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CEO interview: Globalize your company or perish

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Per Stenius, Jihun Oh, Holim Wang

The debate to stay local or go global is a frequent topic in businesses of all sizes. Amidst all the hype, how does the CEO know when to make this decision? We sat down with Saeju Jeong, Co-founder and CEO of Noom to discuss his decision making process in expanding his company into Korea and Japan.

Globalization is often thought to be the panacea for growth. The debate to stay local or go global is a frequent topic in businesses of all sizes from multinational companies to start-up ventures. The promise of improved profitability and new markets often outweighs the harsh realities of the commitment required to successfully establish worldwide operations. Amidst all the hype, how does the CEO know when to make this decision? We sat down with Saeju Jeong, Co-founder and CEO of Noom to discuss his decision making process in expanding his company into Korea and Japan.

Noom is an NYC-based tech startup that creates technology to help people lead healthier lives. Noom has over 15 million installations of its various health & fitness mobile apps. Noom Weight Loss Coach, its flagship product, has been the number one top grossing app in the Health & Fitness category of Google Play for nearly one year.

Reddal: Shall we start with how you became an entrepreneur?

Mr. Jeong: As a student, defining success was relatively easy. My father is a doctor and my brothers are doctors. The prescribed path was an obvious one—medical school. I accepted my family's definition of success and intended to carry on the family occupation. But life never gives what you plan for. I failed to get into medical school. Failing to live up to family expectations was a huge source of pain for me. I had to redeem myself.

This was in 1999 and at that time it was very expensive to purchase CDs in Korea. A CD used

to cost 30 thousand Won (about 20€) and you had to go to Myeongdong (a shopping area in Seoul) to find more exclusive titles. I was interested in heavy-rock and had difficulties finding the CDs I was interested in. I realized the inflated prices were primarily due to exclusive distribution channels. It would be easier to get rid of the middle-men and sell directly to the consumer through the internet. I tested my idea with a batch of 300 CDs and I sold them all within two days. This is in essence how my first company, “Buyhard Production” came to life. In the same year, we gained exclusive contracts with multiple music labels and setup multiple shops.

This music business came to a halt when I received news that my father had terminal cancer. I left the business to be with him. The experience of watching my father pass away had me questioning the basic motivation of why I work and what my priorities in life were. After my military service in Korea, I decided not to finish my college education. I did not want to follow the common path of students whose group think ambitions were to join one of the major conglomerates like Samsung or Hyundai. I decided to go to New York. It was my dream city and provided an opportunity to do business on a global scale. Most importantly, moving to a new country meant a rebirth for me, physically and spiritually.

Reddal: How did the idea for Noom come about?

Mr. Jeong: I was invited to attend a Princeton alumni party. There I met Artem Petakov, who at the time was the technology director for Google Maps. I found out that we had mutual interests towards tech businesses. We discussed niche areas where leading tech giants like Google and Yahoo would not take a market position or interest. It came down to fitness and education. Artem loves psychology and thought that fitness was the hardest problem out there to solve. From running hospitals with my family, I’d seen how much it meant to live a healthy life, and talking with Artem made me so excited about using technology and psychology to make the world healthier. We made it our mission to use cutting-edge technology for products that created healthier lifestyles.

Reddal: Why did you decide to globalize Noom’s operations into overseas markets instead of further establishing the brand in the local US market?

Mr. Jeong: For app businesses, the core metric for growth is the size of your user base. It starts and ends with this number. We thought that the best way to grow the user base was to look into new markets. If you build a quality product, marketing becomes one of the essential functions for acquiring users, especially in today’s crowded app space. Marketing in the US is tricky because the country is a melting pot of cultures. As beautiful as this is, it is hard to create marketing strategies that match all the nuances and resonate across different ethnicities. To market a product properly in the US, we felt that we had to hire four or five marketing directors. In other countries, where the local population and culture is homogenous, we could see dramatic results with leaner marketing teams.

Reddal: Why Korea? What was the decision-making process for establishing operations here?

Mr. Jeong: Seoul is a perfect place to do marketing. It is very trend-sensitive and if your product becomes a hit with a community, it is only a matter of time before all of Seoul is using the product. The adoption rate of new products is also very high due to the homogenous culture and high population density of Seoul.

Korea was also a familiar territory since I grew up here and had a network of contacts I could reach out to when localizing the product. One of the hidden gems of Korea is the quality of talent available. Students and young professionals have a tremendous work ethic and are highly educated. The wage level for such talent is much lower than in the US. Based on these considerations, Korea was the perfect location to begin Noom global marketing efforts.

