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Interview with Shuji Honjo from Honjo International



Adrian Bye: So today I'm talking with Shuji Honjo. I'm actually in Tokyo in Japan and we're at the Startonomics event being hosted by Geeks on a Plane. We're here to talk for about an hour about the internet in Japan and what Shuji has been up to so, Shuji, can you maybe take it away and tell us about yourself?

Shuji Honjo: Currently, I'm an independent consultant catering to large corporations and new ventures and also the investors. My primary focus is new business development. Vertical-wise, IT, communication, internet, and that sort of sector are the primary focus for me. In addition to that, I also teach at MBA Program at Tama University Graduate School that is based in Shinagawa. It's a nice program for business people. I teach primarily entrepreneurship there.

In chronological order, I started my career at Boston Consulting Group, Tokyo. I went to the Wharton School, University of Pennsylvania for my MBA study. I joined the Computer Sciences Corporation in California. I was the first Japanese person employee at CSC. I was working for the

reengineering projects. Actually, I was also the first Japanese person who was involved in reengineering at that time. After that, I went back to Japan I joined the company called CSK. CSK used to be the parent company of SEGA, the gaming company. Currently, SEGA is not so doing well, but at that time SEGA was a kind of a very big giant in the gaming industry. I worked as Executive Assistant to the Chairman of CSK/Sega Group. So, not only the CSK side but also I worked with the SEGA Soft Networks which initiated the network gaming business in the early timing. Unfortunately, it was before broadband so it failed in a bad way. I spent a lot of money. But we couldn't do business in a profitable way. After leaving CSK/Sega Group, I became the founder of the Tokyo office of General Atlantic. General Atlantic is a Connecticut based growth capital company – growth capital investor - and this company incubated and invested in eTrade, Priceline and so forth.

Adrian Bye: Here in Japan or in the US?

Shuji Honjo: In the US.

Adrian Bye: So the company that you're doing investments for, you incubated Priceline and eTrade?

Shuji Honjo: That's right. I headed the Tokyo office and Japan practice. So I helped these companies' Japan entry and sometimes Asian expansion. Also, one of our portfolio company, when I was at General Atlantic, we

invested in Oak Pacific that is now currently in China one of the largest social networking and social web company.

Interestingly, half a year before the subprime crash, I recommended General Atlantic to close down the Tokyo office and because there something wrong was going on. They closed office in two weeks, after my recommendation. But right after that I had a call from my friend who was the investment banking head at Lehman Brothers Japan. He was eager to launch a principal investment team. Until that time, the Lehman's Bank didn't have that team, and so I was asked to build a technology focused team. The team building was good, but at the end the Lehman Brothers disappeared.

Adrian Bye: Can you help me understand your role here. Dave said you helped with some significant investments more recently here in Japan. Is that right?

Shuji Honjo: Significant investment?

Adrian Bye: Like in the internet space. Is that correct? What has been the thing that you've done like in the last five years that has been a big success on the internet?

Shuji Honjo: Big success in the internet? Well, in the internet space. In Japan, honestly speaking, General Atlantic did not invest in Japanese companies, rather we chose Chinese companies like Oak Pacific. So, especially in the internet space that is the biggest achievement I think. This is one of the reasons why we didn't invest in Mixi or Gree or some other companies...we did not.

Adrian Bye: Let me understand, so your role now is an investor. You're investing in start ups. You teach in a university.

Shuji Honjo: My major job is consultant. So, I'm helping several companies in the growth mode, Serious Technologies is one company and other companies. Not only the start ups but also public companies but still in the growth phase. So financially, I act sometimes as an angel investor, but the primary work I do is a consultant now.

