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Setting up Shop in China and other Emerging Markets – An Interview with Shaun Rein (Pt. 1 of 2)

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Shaun Rein is the Founder and Managing Director of the China Market Research Group (CMR) (www.researchcmr.com), a market intelligence research firm headquartered in Shanghai, China that helps American and European companies make smarter decisions in China. The firm's approach to analyzing markets combines international perspective with local knowledge. Before founding CMR, Shaun was the Chief of Research for leading venture capital firm Inter-Asia Venture Management where he was responsible for IT and Education investments. While with Inter-Asia, he was also seconded to portfolio company IAM Market Research which he built up into a leading market research firm in Asia. He also previously served as the Managing Director, Country Head (China) for leading e-learning software company WebCT before it was sold to Blackboard for \$180 mil. USD. He has been widely published, written about and quoted in newspapers worldwide including BusinessWeek, the Wall Street Journal, South China Morning Post, and the New York Times and has been featured on news programs on NBC and CCTV.

Q: You have started a few companies in the past and you have worked in a variety of fields. Your latest endeavor has been to establish the leading market intelligence firm in China. What is your startup thought process?

~ I believe there are three basic elements central to the entrepreneurial thought process: what is the need, is it economically feasible, and is it sustainable. Sometimes it is better to improve existing ideas and just execute better than to try to change the world. The need and market potential for CMR became obvious when I was Country Head for WebCT in China.

A good entrepreneur needs to be a good listener and, after hearing the same questions a number of times, to take action. For me, what became apparent was the lack of a structured approach to gathering and analyzing market intelligence by many foreign firms in China when I spoke to counterparts of other companies. At the same time, I am not a big believer in business plans, because entrepreneurs end up wasting too much time on them. I think you should set up a company around your core idea and be flexible to adapt as your idea and your market develop.

Q: What about competition from the McKinsey's and the Bain's of the world? How can the little guy compete against the big players that target emerging markets? Isn't guanxi creating a barrier for the newcomers?

~ The large consultancy firms have poured their resources into China. Their strength is that they bring international standards and tested frameworks, but this is also their weakness as they often oversee the very different Chinese market dynamics.

Chinese reality has evolved so that clients now need specific market knowledge and someone senior to talk to. Entrepreneurs should really make sure that their core clients are happy with their service and go the extra mile to ensure client satisfaction.

The big firms have had rapid growth in China which has created quality-control issues. Clients want someone with local knowledge and with the ability to help them decide how and where to grow and what is it that motivates their target market, etc.

Guanxi is still very important – as it is everywhere and, particularly, in emerging markets, where there is less structure – but the significance investors and businessmen were placing on it is becoming more balanced with solid market intelligence.

Q: Even if market forces have made it easier for entrepreneurs to compete, though, how can you promote yourself and your company in a vibrant emerging market, when you have budget constraints and lack relationships because you're still too small?

~ In order to effectively compete against the big boys, it does not suffice to have a better product or service; you need to establish a visible profile, and an entrepreneur has to do that on a tight budget. I have promoted CMR and have won contracts with large clients who you would think would rather work with McKinsey and Bain, without spending any money at all. The most important thing is to very carefully define your target market and figure out how to approach your customers in the most cost-effective manner.

Q: What are some examples of such guerilla self and company promotion tactics that have worked for you?

~ You have to seek non-conventional means of getting yourself and your message out there. You can get a lot of promotion for free, but you really have to invest your time and effort. Being free means it is going to be extra hard, but it can also be extra fun.

- Write articles and blogs: they are free advertising, you can promote more complex messages, and they build credibility. For example, you read an article in an industry magazine: write to the editor about a counter-opinion. Also, comment on blogs. One of my comments has resulted in an upcoming publication in Harvard Business Review and a semi-regular column on BusinessWeek.
- Speak at industry conferences: also free advertising and great for establishing your expertise. Getting invited to speak the first time at a major conference is very difficult. Offer to take the organizers out to lunch to discuss some of your

- ideas. Or, call them two-three days before the conference, because speakers may cancel last minute and that is when the organizers will be most frantic to fill empty spots. After the first one, send conference organizers brochures of past conferences where you have appeared and soon you will be receiving invitations.
- Cultivate mentorship relationships: mentors can offer invaluable – and free – advice and help. Spend a couple of hours daily writing e-mails and calling people from alumni/ae networks and ask them for advice. After that, keep in touch with them, even if it's simply to update them on what you've been up to. Over the past ten years, I have kept in touch with a large number of people and have never asked for anything except for advice. That way, you build trust and these contacts eventually become voluntary mentors who may refer business to you.

This is the first of a two-part interview with Mr. Rein. This part focused more on the entrepreneur, while the second part will focus more on the VC landscape in China and emerging markets in general.