



STANFORD SV-NJ CASE STUDY SERIES:
JAPANESE FIRMS IN SILICON VALLEY (STARTUP-UPS)



Company Name: zLibro Inc. (1DollarScan)
Arrival to Silicon Valley: March 2011
Business Location: 1590 Oakland Rd, B 105, San Jose, CA 95131
Interviewee: Hiroshi Nakano
Interview Date: June 29, 2015
Website: 1dollarscan.com/
US Entity Type: California Corporation
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Company Overview:¹ What is the company's business purpose?

The mission of 1DollarScan is to help people, small businesses, students / researchers / scholars, and the general public digitize, preserve, archive, and access existing content digitally. The company markets itself as the most affordable scanning/digitizing service in the world. Through technology, including a patented visual resolution optimizer technology called Fine Tune, they claim an ability to create an affordable service with competitive quality in the business. The hardcopy books are destroyed during the scanning process. However, a partnership with International Paper is in place for paper recycling of those destroyed books. They honor the copyright of publishers and authors, and hope to establish closer relationships to expand the eBook market.

Most clients are individuals who send books for personal use, but there is also a B2B model, for large thesis works or big books. Approximately 20-30% of client orders are directly from the bookstores including Amazon. Nakano claims that the market leaves much room for growth where less than 5% of books are currently digitized to ebook, and in the year 2012, there were 2.7 billion books sold in the USA alone. The scalability opportunity is the primary reason for the company's choice to grow the North American market.

Company Story: What are the company's origins and connections to Silicon Valley?

¹ Company overview information is collected from the company's website and marketing materials. Any merits of the company's abilities and technologies expressed herein do not reflect the opinions of Stanford nor SV-NJ.

Yusuke Oki founded the parent company, Bookscan.co.jp, which he started in Japan in 2010. Subsequently, the sister company, 1DollarScan, a California C-Corporation with all Japanese shareholders and Mr. Oki as a majority owner, moved to Silicon Valley in March 2011 with services starting in August 2011. Hiroshi Nakano founded 1DollarScan in San Jose as the company's Chief Executive Officer, after spending six months at Bookscan.co.jp learning various aspects of the business. Mr. Nakano studied industrial engineering and management at Waseda University, and was formerly employed by Rakuten, CTC, and Itochu. He chose Silicon Valley because of his familiarity with the region after spending three years working in business development and venture investment for Itochu in the region. The company feels that it has great potential for venture capital, and values Silicon Valley as a place to access that opportunity.

Nakano claims that the future of 1DollarScan looks bright because of the large volume of physical books that do not exist in digital format. Nakano will consider the company to be a success once all physical books are scanned, thus giving greater access to resources to more people. The current business strategy anticipates global expansion, and there are current discussions with European and other potential partners around the world.

Human Capital: Who are the key leaders and employees of the company, and what plans exist for personnel expansion?

There are currently fifteen employees at 1DollarScan, including thirteen operators who conduct the scanning and quality checks, half of whom work remotely. Hiroshi Nakano sits as Chief Executive Officer and a new manager as of the summer of 2015 provides operations support. Currently all employees are Japanese. There was a local marketing hire on board for two years, but he left to pursue another opportunity. Within the next year the company plans to expand to include more local people, particularly for business development and marketing.

There is no current diversity and inclusion program at the company. However, one board member of BookScan.co.jp is a woman. Additionally, one year ago the company hosted a visa for a female Japanese employee, but after she received the visa she returned to Japan.

Nakano notes that hiring operators is easy, but management hiring is difficult. It is also hard to source and retain engineers, marketers, and other professional positions. The company currently hires Japanese operators because it is easy to communicate with them and quality control is more consistent.

Funding: What are the sources of funding for the company?

When first entering the USA market, the company considered viable venture capital options, but ultimately chose to endeavor as a bootstrapped business. Therefore, Yusuke Oki, Hiroshi Nakano are 50/50 shareholders. At the time of the interview an incoming manager was expected to soon become a shareholder too. While opportunities for venture capital exist now and likely in the future, the shareholders are cautious to pursue such funding because of control, but also especially because Nakano's E2 visa immigration status requires a 50% foreign investment from Japan.

Business Challenges: What challenges does the company face?

The copying and sharing of copyrighted materials is a major issue, with some conflicts ensuing with publishers. This is another reason to support not returning paper books back to the customers, and providing that services are based on fair use, and personal use only. Notably, however, there are publishers who are proponents of the service, and thus potential partners.

Another major challenge in the USA market is in creating a buzzword or keyword search term. While in Japan the search term for the company's business is "Jisui" (lit. cook by yourself), no similar expression exists in American culture. As a result it is difficult to make such a clear channel to clients.

Tools, Reference, & Resources: What technology and professional resources are used by the company?

1DollarScan endeavors to be an entirely paperless business.

Technology Resources:

- Craigslist – used to recruit talent
- Skype – used for communication with Japan
- Dropbox – general operations
- Paypal – USA customer payments
- Operations Center - Adopted from Bookscan.co.jp's Japanese model, 1DollarScan developed their own internal system software called the Operations Center, where customer and operator track the full operations including receipt of order, book spine cutting, scanning, and quality check. The Operations Center also manages invoicing, human resource matters, and all back office tasks.

Professional Resources:

- Attorney (immigration, corporate, and copyright) – Yoshito Yamamoto
- Certified Professional Accountant – Yoshito Yamamoto
- Marketing firm – undisclosed non-Japanese solo public relations firm retained for a short period of time.
- Business insurance agent - Hartford



About the SV-NJ Case Studies Series: Japanese Silicon Valley Firms (Start-Ups)

The Stanford Silicon Valley – New Japan Project case study series investigates Japanese firms in Silicon Valley. The purpose is to understand each firm’s business purpose, its journey from Japan to Silicon Valley, human capital issues, business challenges and best practices, funding, and resources utilized. Information was compiled by interviewing leaders of start-ups based in Silicon Valley with one or more Japanese nationals as founders. The subject companies range from bootstrapped to fully funded companies with or without a presence in Japan, but all of which contain a technology element such that they are scalable enterprises. For more information or to refer a case study interviewee, please email: stanford.svnj@gmail.com