Adrian Bye: So maybe you can tell us. One of the things that most of the people here, we're internet guys and we're US-based internet guys? So, that's the market we know. We don't understand Japan at all. So, one of the things, this is my first, I've only been in Japan now for twenty four hours and one of the things that I'm learning about Japan is that it is quite closed for people who are non-Japanese. We don't understand the culture. We don't understand the language. There seems to be a lot of important things about the way I think business is done in Japan which we don't get. So, if we have a successful American internet business and we have money, we have good technology, good resources, good contacts, but we want to bring it into Japan, that's not an easy thing to do, is it?

Shuji Honjo: You're right. Our previous discussion was similar to that. A number of prominent US companies, not only US companies but European companies, too, made a lot of mistakes and they failed, not only the internet company but for example Coca Cola, Louis Vuitton. These guys made a lot of fortune from these markets, but it takes a long, long time. So, through my experience with General Atlantic, well I helped a lot of foreign companies enter here, and they make common mistakes like...one typical mistake is the timing. As a company, without paying significant attention to this market, it is not so easy to enter. As you mentioned, the market is different, the culture is different, and the customer behavior are different. Without paying some

critical mass of attention, just like bringing in the US methodology and approach here, it doesn't work. So then...

Adrian Bye: I want to give you one example. I used to live in Silicon Valley and followed the rise of the internet. One of the companies that obviously was doing well ten years ago was Yahoo. Yahoo is owned everywhere in the world, as I understand, by Yahoo US except for Japan, right? In Japan, it's owned by a totally different organization. But it's still under the Yahoo brand. I don't understand that. Why is Japan so different from the rest of the world that...can you help...and why did Yahoo, they obviously did that for business reasons. Why did they do that?

Shuji Honjo: Okay. My understanding is similar to eTrade. At a relatively early stage of the company, Masayoshi Son approached the CEO directly and sales talked as well. Let's build Japan operation together. The Japanese market is the second largest GDP country, but a difficult market, we don't help you. Masayoshi Son invested in both eTrade and Yahoo and so in return he got substantial ownership of Japan entity. So, that's the way they did it.

Adrian Bye: Why did Yahoo not just say, look this is the internet now, it doesn't matter about business relationships because we're Yahoo, we're an international brand. We have the consumers already and we're just going to get them in Japan the same way. Why didn't that work the same way? Why did Yahoo feel the need to have and why does this seem to be the case that you need so much help as an international company coming into Japan? Maybe these are very low level cultural questions, I just don't understand them and I think a lot of people are the same position as me.

Shuji Honjo: So in the past. EBay is a typical example. They entered here and failed badly although initially they partnered with NEC group.

Adrian Bye: Google's doing okay here, I think.

Shuji Honjo: Okay, but not so great. The market share is gradually catching up but comparing with other developed countries their market share is relatively low.

Adrian Bye: So what's the number one search in Japan?

Shuji Honjo: Yahoo. Yahoo dominate the search especially for PC.

Adrian Bye: So, the deal that Yahoo did was a very, very good deal?

Shuji Honjo: Yes. Unbelievably good.

Adrian Bye: So, what percentage of search does Yahoo have and what percentage does Google have?

Shuji Honjo: Yahoo now is sixty to seventy here. So, definitely they're over fifty. Google? Twenty or less.

Adrian Bye: But Google is increasing...

Shuji Honjo: Yes, for the mobile phone search category. Google is gradually catching up. Younger people use Google more and more. So, the difference would become smaller and smaller, but it will take time, because, especially for PC users, Yahoo is the kind of automatic choice, the default in this country.

Adrian Bye: Right. And so everybody just knows Yahoo and that's it?

Shuji Honjo: Yes.

Adrian Bye: That's how it has been in the US. But consumers are switching to Google because they get better search results. Does Yahoo give that much better search results here? Surely not, right, or do they? Okay, let me ask you then, which search do you use?

Shuji Honjo: Both Yahoo and Google.

Adrian Bye: Which do you use the most?

Shuji Honjo: Blog search Yahoo and just keyword search Google.

Adrian Bye: Interesting.

Shuji Honjo: It's probably the functional or the user experience difference in the US probably the Google gives much better use experience than Yahoo but here, not a big difference. I guess. That's why people continue to use Yahoo.

