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# **Globalization in Shenzhen: A Perspective on Business Practices in China**

**Rick Wan  
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# Quick Introduction: Dr. Rick Wan

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1986~1997

## Educated in the US (1991)

- PhD in Physics
- Worked at:
  - University of Wisconsin
  - University of Pittsburg
  - Champaign-Urbana

1997~2002

## Startups in the US

- Co-founded Eptco
- Partner with BI

2002~2007

## Startups in China (Shanghai)

- Partner with SBI
- Co-founded Ehow

2007~2013

## Business Growth in China

- SBI acquired by ENN
- Worked at ENN Underground for Coal Gasification (Inner Mongolia & Uzbekistan)
- Set up ENN Solar
- Set up ENN Europe GMBH
- Joined GCL group in Solar and LED (Suzhou and Shanghai)

2009~now

## Globalization in Shenzhen

- Co-founded Zmodo (2009)
- Set up Jiangsu facility
- Set up Zmodo Europe GMBH
- Set up Silicon Valley R&D and Operations
- Set up Zmodo Australia office

All my ventures have been in technology start-ups

# Introduction: Zmodo & meShare

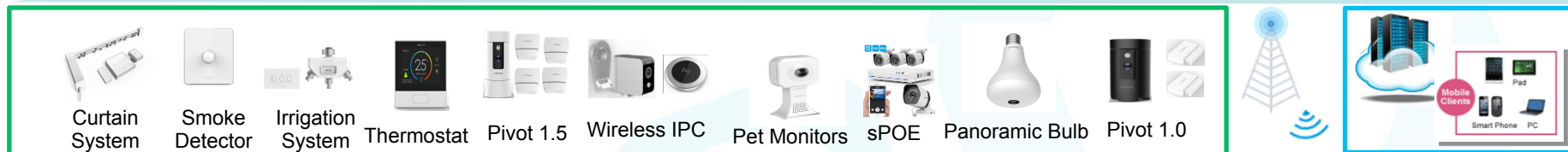
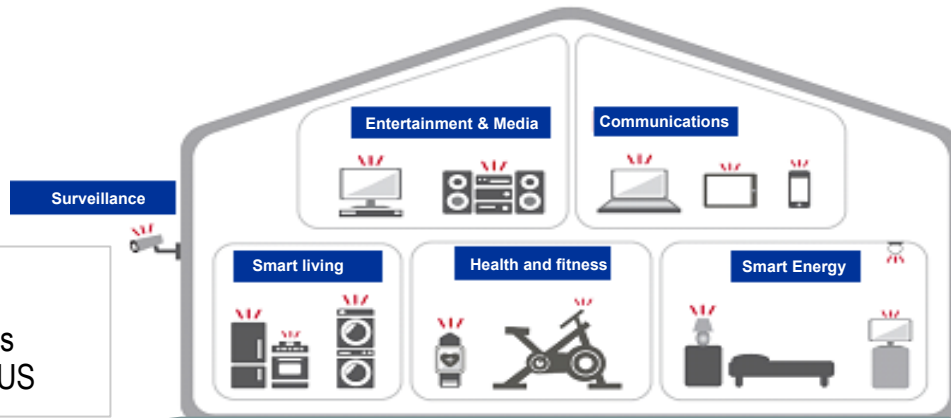
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## Zmodo & meShare

- Smart home products
- IoT platform

## Profile

- 650 employees
- \$95M revenue
- ~4M devices connected
- 1.5M customers
- Serve ~ 40 countries
- 100PB data IDC in US



Smart devices

IOT platform services

Zmodo & meShare

# Introduction: Zmodo Products

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# Introduction: meShare IoT platform



Connectivity

Devices with Vertical Application Services

Highest level of security

AI initiated cloud technology

**meShare's Mission:** Create scalable, simple, affordable IoT solutions that simplify your daily life.





# Introduction: meShare IoT platform

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Security is Always  
The Priority

