

Market Intelligence Report :

Promotion of Sri Lankan ICT/BPM Sector in Japan through Promotional Seminars, Networking Sessions and Participation at CEATEC Exhibition, Japan *5th - 10th October, 2015*

Sri Lanka Export Development Board

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**PROMOTION OF SRI LANKAN ICT/BPM SECTOR IN JAPAN THROUGH PROMOTIONAL
SEMINARS, NETWORKING SESSIONS AND
PARTICIPATION AT CEATEC EXHIBITION**

5th - 10th OCTOBER, 2015

1] Summary and Programme Specifications

Sri Lanka Export Development Board has focused on Japan as one of the emerging markets for ICT outsourcing sectors with the recommendation of ICT/BPM Advisory Committee of EDB. Accordingly EDB has developed working relationship with Japan External Trade Organization [JETRO] in order to organize promotional activities for the ICT sector in the Japanese market. JETRO has identified Cutting-edge IT & Electronics Comprehensive Exhibition [CEATEC] 2015 as one of the important trade exhibitions of ICT in Japan. JETRO proposed for Sri Lankan ICT sector companies to participate in this exhibition with the patronage of EDB. It is also identified that it is important for the Sri Lankan companies to meet officials of Japan Information Technology Service Industry Association [JISA] and the Japan Users Association of Information Systems [JUAS] and have some networking meetings with them. It was also proposed for the Sri Lankan ICT companies to participate in the investors' meeting and individual networking sessions with the interested Japanese investors in the ICT sector, organized by JETRO, JICA and BoI.

Presently the ICT sector is the fourth largest export revenue earner of the country having a substantial capacity for future expansion. Set export target of this sector to be achieved by 2022 is US\$ 5 billion and to provide 200,000 direct job opportunities.

Export performance of the ICT / BPM sector increased from US\$ 719 Mn in 2013 to US\$ 748 Mn in 2014. In the meantime Japan has been identified by EDB as a new market to develop ICT exports in order to increase the overall ICT export revenue of the country.

This market development program has been published through the database of EDB and the ICT associations. A panel comprised of Ministry of Industry and Commerce, Department of Commerce, JETRO and EDB interviewed seven applicants and following participants were selected to participate at this exhibition.

2] Outcome of the Programme

Meeting with Japan Users Association of Information Systems [JUAS]

Chief Administration and Executive Managing Director Mr. Osamu Kon of JUAS met with participants at the meeting with the Sri Lankan delegation. Mr. M.K.S.K. Maldeni, Director / Export Services of EDB made a brief presentation on the Sri Lankan ICT exports and the linkages between Sri Lanka and Japan up to now. After this brief presentation, Mr. Kazuhiko Obama, Resident Representative, JETRO, Colombo presented the objectives of the visit of the Sri Lankan ICT delegation. Subsequently Executive Managing Director of JUAS made a presentation on the present status of the linkages between membership of JUAS and Sri Lanka. He has identified number of bottlenecks the membership of JUAS faces when they are trying to create linkages with Sri Lankan ICT sector. Those include communication barriers due to language and the way of IT delivery. He also mentioned that still most of the membership is doubtful on the Sri Lanka's capabilities in delivering ICT projects. He admitted that JUAS members are presently looking up to the countries such as Vietnam for IT outsourcing. However, in order to provide ICT services to Japan, Sri Lankan ICT companies will have to overcome the communication difficulties and there should be concerted efforts from the Sri Lankan Government through its embassy in Japan. It is also mentioned that Sri Lankan companies have the potential in creating linkages to the Japanese businesses in embedded software and application software such as package software. He highlighted that Japanese companies are weak in areas such as Microsoft, Oracle and Japanese companies are strong in embedded application software.

After the presentation of Mr. Osamu Kon a lively discussion took place between Sri Lankan ICT companies and the officials of JUAS. This discussion was mainly focused on how to overcome the communication barriers between them using Japanese and English speaking bridge Engineers and how to overcome the weaknesses of the Sri Lankan ICT export sector compared to countries such as Vietnam, India and China.

Executive Managing Director of JUAS expressed willingness of membership of JUAS to visit Sri Lanka probably next year in order to meet the Sri Lankan ICT exporters and to have a firsthand experience of the country.