Adrian Bye: Okay. Now let's take it back ten years. Let's say if Yahoo had tried to make it themselves without making the deal with, I think it was SoftBank Japan, right? Let's say Yahoo haven't done that and it was just on their own. Who would be the number one in search today in Japan?

Shuji Honjo: Google. Maybe. I am not sure because the problem isn't...okay, Yahoo Japan was...Actually, Masa Son asked Taizo Son, the younger brother, he was a college student then...Taizo collected a bunch of college students to build Yahoo Japan initially. So, it's a kind of very venture-like start up. So, it accelerated the start up of Yahoo Japan, but probably Yahoo US tried to enter here, probably they couldn't do that. I guess. So, the launch speed would be less. There are several competitors like Goo, MSN, and also at that time, several Japanese local search engines companies and also US guys like Infoseek. But probably the more closer battle was there if Yahoo US entered one hundred percent subsidiary in Japan.

Adrian Bye: You said when I asked about if it was a successful deal for Yahoo, you said very successful.

Shuji Honjo: Successful deal for, okay...

Adrian Bye: It was good for Yahoo and it was good for SoftBank, right? So for everybody's been a great deal? Except for Google?

Shuji Honjo: Right. Competitors.

Adrian Bye: So, this what I don't understand. Yahoo is consumer marketing. They've got a brand. They don't need intermediaries. They go direct to consumers. Why is it so important for them to have a local partner in Japan like SoftBank to help make the deal work?

Shuji Honjo: Very good question. If that is business to business relationship and partnership, business infrastructure is important, but for consumers, it is not the case. One thing I can tell at least is the hiring and

team building. When I worked with General Atlantic, I helped a lot of companies, also including the consumer sectors. One common mistake is recruiting and team building. Wrong country manager, wrong team, and the less quality people, they instantly hire. They spend just two or three years without any results. So, I don't know why but even the great company in the United States, they often make such recruiting mistakes. If you hire the wrong country manager that's, the end. Unfortunately, I very often see such mistakes.

Adrian Bye: But do you think Yahoo just could have come in and hire a great country manager for Yahoo Japan and they would have been in a good place? I mean, what did SoftBank do for Yahoo Japan that made the deal so important? So, recruiting and team building, but there's got to be much more than that.



Shuji Honjo: Yes, that's right. Of course, they utilized a US asset; I mean the software and the system. But the content itself, they created locally a lot. So that's one major difference. So, especially for consumers. This is not the US guys but like a Cyworld in Korea. Cyworld, a Korean good company. They entered Japan but almost no results. Not only the team building things but also localization of content and also the experience is critical,

otherwise nobody use that.

Adrian Bye: What other things, I mean for a guy like me, when I choose to use a search engine, even today I wouldn't consider using Yahoo just because the page, there's too much mess on it. I don't want to see lots of advertising everywhere; I don't like the search results as much. Google's clean, simple fast interface which is what I want and a lot of consumers are going into that direction in the US and that's why there is a shift away from MSN, and AOL and Yahoo over to Google. When you said in Japan that Google and Yahoo, the results are similar. Is the Yahoo page in Japan like Yahoo in the US? Where there's lots of ads?

Shuji Honjo: Yes, lots of contents.

Adrian Bye: And Google is it clean...

Shuji Honjo: Yes, clean. Almost nothing. Another example is Naver in Korea. Naver is super content rich portal site and search engine market share Naver is away number one in Korea. So, I think the nature of customers and users are very different. So, as a result, the typical Japanese search engines users, they love some information in the content together with that...

Adrian Bye: Do they? So, here's my question on this. I'll try to ask this in a really polite way as I can, but I'm going to be direct. Could this be saying that Japanese consumers are maybe a little bit behind because they're not yet realizing how important a clean interface is, and maybe over time they will then they will move more from Yahoo to Google, as is happening in the rest of the world? Or is this something different here that I don't understand?