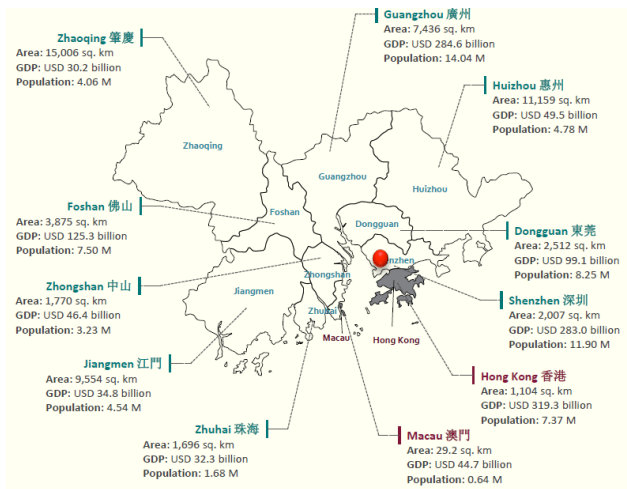
Powered by US servers, the Zmodo Cloud Recording is protected by bank-level encryption that can be accessed only by your personal account, to ensure that your videos are kept safe at all times.

**meShare's IDC center has over 100PB capacity and is located in Champaign, IL**

**Today, I'd like to share perspectives from my personal experience “on the ground” in Shenzhen and China:**

- Startup “Climate”**
  - Startup “Soil”**
  - Startup “Nutrients”**
  - Suggestions to new startups**
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# Shenzhen Overview

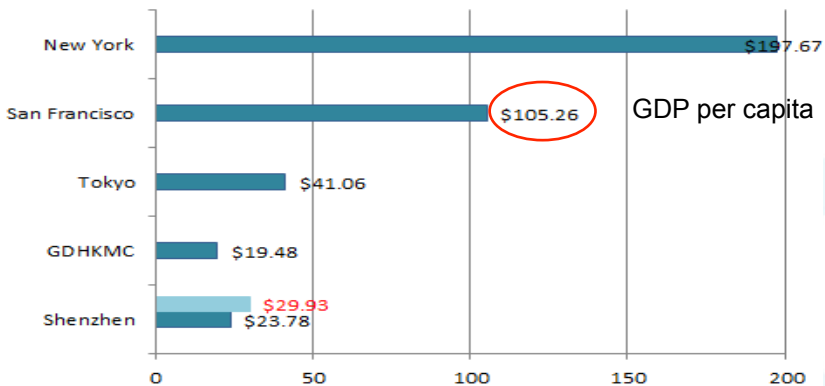


**GDHKMC Bay Area**  
**Area:** 56,000 sq. km  
**GDP:** 1.3 trillion USD  
**Population:** 66.72 million

**Greater Tokyo Area**  
**Area:** 36,800 sq. km  
**GDP:** 1.8 trillion USD  
**Population:** 43.84 million

**San Francisco Bay Area**  
**Area:** 17,900 sq. km  
**GDP:** 0.8 trillion USD  
**Population:** 7.6 million

**New York City**  
**Area:** 783.84 sq. km  
**GDP:** 1.7 trillion USD  
**Population:** 8.6 million

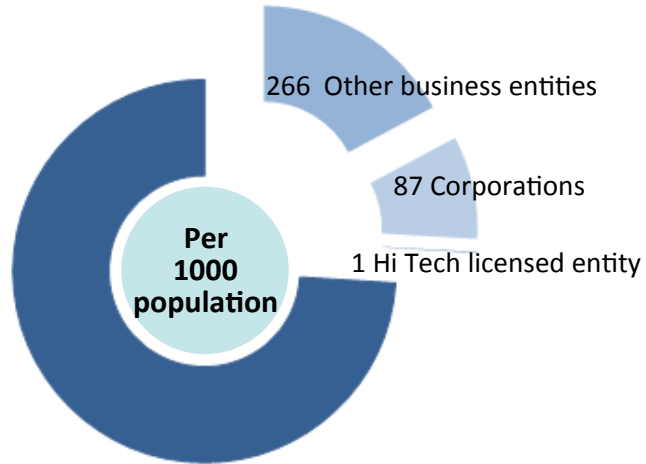


**Shenzhen Facts:**  
**Most startups in China:** 3,093,234  
**Youngest Population:** 33 median age  
**Most GDP/per capita:** \$30k  
**Most patent applications in China:** 170.5K  
**PCT Patent:** Shenzhen 41% over nation wide



# Startup "Climate" in Shenzhen

In 2017, 552,223 startups registered with the government, with an average of 1,513 new businesses per day.



