service at first was not officially recognized by NTT. As a matter of fact, there had been no voice problem with the Chescom system because it used a built-in voice amplifier. But it was not until March 1983 that

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Chescom's equipment was recognized as conforming to NTT's technical standards. This finally paved the way for the telephone diverter business to come into its own.

"Dissatisfaction" is the mother of new business

Telephone diverting is itself in no way a new business. Says an NTT official, "It has long been used in the United States, and it's not technically difficult. In Japan, we were ready to start it any time, but we were not sure about demand."

Chescom lead the way because it discovered the need for its service before anybody else. Or to be more precise, because Sasano, Chescom's president, himself wanted such a service.

In 1974 Sasano started a consumer goods market research firm with two colleagues. With such a small office staff, he found it difficult to handle phone calls. Like many small entrepreneurs, he opted to attach a tape recorder to his telephone to record messages received during his absence.

But on returning from a long business trip, he found that one of the messages on his answering machine was from a client who wanted an order delivered by a specific date. Says Sasano: "At no other time did I feel more strongly the importance of even a single call."

Sasano then considered hiring an office lady to look after the telephone. He put out help-wanted ads, but no one took the job. Applicants turned back after one look at the shabby building where his office was located. But when he told his tale to friends and acquaintances, he was surprised to discover that all of them had similar complaints. It was at that moment that he resolved to launch a new telephone diverter service, convinced that he was on to something good.

Chescom was started, so to speak, at the consumer's initiative. "Because we started the business from the users' standpoint, we always give top priority to their needs," explains Sasano. "So long as we maintain this stance we will be able to survive any change."

Sasano's cherished motto is "the telephone is the best business machine." As he puts it: "Everybody is satisfied with the present telephone service. When telephones were scarcer than they are today, many of us had the experience of borrowing our neighbors' phones. That's why we were all so glad when we finally had our own. We still remember the inconvenience." Yet there are some people who are not happy about today's telephone service. And the telephone diverter service is an outgrowth of just such dissatisfaction.

Ever since its invention by Alexander Graham Bell, the telephone has been considered a tool for linking two points. While this basic function remains unchanged, the diverter service enables linkups with a third point. This expanded function has proved very useful, and has changed the very concept of the telephone. It is that transformation in an existing concept that can spawn new business opportunities. New ideas are born of dissatisfaction with the old.

Chescom's showroom

Unmanned business office

Chescom commands as big a market share as it does because it has skillfully ridden the wave of "manpower saving." According to Sasano, the telephone diverter service was initially snapped up by clients who needed a telephone caretaker, regardless of the size of their business. But Chescom was not satisfied. It developed a system whereby business offices could be left unmanned by using telephone transfers. A firm hardly needs to maintain business offices across the country if the phone calls received at those offices can just as easily be diverted to its head office. Orders can be fielded at headquarters or regional offices, while maintenance calls can be transferred to the service center.

Chescom has diverter centers all over Japan to take custody of telephones on behalf of its users and to divert calls to wherever they designate. This service can serve as a virtual "unmanned business office." There are already some 1,600 Chescom centers throughout the country, equal to the number of telephone offices.

Many of Chescom's clients are maintenance and direct mail companies. Elevator or computer maintenance companies need to have service branches near their customers, which is why they have traditionally had so many business offices. They have also had to keep staff on constant alert at the office if they hoped to provide satisfactory service. But the Chescom system enables them to merge their business offices, because phone calls to unmanned offices can be transferred to their maintenance centers. Many have been able to slash their offices by a third.

The Chescom system is being used by direct mail firms to expand their markets. Local people will not telephone Tokyo to purchase by direct mail. To counter this, mail order firms now keep telephones in major local cities. When customers call in orders, they are passed on to the Tokyo head offices via the Chescom system. In the mail order business, one telephone is equivalent to a whole store. The more telephones, the bigger the business.