Shuji Honjo: My own observation is different. Because the Naver example in Korea, and Yahoo Japan example and Google US example. I don't think that all the human being love that simple interface.

Adrian Bye: So, you think the people are happy in that?

Shuji Honjo: Yes.

Adrian Bye: And you personally, do you use Google for keyword search? So you like their simple interface?

Shuji Honjo: As a default for the browser, I set Yahoo. But the toolbar, I have a Google toolbar. Actually, it really depends on the taste of people but probably the game will be more complicated in the near future because of more and more search is done through mobile phone. So, probably people's perception and also the demographics of the PC search users and the mobile search users are very different, and also the interface, of course, the size is different. So, the mobile search market share game will be very interesting.

Adrian Bye: So, let's talk about maybe just another company and how they would get in Japan. Because what I'm interested in understanding from you is you're a successful US company. How do you break into the Japan market? I mean Japan market is big, right? There's a lot of money, otherwise people wouldn't even make the effort. They will like Japan, too much work, they're closed, we're not even going to waste our time. But the reality is it's a big market, so if you can do it right it, there's a lot of money here. So, let's take Facebook. Do they have a Japanese partner?

Shuji Honjo: No. Just by themselves.

Adrian Bye: I know Facebook has done a campaign where they have localization in every country. So, that you can go and translate the interface in the country, submit it and then it's like a user reviewed system, and they're ending up, as I understand, with pretty good localized translations. Have you used Japanese Facebook?

Shuji Honjo: Yes.

Adrian Bye: How good is the translation? Is it a good translation?

Shuji Honjo: The problem is not only the quality of translation but if you use the Japanese version of Facebook, you see a lot of English. It is like a bilingual interface. So, worse thing is, have you seen MySpace Japan? You see lots of English. Unfortunately, in the developed countries, Japan, Japanese people are the worst in English skills. Even the people like these who have great companies, many of them don't like to see so much English. So, it's a kind of mental hurdle, of course, you can read Japanese, that is no problem and if Facebook provided appropriate translations, but mentally, many people like the Startonomics participants, they use Facebook, but the ordinary people, I don't think so.

Adrian Bye: Tell me about social networking, what do people use in Japan instead of Facebook?

Shuji Honjo: Mostly Mixi. Especially for PC, Mixi is kind of dominant, and Gree and others follow. On the mobile phone, Mobage-town from DeNA and Gree, of course Mixi provided the interface on mobile phone.

Adrian Bye: And is much of the usage on the PC or desktop or is it on mobile?

Shuji Honjo: Here is some interesting statistics. All the companies like Mixi, Gree and DeNA they say SMS usage now from mobile phone, it exceeded the PC in high gross blah blah blah. But if you read same content on PC, for example, just one screen you may read a lot from PC, but over the mobile phone you have to view like ten pages to see the same content. You have to discount that. It means...still I think the PC...from the contents viewed by people, the amount from PC is more than the mobile phone. But the growth rate viewed from mobile phone is tremendous. So, in the near future, in fact, it will really exceed the amount from PC.

Adrian Bye: It does, or it exceeds it now or it will?

Shuji Honjo: Will.

Adrian Bye: How far away?

Shuji Honjo: Less than five years.

Adrian Bye: So, what would you say is the market share of Mixi versus Facebook in Japan?

Shuji Honjo: Traffic wise, a hundred times.

Adrian Bye: Okay, hundred times. Facebook is one percent, Mixi is a hundred percent or ninety nine percent?

Shuji Honjo: Almost.

Adrian Bye: So people almost don't use Facebook?

Shuji Honjo: Right. Non-existent. Just geeks or the IT net industry people use that. But ordinary people, no.

Adrian Bye: So, Facebook really maybe should have done a deal like Yahoo?