Total IPOs in Shenzhen: 389



# Startup “Soil” in Shenzhen

## Silicon Valley

### PROs

- **Variety of startups:** across all high-tech sectors
- **Most advanced investment mechanisms:** from angel to private equity (and everything in between)
- **World class talent:** from business to technical fields

### CONs

- **Lack of hardware engineering & manufacturing**
- **Cost of Living:** expensive
- **Cost of Talent:** high

## Shenzhen

### PROs

- **Transition from OEM hub to true hardware innovation**
- **World-class hardware manufacturing ecosystem:** ~50% of electronics hardware are designed, developed, or manufactured here
- **An incubator of software:** Investment driven startups

### CONs

- **Lack of innovation:** copy cat mindset
- **Lack of Global legal guarantees**
- **Lack of world class university:** scarcity of talent



- Hub for foreign high-tech companies in China
- Headquarters or branches for many domestic companies
- City with technology readiness:** internet penetration; broadband speed; digital economy

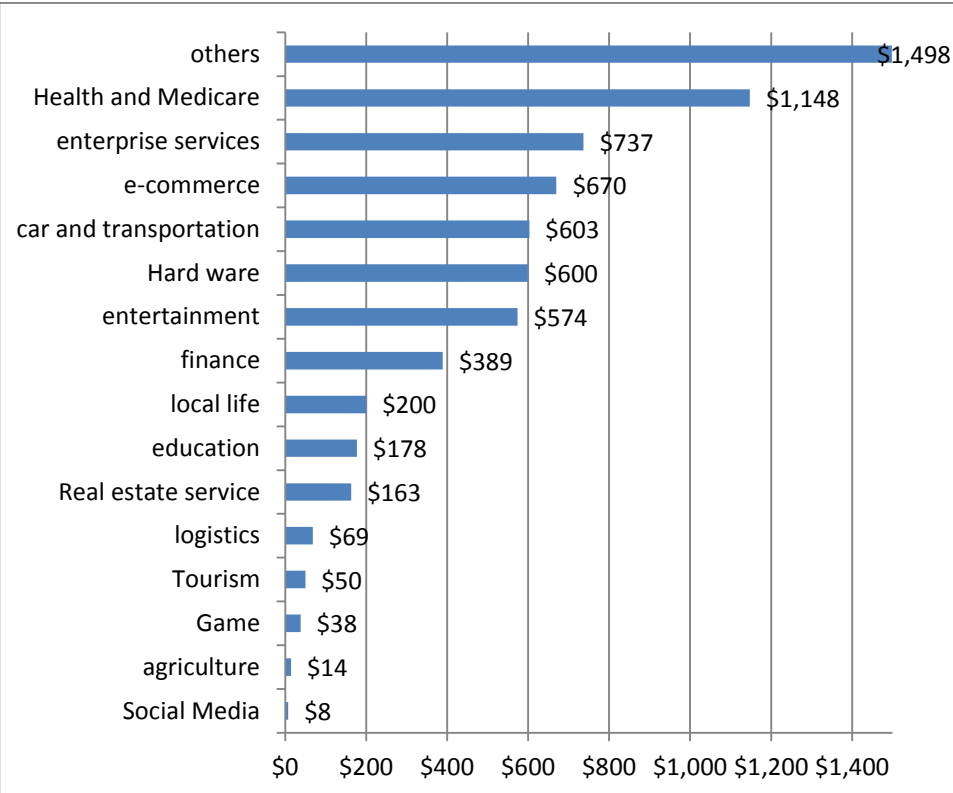
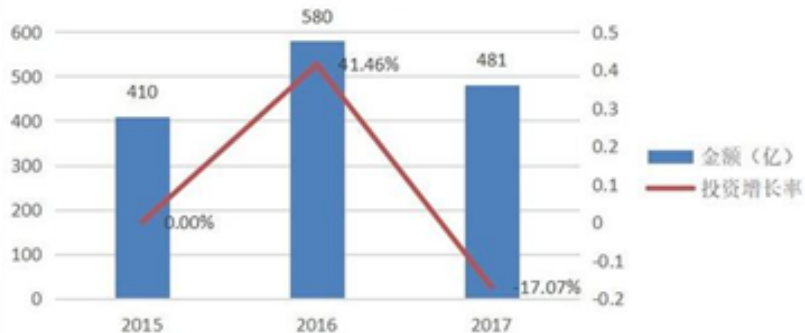
- City with startups
- New startups in software development and multimedia design**