Department stores and pharmaceutical companies find it most effective to accept orders at their forwarding centers. Here, too, Chescom centers are used to transfer calls. Some companies even use Chescom to improve their consumer consultation services.

Chescom will also accept orders and

transfer messages for companies which have no one to handle calls from outside. These services have obviously helped support the telephone diverter business, as is indicated by the fact that the number of clients seeking such "proxy services" has been increasing by some 100 each month.

Test for new businesses

Chescom, which heretofore had meandered through its own "crevice" to achieve fast growth, entered a new phase in 1984. Stimulated by Chescom's success, big businesses began to muscle in on what they previously belittled as a "crevice market." In the spring of 1984, Pioneer Electronic Corp., a major audio manufacturer, entered the telephone diverter business through a wholly owned subsidiary. Major communications equipment makers, believed to be Chescom's most formidable foes, are also expected to jump on the bandwagon.

Chescom is arming itself for a counterattack. One of the weapons is "Telsa," a multifunctional telephone diverter system which went on sale in July 1984. Traditional telephone diverter service is primarily designed to handle calls when nobody is in the office. Not Telsa. The new product comes in a package of two telephones and one diverter, equipped with a microcomputer and a memory device. When the office is empty, it can be used for telephone call diversion. But when someone is there, it can be used in many other ways, such as diverting messages at the touch of a key or serving as a desktop calculator. Moreover, it rents for the same price as conventional diverter equipment. Says Sasano: "Telsa will prove its usefulness for firms which have to receive and place orders." Chescom is out to sell Telsa to the distribution industry.

Commenting on the moves of NTT and other big competitors, Sasano remains sanguine. "I don't think NTT will offer as good services as we do," says the self-made president. "This is quite a tough business even for major communications equipment makers, and we are confident of carrying the day."

While beefing up its main line of business, Chescom is also going international. The first foreign venture is Chescom, U.S.A., established in May 1984 to undertake overseas office work on behalf of Japanese businesses in New York. With a Japanese staff of 10, it is located on Fifth Avenue.

What does the new firm actually do? It offers office space to Japanese enterprises planning to enter the U.S. market. With this office as a foothold, Chescom, U.S.A. collects merchandise information and carries out marketing on behalf of its clients. In a nutshell, it is an international version of the "proxy" service Chescom pioneered so successfully in Japan. The user can expect to receive important information on special orders and samples or catalogs which will help him run an effective marketing campaign. In its first year, Chescom, U.S.A. wants to line up 500 member companies, with total sales of ¥500 million ($2 million). "We've also been asked to open similar companies on the U.S. West Coast and in Singapore," adds Sasano.

Multiple-purpose telephones "Chescom Telec" (above) and "Chescom Telsa"

The newly-developed "Chescom Telpost" combines a videodisc and a telephone with computerized circuitry.

New electronic media services are another new venture for Sasano's fast-growing company. In its new "Telpost" system, Chescom boasts a computerized linkup of sophisticated videodisc equipment and advanced communication devices. Not only does Telpost display visual information on a built-in video screen, but users can directly contact the image vendor simply by lifting an attached telephone receiver. A Telpost installed at a railway station, for instance, could supply hotel information. A traveler spotting a picture of a hotel he liked could pick up the phone and be instantly connected to the hotel's reservation desk. It would be a boon to weary customers, and superb publicity for hoteliers. A single Telpost costs between ¥4 million and ¥5 million ($16,000–$20,000), and Sasano expects to sell some ¥10 billion-worth in the first year.

But Chescom's venture into new media also means emerging from its comfortable "crevice." The field is already the scene of fierce fighting among major corporations. Such top trading companies as Mitsui & Co. and Mitsubushi Corp. are waging nationwide campaigns to sell videotex services that compete head on with Telpost. NTT's CAPTAIN videotex service, which can be used directly in the home, is also a tough opponent. Chescom has won distinction in untrodden fields, but the new media are different.

Will Chescom be able to put up a good fight against such powerful competitors? The answer to that question should reveal the true abilities of this outstanding venture business. ●