Shuji Honjo: Right. Partner ways. Based on the architecture of Facebook, not so easy to localize. It's very universal in a consistent way. It's very clean and good architecture they have, but when we think of just for Japan, some localization, with partner, some marketing might be helpful, at least. Even though if you partner with SoftBank or other guys, it doesn't guarantee success. Good example is MySpace. MySpace partnered with SoftBank. It's a mess.

Adrian Bye: So, MySpace did what Yahoo did? And it didn't work for MySpace.

Shuji Honjo: Right. No, it did not work.

Adrian Bye: So, why didn't it work?

Shuji Honjo: Like I said, there are three parts, I think. MySpace originally became popular with music content. Initially, MySpace Japan they used just western, especially US music contents only, almost, and no Japanese,

no local contents, plus a lot of English. You have to see. Three, interface and added localization, they didn't do that. So, from a Japanese perspective, kind of design-wise, it's weird. So, now they focused on just creative things like musicians and that sort of creative people. In that segment, I think their market share is gradually growing but it means they cannot capture the ordinary people.

Adrian Bye: So, this is really interesting because obviously you need to be able to localize in every country. But Japan is maybe a more closed country than other countries but is big enough to be important. There's got to be other countries that are closed like Japan, for example, North Korea, right? I don't know if there's Facebook in North Korea, but it's a very closed country. They have a very homogeneous society and so North Korea would probably require a lot of effort to do Facebook North Korea, except that because the market is small and obviously the political system is different we don't make the effort. Is that an accurate summary that Japan is a very closed country as well, but it's a big market so it's worth making this effort to understand this localization and if you can do the localization well in Japan, given that it's one of the hottest big markets then you're going to be able to do localization well in other countries as well. Like if you understand how to do localization here. Is that correct? Or is that not correct? Could you then be able to do a better job localizing in France or in Germany, for example.

Shuji Honjo: Good question.

Adrian Bye: Or Korea? How did Yahoo do in China, for example?

Shuji Honjo: Yahoo in China. Good question. Almost nothing there, right?

Adrian Bye: Nothing. Every though they did manage to do well with SoftBank.

Shuji Honjo: Right.

Adrian Bye: Here in Japan.

Shuji Honjo: I heard that Yahoo Japan considered China entry, but they abandoned Chinese market. Probably they saw that it's too much work for them, I guess.

Adrian Bye: Just because the localization is so critical?

Shuji Honjo: Yes, and possibly I've heard that the Chinese countries, for example, even Google has a problem with government and regulations, and so forth, so, Yahoo Japan didn't like that. I heard that there's some internet discussion that some guy's saying we should enter China, it's a big market, now difficult but in the long run, it's a fortune but other guys say, "Well, no, no, no. It's a difficult country and country risk, politics and all.



Adrian Bye: Because what I'm getting from this conversation is that entering Asia in general is a lot of work and for a lot of internet businesses, it's not going to be worth it.

Shuji Honjo: I agree with that. When I worked at General Atlantic, if they don't have immediate business plan to exceed ten percent of the total revenue from Japan, don't enter Japan.

Adrian Bye: Ten percent?

Shuji Honjo: Because it's costly. But if they can earn more than ten percent revenue from Japan, it's worthwhile. Otherwise, it's a kind of stressful and this is my gut feeling from my experience. Because from the top management attention, if you can get just three percent of revenue from the Japan, localization effort or special marketing, no way.

Adrian Bye: So, in the case of Facebook, let's say I was Mark Zuckerberg, and you're here sitting, talking with Mark Zuckerberg about Facebook Japan, what would you be telling me to do?

Shuji Honjo: Remaining as I stand, no investment or very small investment and get small results or work hard and finding partner and invest. If you fall in the in between you just lose money.

Adrian Bye: So, either go big or go home?

Shuji Honjo: Yes. Or remain very small.

Adrian Bye: It looks like what they're deciding to do based on what you're telling me is to stay small.

Shuji Honjo: I guess so.

