



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



Company Name: Drivemode, Inc.

Arrival to Silicon Valley: 2014

Business Location: 557 Shadow Glen, San Jose, CA 95129

Interviewee: Yo Koga

Interview Date: August 7, 2015

Website: www.drivemode.com

US Entity Type: Delaware Corporation

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Company Overview:¹ What is the company's business purpose?

Drivemode has developed a brand new user interface (UI) for smartphones that allows drivers to utilize the core features of their phones in a safe and efficient manner, making it possible to enjoy apps and services even while driving. Following NHTSA safety guidelines, Drivemode has developed a radically simple, automotive grade interface for Android devices that keeps drivers connected with the functions needed while driving. Recognizing that current car UIs are outdated, limited in functionality, and cannot be updated with new apps and services, Drivemode created a patent pending automotive grade "no-look" user interface featuring a one button menu with simple tap and swipe screen navigation. Smart recommendations predict drivers' next moves so they do not have to search for contacts or destinations behind the wheel. Drivemode's integrated interface provides access ease to functions including calling, messaging, controlling navigation and music, and switching apps. It also has many supporting features such as incoming message readout, and auto-reply to calls and messages.

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

Yo Koga, Founder of Drivemode and a serial entrepreneur, wanted software technology to safely aid all drivers. He observed Tesla's ability to constantly improve through advanced software updating and wanted all cars to have such access to technology. While innovative software technology is being implemented directly into head units of recently manufactured automobiles,

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.

Koga wanted to go straight to the consumer where drivers from every walk of life could enjoy the luxury of high performance software technology while driving any car.

Far before conceptualizing Drivemode, Koga began business travel to Silicon Valley, and saw the benefits of growing a startup in the talent, capital, and technology rich region. He admits that the weather in Northern California was also a driving force for his interest in staying in the region. Additionally, with regard to regional approach, Koga's venture capital background included investing in various tech companies in Israel with talent, operations, and users in the US and Japan. That experience built confidence in a multinational approach, and Koga replicated it to build Drivemode as a Delaware C-Corporation with a Japanese KK subsidiary that balances talent and resources between the two nations. That careful balance includes daily 5 PM PST meetings in English between the USA and Japan.

Drivemode currently works directly with automakers, including Honda, to integrate their technology into head units. However, the testing and negotiation process is tedious and time consuming thereby making such partnerships less attractive than direct consumer access. Therefore, Drivemode looks beyond partnerships where the startup remains focused on interface application where automobile technology can be upgraded without having to buy a whole new car. The company is also focused on other car technologies like sensors, controllers, cameras, and other aftermarket attachment devices. By enabling smartphones as the main interface of one's driving experience, Drivemode looks to lead the way for wireless connectivity with other devices in the driving experience.

Drivemode identifies their key marketplace as the United States, but recognizes great scalability for future growth anywhere that cars are popular. Drivemode's key demographic is not high income earners, but rather hopes to give every driver access to technology while driving. They note that Japan is not the best market because Japanese engineering is already good with a high head unit installation rate, and Japan has world-class public transportation.

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

Yo Koga, Co-Founder Chief Executive Officer of Drivemode, is a serial entrepreneur who has been in roles from engineer to co-founder to investor at Globespan Capital. Prior to Drivemode, Koga led the international expansion strategy at Zipcar. In addition to holding an MBA from Harvard, he retains status as an influential Japanese blogger since 1996. Interestingly, during the earliest stage of transitioning out of Globespan Capital, Koga wrote one vague blog posting announcing his intentions to begin a mobile and automotive endeavor. From this simple posting fifty responses came back, from which a volunteer team was initiated.

The company has three additional co-founders. Co-founder Hokuto ("HK") Ueda, Drivemode's business development lead, was responsible for the successful launch of the Model S sedan at Tesla. Ueda has a background in automotive electronics engineering and holds an MBA from Harvard. Co-Founder Jeff Standard is Produce Manager, and Co-Founder Hiro Nakagawa is the Android engineer.

Beyond this core team of Founders, Drivemode has a team of five engineers in Japan, and an intern in California. While the Founders all have close ties to Japan, they articulate that having such a tie is not of paramount importance when growing their team. Team build out will be likely focus on people who can help integrate hardware and software; and potentially partnership with other skills for new functions on the phone like GPS, music players, and gas finders. Koga notes that hiring high-end, well-known talent does not always work very well because it is hard to leverage their skillsets and keep them dedicated. When it comes to sourcing talent, Drivemode relies on the team's personal networks, as it is hard to get better results utilizing third party firms. While Drivemode does not currently have any diversity and inclusion initiative, the company is accepting and open to hire women and other minorities, and plans to make this a priority as the company grows.

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

Readers of Koga's blog enthusiastically supported his move from venture capital to his own startup, and donated over \$10,000 to his early entrepreneurial efforts. Drivemode also raised \$650,000 as an angel round from friends to incorporate and get off the ground. Subsequent seed funding in the amount of \$2 million came from Incubate Fund, the most well known early investors in Japan. A showing of the power of reputation and network, this seed money was offered during a first introduction conversation when Koga attended a friends and investors networking event in Japan. For Drivemode's future, they hope to raise money in early 2016 to put toward hardware and partnerships in order to expand functionality.

\$2M / Seed
Dec 11, 2014
Investors:
Incubate Fund

\$650k / Seed
Jan 1, 2014
Investors:
Friends

Business Challenges: What challenges does the company face?

Drivemode shares many of the typical challenges of Japanese founded startups like managing an international team and finding talent. While many team members speak Japanese, some only speak English, so Drivemode confronts the challenge of managing the language barrier by conducting meetings in English. They find that having daily meetings creates a stronger team and greater communication channels, despite the language and time difference.

Sourcing talented engineers willing to work for a reasonable price is also a challenge. Drivemode happily engages engineers in Japan where the market price is much more affordable and talent ability is high. Japan offers engineers who have integrated automobile, mobile, and hardware skillsets, a talent overlap that is rare in Silicon Valley. However, with their key marketplace in the United States, Drivemode notes that having a USA based design and user experience (UX) engineering element is important. They also keep the user feedback element localized in the States, where they utilize Craigslist as a platform to seek app testers.

Notably, this budding company has many business needs; therefore, the Co-Founders are each tasked with a variety of duties. By understanding each other's skill set and interests, the leaders

are able to successfully share key responsibilities. In this way, they are also able to prioritize goals and actionable items.

Drivemode is focused on the challenges surrounding growth issues, as they aim to obtain one million users. To confront this, they realize that they need the interface product to work very well for many people. As a result users feedback is vital, and interface integration testing is of high priority. As the interface improves, the company is confident that bigger opportunities will open up.

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

Technology Resources:

- Zenefits – human resources
- Zenpayroll – payroll
- Clerky – business formation legal software
- Coretech – technology and business support
- Intracom – global telecommunications
- Mix Panel – user engagement measurement metrics
- Slack – communications
- Xero – accounting
- Expensefy – expense reports and reimbursements

Professional Resources:

- Corporate Attorney - Yokum Taku of Wilson Sonsini Goodrich & Rosati
- Marketing – Google, for a short period of time
- Public Relations – undisclosed, unsuccessful

Koga's advice for Japanese founders in Silicon Valley: It is important to hire non-Japanese. Find relevant people to the business, not those who simply have a Japan connection. Always ask yourself why are you doing your business? What value do you add to others? Why do you qualify? Keep in mind that just being Japanese is not really a strength.



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

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 startups 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.