Meeting with Japan Information Technology Service Industry Association [JISA]

Senior Executive of Global Affairs Department of JISA Mr. Hidemi Yamamoto, Mr. Masayuki Osuka, Director - International Study Group of JISA along with several other

members of JISA participated in the meeting with the Sri Lankan delegation. Director/Export Services of EDB made a presentation on the developments that took place in relation to the linkages between the ICT sector of Sri Lanka and Japan during the last several months. This presentation highlighted the forthcoming visit of JISA members and the officials to Sri Lanka to participate in Networking Meetings in relation to the forthcoming Asia Pacific ICT Alliance [APICTA] to be held in Colombo. Subsequently Mr. Yamamoto made a presentation on Japan in the Global ICT market. In his presentation he highlighted the involvement of JISA members in the ICT sector such as Internet of Everything [IoE], Machine to Machine [M to M], Big Data and Cloud Computing etc. He has identified problems faced by the Japanese ICT companies such as utilizing highly skilled engineers and supplementing their co-businesses with offshore services. He mentioned that some of the large Japanese ICT companies are struggling with their offshore services in countries such as China and India.

After the presentation of Mr. Yamamoto, Mr. Masayuki Osuka, the Director International Studies of JISA spoke on their study of different potential countries for the outsourcing requirements of Japanese ICT companies. He highlighted the potentiality of Sri Lanka in offshore services and the data centre services. However, he mentioned that these services are common to most of the countries and Sri Lanka should focus on areas such as Internet of Things and Machine to Machine, as those areas can be a differentiator for Sri Lanka from the other destinations available for Japanese ICT companies. He also highlighted the JISA website "Call global" and requested Sri Lankan ICT companies to provide company information and their capabilities in the ICT sector, to this site.

JISA officials informed that a delegation of JISA will be visiting to participate in the APICTA Conference in November 2015 and also they are planning to have a business delegation to Sri Lanka along with the other sister associations such as JUAS and CSAJ [Package Software Association and Embedded Software Association] next year.

Workshop on Doing Business with Japanese Companies by JETRO

JETRO organized a meeting and a brief workshop in the JETRO office for the Sri Lankan delegation in order to improve the knowledge and skills of Sri Lankan ICT companies to handle the Japanese counterparts. On the arrival of the JETRO office Ms. Junko Ishii, Director General of JETRO met the delegation and briefed on the activities of JETRO. Then Mr. Takeshi Ito of JETRO conducted a brief workshop on "Doing Business with Japanese" for the Sri Lankan ICT companies. This workshop included orientation to the Japanese business environment and topics such as understanding business

circumstances in Japan, how you can appear on your advantage, how to talk with Japanese company representatives and how to talk with Japanese company owners and how to carry out follow up work successfully. This workshop was focused on the forthcoming participation in the networking sessions with the Japanese companies and the Sri Lanka's participation in CEATEC exhibition.

Seminar on Investment Opportunities in Sri Lanka organized by BOI / JETRO / JICA

Sri Lankan ICT delegation participated in this investment seminar attended by around 150 Japanese companies who are interested in visiting Sri Lanka. Main speech of this seminar was done by Hon. Ravi Karunanayake, Minister of Finance of Sri Lanka. Key Note speech was delivered by the Chairman of BOI, Mr. Upul Jayasuriya. Other presentations were carried out by Mr. Keizo Tsuchiya, JICA Advisor for Investment Promotion, BoI, Ms. Renuka Weerakoon, Executive Director of BoI, Kozuki Obama Resident Representative of JETRO, Colombo. In addition to that Mr. Taichi Matsumoto of Metatechno made a presentation on Experiences of Japanese Company operating in Sri Lanka.

Sri Lankan IT delegation made use of this opportunity to present the Sri Lankan business opportunities to Sri Lankan IT companies to the audience. It created an opportunity to Sri Lankan ICT companies to participate in the Networking Session just after the Investment seminar. Following 4 Japanese IT companies had One on One Business Meetings in the JETRO office after the conclusion of the Sri Lankan business seminar.

- IDID
- Ohbi Co. Ltd.
- Edoe Inc.
- Asal Computer Corp.

Participation at the CEATEC Exhibition

This exhibition was held in at the Makuhari Messe in Chiba Prefecture. JETRO provided Sri Lanka pavilion with the Japanese language interpreters for the 6 participants and for the general discussion on Sri Lanka ICT export sector. Pavilion was highlighted as joint project of JETRO and SLEDB. Sri Lanka pavilion comprised of information desk to provide EDB literature on the Sri Lankan ICT sector and Sri Lanka as a tourist destination along with JETRO literature on investment environment of Sri Lanka. Backdrop of the pavilion was comprised of Japanese language posters of six Sri Lankan ICT companies who participated. It was also equipped with TV monitor which was utilized to run the Audio

Visuals of Sri Lankan ICT companies along with Sri Lankan tourism Audio visuals. EDB pavilion was situated in a fairly front location in Hall No. 5 and it was attracted by Japanese companies in different disciplines of Japanese ICT sector. Japanese interpreters and JETRO officials continuously provided their services in interpretation of Japanese language to English in facilitating the discussions.