Adrian Bye: But then what I'm saying is an interesting thing is...are you familiar with Orkut from Brazil, a social networking from Brazil? They're very strong in Brazil, a Google social network. But I'm also seeing just from friends in Brazil, there are lot of them moving on to Facebook. More and more of them are showing up on Facebook. I don't know how the activity overall of Orkut is versus Facebook, but what I do know is that me with all my international friends except mostly Brazil are on Facebook, and so the Brazilians, if they want to participate internationally, they got to get on Facebook, too. Is this something that over in the end, could end up bringing the move from Mixi and the other sites on to Facebook, long term, just because Facebook is dominant everywhere else.

Shuji Honjo: You made a good point.

Adrian Bye: Sorry. I try not to ask too easy questions.

Shuji Honjo: The charm between SMS, well, in the western worlds, so there was charm in the past like Bebo, and if in Japan, Mixi immigrant...Mixi refugees...of course, Gree's growth rate is, the number of users growth rate is tremendous. It means Gree acquires several users from Mixi and Mobage.

Adrian Bye: Gree? Who's Gree?

Shuji Honjo: Gree is one of the hottest social networking service here. There is charm and in five years, there will be another platform, again another SMS, sort of the next generation SMS. This new comer might acquire substantial users from these existing services. So, people say, there is some personal advantage if you build some substantial customer base, you are okay, but consumers...we'll look at the gaming market in the past. Every four years, customer switch. It's what's happening even in the social networking service. So, maybe the next generation Facebook might acquire a lot of users from Gree or Mixi. It might happen.

Adrian Bye: And I guess wait and see. So, an area I'm personally very interested in is affiliate marketing. Direct response affiliate marketing being able to sell things. It works very well in the US, Canada, Australia and UK. I don't know anything about affiliate marketing in Japan. Does it even exist? I mean I'm sure it does.

Shuji Honjo: It does. What I would say is there was some boom around affiliate marketing especially for Rakuten, the electric commerce site. It is kind of a virtual shopping mall. Rakuten has tens of thousands of shops. Of course, they provide some affiliate function. Several housewives and several brokers, they made a lot of money from affiliate. But at this moment, the affiliate is not tremendous existence in this country, but affiliate has become the common thing here.

Adrian Bye: Let me give an example from infomercials in the US. Have you heard of the ShamWow?

Shuji Honjo: ShamWow? No.

Adrian Bye: So, the ShamWow is an infomercial. It's a funny infomercial by a guy wearing a headset selling what is called a "shammy". It's a thing for wiping, for cleaning. So, you can clean the desk, or you can clean your car with it. It's good for soaking up water while cleaning. It runs a lot of advertisements in the US. It's only infomercials and it's selling a lot of volume and it's becoming almost part of the American pop culture now, the ShamWow. Because it is selling so much through direct response. He has all the metrics for his business. So, every time he runs an infomercial, he knows that he is going to make a certain number of sales which pays for the infomercial and certainly pays for the product and pays for returns and he makes a profit. So, is that sort of stuff happening here in Japan? On TV for example? I mean, do you have infomercials here in Japan?

Shuji Honjo: I don't think so. I don't think infomercial is popular in this country yet.

Adrian Bye: Then you have things like home shopping network?

Shuji Honjo: Yes.

Adrian Bye: Don't you have like a thirty minute infomercials selling some product for thirty minutes?

Shuji Honjo: I see. TV shopping.

Adrian Bye: I'm talking about rather like a home shopping network. I'm talking like a 30-minute program selling or fifteen minutes talking about and selling a product. Do you have that here in Japan?

Shuji Honjo: Shorter time. Like three minutes.

Adrian Bye: So, the ShamWow, I don't know the exact length. It might be one to two minutes on TV and it's very, very popular. So you must have that here. Call now 1-800...So, is there a lot of that here in Japan?

Shuji Honjo: Yes.

Adrian Bye: So, again to tie this to my other question. If we got the ShamWow in the US, it's very successful. Does that commonly happen in that they take that and bring it here in Japan and sell it on TV?