# Startup “Nutrients” in Shenzhen: Access to Financing zmado

## Angel, VC, PE and Debt Loans

- ❑ Depending on the industry, funding in SZ is accessible but comes with strict T’s & C’s
- ❑ Top VCs are playing the angel fund role. PE funds are playing the VC role.  
e.g. Baidu, Tencent and Ali.
- ❑ In 2016, \$9 Billion was invested in Startups SZ
- ❑ Declined by 17% in 2017 to \$7.4 billion.

图表2-1 2015-2017深圳创投行业投资金额及增长情况



There is enough venture capital to support startups in Shenzhen.

# Startup “Nutrients” in Shenzhen: Access to Financing zmodo

## Government Subsidy Programs

- ❑ **Start-Up Enterprise Subsidy:**  
¥5,000 ~ ¥50,000.
- ❑ **Office Rental Subsidy:**  
80%~20% or < ¥6,000 each year for 3 years.
- ❑ **Social Security Subsidy:** up to 3 years.
- ❑ **Employment Subsidy:** ¥2,000 ~ ¥30,000.
- ❑ **Micro-Financing:** A loan amount of ¥200,000 ~ ¥2,000,000
- ❑ **Hi-Tech company subsidy**  
variety of choice from different government levels.

## Zmodo Realities

- ❑ Since 2015, we have raised \$85M through private equity
- ❑ ~\$15M Debt loans from Bank are collateralized through personal guarantees or business assets.
- ❑ ~\$1M annually from government subsidies
- ❑ State-level high-tech certified for 10% tax deduction



# Startup “Nutrients” in Shenzhen: Human Capital

## Shenzhen by the Numbers

		2015/2016			
		Shenzhen	Shanghai	Beijing	Hong Kong
Demographics	Population	11,378,900	24,150,000	21,710,000	7,298,600
	Average Age	33	37	36	44
	Age 15–44 (%)	73%	50%	53%	45%
	New Registered Migrants	160,000	60,000	70,000	N/A
	New Registered Migrants (2017)	500,000			
Quality of Life	Housing Price (RMB/sqm)	4,848	3,097	3,212	15,547
	Housing Price as a % of Income (%)	42%	20%	20%	40%
	Pollution (PM 2.5) (ug/m3)	30	51	81	26
Economy	GDP (RMB, Billion)	1,750	2,512	2,301	2,398
	GDP (RMB, Billion)-2017	2,244	3,013	2,800	2,244
	Growth Rate	22%	17%	18%	-7%
	GDP per Capita (RMB)	197,207	124,762	128,973	307,456

- With 500,000 new registered migrants in 2017, Shenzhen is one of the most diverse cities in China.
- Most new migrants are educated with at least a Bachelor degree.
- Talent with overseas education and/or work experience are accessible
- Diversity contributes to the quality of the talent pool available in the city

## Talent in SZ

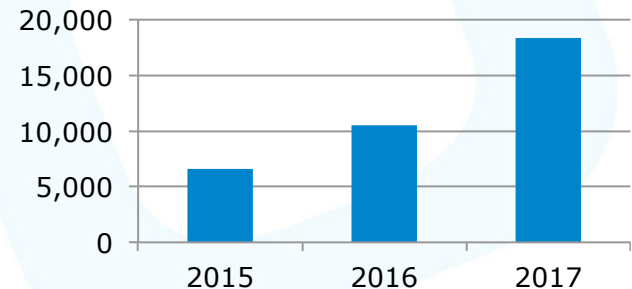
### PROs:

- Quality of Life
- Government subsidy program
- Large companies that attract talent
- Highly educated workforce with mobility

### CONS:

- The rising cost of living has hurt the incentive to remain long-term in the city
- Need for research experience: talent tends to be concentrated in the development phase

## SZ expats available





# Startup “Nutrients” in Shenzhen: Human Capital

## Zmodo and meShare case study:

### Managing Executive talent

- 70 executives
- 19 have overseas education and/or work experience
- Average salary: 30k RMB/month (~\$5k USD/month)

### Globalization impact

#### PROs:

- High level of ambition and confidence
- **Fast execution**
- An openness to think big