Seminar at the CEATEC Exhibition Venue

This seminar was organized inside in an open meeting area in the Hall No. 2 to introduce the Sri Lankan ICT participants to the CEATEC visitors. It was held on 8th October : 4.20 - 455 p.m. and there were around 20 visitors participated. At this brief seminar, JETRO-EDB and the participating companies introduced their businesses to the visitors. Variety of literature on Sri Lankan ICT export sector, Sri Lankan tourism and capabilities of participants of Sri Lankan participating companies at CEATEC were displayed and distributed during the seminar. Seminar was followed by a networking session between visitors and the Sri Lankan IT companies who participated in CEATEC.

3] New Trends Observed

It has been further revealed that Japan is a prospective market for the Sri Lankan ICT exporters, through this program. However, it was highlighted that there should be a well formulated strategy to develop the Japanese market for the Sri Lankan ICT sector exporters. As indicated by the Executive Director of JUAS Sri Lankan ICT exporters should note that Japanese ICT companies are strong in areas such as embedded software, IoT and Big Data. But Japanese companies are not that strong in package software such as Microsoft and Oracle. Therefore, Sri Lankan companies will have to adjust their all strategies to match the requirements of Japanese ICT companies by taking into consideration above sectors. Sri Lankan ICT sector exporters also should make a note that they will have to compete with the IT companies based in countries such as Vietnam. Vietnam is a country which has close proximity to Japan with considerable sector of people who speak Japanese language. Therefore it is important for the Sri Lankan ICT sector exporters who are targeting the Japanese market to work around the language barrier by employing Japanese and English speaking “bridge engineers”. Sri Lankan ICT companies should make an effort to recognize the current market situation of Japan in relation to their own verticals.

It is interesting to note that the comments of the Director of the Global Study Group that Sri Lanka is one of the countries that they have studied during last period even though still the

Sri Lankan ICT export sector is not very much known to the Japanese ICT companies. They have identified Sri Lanka as a potential country for the Japanese IT companies to work with. Therefore, Sri Lankan IT exporters who are targeting Japanese market will have to overcome the language barrier and equipped with their own marketing strategies without delay.

4] Observations at Main Competitors and Buyers' Opinions

Sri Lankan ICT industry will be able to make use of its expertise in supplementing co-businesses of Japanese ICT companies. Sri Lankan ICT companies will also be able to have partnerships in the areas such as IoT, embedded software, M to M, Big Data etc. where Japanese companies have a strong standing.

It is also interesting to note that JISA representatives have already planned to visit Sri Lanka in November 2015 and to have networking meetings with the Sri Lankan ICT exporters. They expect to sign an MoU with their counterpart ICT associations of Sri Lanka, SLASSCOM and to have firsthand experience on the Sri Lankan ICT industry.

JISA, JUAS, JETRO and the Sri Lankan ICT delegation were unanimously agreed that Sri Lankan and Japanese ICT sectors will have to have some close working relationships in coming months and years to inculcate business relationships among Japanese ICT companies of two countries. Therefore, it is recommended for EDB to closely work with ICT industry to organize networking meetings for visiting Japanese ICT companies during the APICTA 2015 and JUAS and JISA delegation expected in early 2016. It is proposed to provide an itinerary for these meetings to cover meetings with high level Government representatives, IT associations, IT parks and other relevant stakeholders of ICT industry. It is also recommended to entail a leisure programme at the tail-end of this programme for the Japanese participants. It is important for the Sri Lankan ICT industry to continue the momentum in the Japanese ICT market by making their presence in the ICT sector conventions such as Japan IT and CEATEC. EDB should harness the capabilities of Japanese Embassy in Colombo and Sri Lanka Embassy in Tokyo to assist the Sri Lankan ICT industry and to strengthen the presence in Japan until these linkages are strong enough to stand alone by themselves.

Since Japanese IT companies are effectively looking out for global destinations to create alliances in order to be competitive, Sri Lankan ICT industry can be benefited immensely. This is specially important at this juncture because Japanese ICT companies are looking forward to relocate from most of their operations in China.