Reddal: What other country or region are you targeting and what were the criteria for evaluation?

Mr. Jeong: With the current success in Korea, I see opportunities in Germany and Japan as well. For European markets, Germany is very appealing since the country is both wellness-conscious and quite tech savvy. In the case of Asia, Japan has the 2nd largest fitness and wellness industry in the world. However, these “desk research generalizations” are only one filter. I visited these countries to speak with locals about dieting and lifestyle habits. Getting out of the office and receiving positive feedback from the locals in Germany and Japan reinforced my intuition for localization in those two countries. Our current targeted locations are just one stepping stone to becoming a truly global company. There are many other countries where Noom can have a great impact for the community. We regularly get requests and offers from passionate users in countries around the world who are interested in helping us localize the product.

Reddal: What challenges have you had in managing the growth of the Korean office? Were there some mistakes or faulty assumptions that you made during the localization process?

Mr. Jeong: Communication is the most difficult part in operating multiple offices. Our New York headquarters focuses on engineering and product development while our Korea office drives marketing and sales. If you have a marketer and a programmer in the same room, they cannot even agree on which microwave to buy! They do not live in the same world. We decided to test splitting these function into separate offices, and to date this has been working well for us. However, communicating between the offices can be very difficult, we often face time zone differences and language barriers.

Another challenge for me was the fact that there is no off-switch from work. Having global operations in different time zones means working 24/7! When one office goes to bed, the other wakes up and I feel my attention is always needed. I think delegating responsibilities and fostering responsible managers is the key as we grow.

Another issue that I may have underestimated is the difficulty of closing deals with large companies in Korea. Decision making within the Korean conglomerates takes considerable amount of time and one has to go through a tedious and formal process for any executive decision to be made. This is quite common in large corporations, but in Korea it seems to be

especially severe. I would personally wish for a more agile decision-making process within the larger companies.

Reddal: What has been the biggest driver for growth (user acquisition) in the US? Is it different from Korea?

Mr. Jeong: When we launched our product in the US, the initial priority was always on product quality. We iterated our product continuously and did not spend much on marketing. Acquiring users at the start was done primarily through early adopters who spread the word (though we did also appear as a featured app in Google Play). We built a great product and it climbed the app charts organically. We have held our position as the number one health and fitness app to this day. This approach is a stark difference from Korea, where we have now focused heavily on brand image. We found that a user in Asia, more specifically Korea in this instance, is influenced by brand image rather than pure product quality. Marketing and PR are key in Korea.

Reddal: The user acquisition rates of most apps seem to flatten out after a certain number of months after launch. How have you ignited and maintained Noom's growth to such impressive numbers?

Mr. Jeong: Noom's growth has never been the hockey stick shape that you see in Silicon Valley presentations. Our user charts look closer to an upward linear line. We got to our numbers through months after months of continuous product iterations. The balance between building a quality product (product development) and the public perception of the product (marketing) is key for sustained growth.

Reddal: Many start-ups question whether to launch for global markets or start locally. What would you recommend?

Mr. Jeong: I get this question frequently. It comes down to the founder's personality and vision for the product. it will be more practical to start locally as a global track requires much more investment into infrastructure and operations. If you find success in the local markets, you will naturally probe around in new global markets to seek growth.

Reddal: Any advice for upcoming start-ups and companies?

Mr. Jeong: How the media portrays a startup's success is quite different from how startups are in reality. They cover the rare success stories but never shed light on the thousands of ventures that have failed along the way. This path is a road of struggle and pain. Does your personality match leading a business? Do you have a die-hard attitude towards work and are you able to walk-the-talk every time? Chances are high that you may burn out quickly. It requires 100% passion in what you are doing or things will unravel very quickly. Finally, train your "gut feelings" or intuition by exposing yourself to many people, scenarios and challenges.

Reddal: We thank you for your time, Mr. Jeong. Your insights into globalizing and localizing Noom will offer a dose of reality and good insights to many entrepreneurs who are looking for

new opportunities in foreign markets.

Mr. Jeong: Thank you!

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Noom is in the process of achieving its global ambition with operations being established in Japan and Germany. While many app companies have settled with simply launching their app into the international market through app markets, the decision to physically localize operations into Korea has been a key factor in Noom’s ability to sustain their high new-user growth rate. A key success factor in this process continues to be the commitment of the CEO to set global operations and ambitions.