Shuji Honjo: Okay. One thing that I can tell you is that TV shopping type program...most of the TV shopping program, they don't depend on one single product, but that shopping channel or that shopping service company, shopping company, they merchandise several things and today would recommend this product.

Adrian Bye: So, like on home shopping. I understand that model. I am talking specifically about you're watching a movie and then after fifteen minutes, there's a break and you get two minutes of ads. In those ads "Hey, call now 1-800 whatever. Does that make sense?

Shuji Honjo: Yes.

Adrian Bye: This is the direct response industry. Where I'm going with this is, it's the foundation of internet marketing, of affiliate marketing in the US. So I'm interested to understand if there's that sort of stuff in Japan online as well.

Shuji Honjo: In the regular TV commercial like 15-seconds or 30-seconds I think a similar thing is there, but infomercial, in a regular TV program, I haven't seen that. No.

Adrian Bye: Have you seen it in the US?

Shuji Honjo: Yes.

Adrian Bye: So, you know what I'm talking about you just have never seen it here?

Shuji Honjo: Actually, I can tell you is that it's very rare.

Adrian Bye: Do you think that's rare because people don't buy or it's not a developed market?

Shuji Honjo: Interesting question.

Adrian Bye: Maybe it's a cultural thing. I don't know. Maybe there's government regulation on that stuff that's too strong. Because from that becomes a metrics-driven business in the way of selling which then applies online, and that's how a lot of traffic is driven in the online internet US commerce, is through affiliate marketing. An affiliate knows he's going to get a twenty dollar commission for every sale that it makes of a certain product. And is that not as strong in Japan in the same way? I don't know much ...

Shuji Honjo: Not strong. So, that infomercial, now I understand that. Very different market. Why they don't have such infomercial?

Adrian Bye: Because you're still buying remotely, you're buying from...there is the Amazon, or an equivalent of Amazon is on in Japan, right? You can go online and in three clicks, buy a book. If you're buying something remotely, it's the same as buying on TV. It's just a different way to sell. Right?

Shuji Honjo: Right. Just the regular TV shopping or regular TV ads. That's all. The infomercial like you mentioned, very rare.

Adrian Bye: Do you hear about guys here doing affiliate marketing? Have you ever heard of the concept of the CPA network? The cost-per-acquisition network? Or an affiliate network?

Shuji Honjo: Affiliate network I know that.

Adrian Bye: Is this something you're very familiar with or not so much?

Shuji Honjo: Not so much, I am not an expert. Affiliate, especially, maybe culture wise not many people like that, culture wise.

Adrian Bye: They don't like that?

Shuji Honjo: They do not.

Adrian Bye: Why is that?

Shuji Honjo: Of course, for people who could get such commission, that would be great but especially if conservative people see that sort of business is a kind of second tier rather than first tier.

Adrian Bye: And so it causes problems is that what you mean?

Shuji Honjo: Not so many people are excited with that business. Of course, there are a lot of people who are interested in that segment, but...

Adrian Bye: Because in the US it's a lot of business. But here it's a more social pressure, do you think? Because if people can make money at it, they'll do it or is there a pressure not to do that.

Shuji Honjo: This is a completely different business method, for example, Network marketing like Amway, NuSkin...hate it.

Adrian Bye: Right. Me too.

Shuji Honjo: Affiliate marketing, I don't think that it's similar to them, it's pretty different, but still how to make money, probably the social acceptance is less.

Adrian Bye: See, one of the changes that I see happening is that even big brands, big companies with big advertising budgets in the US are moving towards, and I don't think they're moving fast enough but they're moving towards direct response style campaigns. It doesn't mean they're trying to hard sell something. But they're basing things around more metrics than just paying per click. Instead of like selling a banner and selling it for ten cents a click or one cent or half a cent then they are expecting a follow up action behind that, like the user did a viewing of their video, or they use opted in for a campaign, or something happened to justify more than just an initial acquisition and that's the more direct response focus campaign for a brand. That's the sort of stuff that's happening more in the US, and that's where I see direct response is having a lot of importance in top tier type of marketing.

Shuji Honjo: Interesting. It makes sense because when I talked with internet based marketing agencies and so forth, the demand from the customers which are large corporations around that sort of marketing, it's increasing here.

Adrian Bye: Because they don't want to be ripped off. They don't want to go and pay a million dollars on advertising and then get all these impressions and no response. So, direct response is the key, and it's the direct response guys that understand how to make that connection. That's why I see direct response is very important.

Shuji Honjo: Yes. Probably in that aspect, US is very advanced from this market. But I agree that even in this market especially this year I hear a lot of voices similar to that.

Adrian Bye: We got a few more minutes left. Do you have a couple more minutes? I'm really interested to understand, I don't know much about mobile in Japan and I know that's a big topic but maybe you can just take us through a few minutes of mobile internet and what's important about mobile internet in Japan. What's different to the US. Now, consider someone who has a normal like tech-guy that has an iPhone and uses Facebook and maybe has 3G and that stuff. What's different about mobile in Japan versus that?

Shuji Honjo: In Japan, the major mobile users are not geeks, they're like housewives, the young ladies and so forth. So, their literacy is not so high. I can not say that they are stupid but they're not so intelligent. Ordinary people.

Adrian Bye: The real world.

Shuji Honjo: The real world. The cellphone is appealing to these guys, these people, not only for voice communication but also the browsing and data communication and email. One major difference is a lot of content providers are there and not only the official site. The official site is like i-Mode, like Docomo official site but no official sites are locked. Lots of non-official sites are there, for example the mobile game, from DeNA. These are non-official sites. So, a variety of contents and services are there. So, it's very different from the US and I understand that for iPhone, a number of applications and sites are there but only the business people and the geeks use iPhone here. The design and the functionality, well, for example, if you receive email, most of the Japanese cellphones, you can understand with being here, but iPhone you cannot. And also the content provider for the iPhone, here the existing content provided for ordinary cellphone, it is not available on iPhone. So it's pretty different.

How would I use that? Two things, one thing is, communication mostly through emails and also the content services like I said. The heavy traffic you can see is especially datacom. The heavy traffic is just before going to bed. So, it's a kind of not mobile phones but personal phones from the user's perspective. So, before just going to bed, that lady will read free mobile novel, that sort of thing they do. So, it's pretty different. I think.

Adrian Bye: Maybe I have to get you to show me some of this. We have talked about a lot of stuff. Is there anything that you want to talk about that we haven't covered? You want to tell us more about your business or something like that?

Shuji Honjo: According to the Technorati statistics, by language, the amount of blog contents the Japanese language is the number one, English is number two. So, when we look at the population, probably Japanese people write a lot.

Adrian Bye: I didn't know that.

Shuji Honjo: When we look at the Korean, the Koreans write a lot, too.

Adrian Bye: Do you think the Japanese people write more than Americans?

Shuji Honjo: Right. Absolutely.

Adrian Bye: How many people live in Japan? The US has about 300 million.

Shuji Honjo: One hundred twenty, one hundred thirty million.

Adrian Bye: So hundred thirty million people are writing more than three hundred million people.

Shuji Honjo: Yes.

Adrian Bye: Interesting.

Shuji Honjo: So, the content itself is pretty different. Here, just ordinary housewives just, "Oh my baby is something. Or my cat is something." The value of content is kind of nothing. American blogs, we see similar things, but also great logic, observation, thought and so on and so forth, we can see a lot. But here not so much. But the amount of blog written in Japan is unbelievable. It's interesting.

Adrian Bye: Cool. Anything else you want to talk about?

Shuji Honjo: I think that's all.

Adrian Bye: Cool. Thank you so much for your time.

Shuji Honjo: Thank you for interviewing.