#### CONs:

- Lack of Senior positions with true global experience
- Lack of Sales and Marketing
- Lack of VP level talent with vision

### Managing the Technical Talents

- 110 Engineers
- 5 of them with overseas education and/or work experience
- Average salary: 25k RMB/month (~\$4k USD/month)

### Globalization impact

#### PROs:

- Good execution mindset
- Willingness to learn new technologies
- Fewer language barriers

#### CONs:

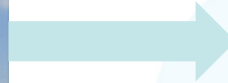
- Lack of innovation
- No true meaning of CTO level talent
- **Lack of customer-centric approach**

For the last five years, we have been one of the top-ranked companies with the lowest employee turnover rate in SZ.

# Example of fast execution:

Zmodo Yanchen Manufacture Facility construction project with 300 k sqft:

From design to production: 12 month.



# Startup “Nutrients” in Shenzhen: Human capital

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## “Nutrients” that build a productive workforce:

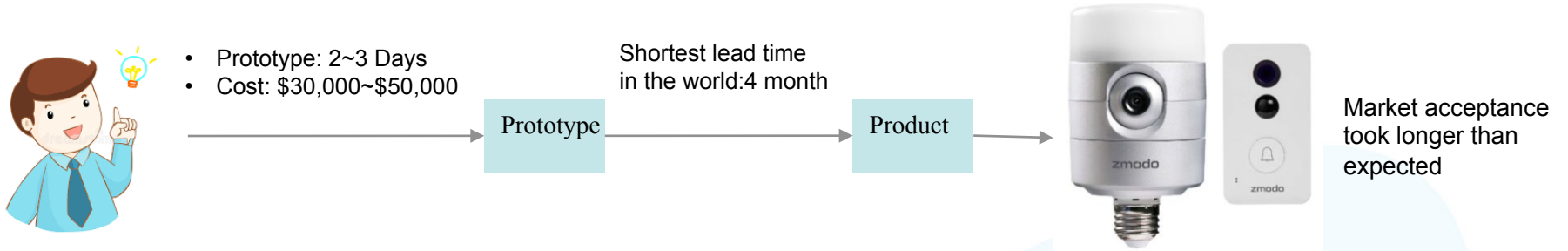
- ❑ Competitive salary, equity and benefits
- ❑ Good work environment
- ❑ Strong company culture
- ❑ Personalized career development plans
- ❑ Opportunities to learn new skills through weekly training sessions



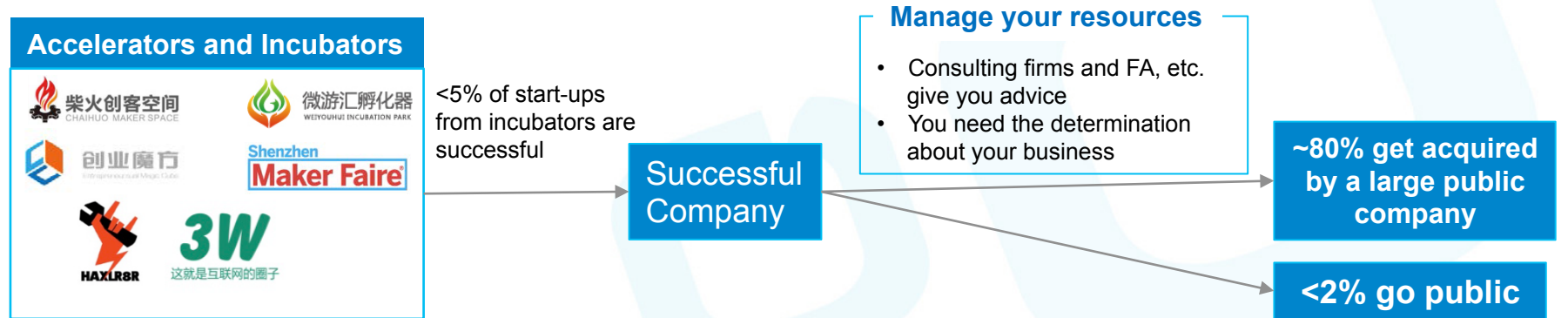
# Startup “Nutrients” in Shenzhen: Resources

There are many resources available to new entrepreneurs in SZ:

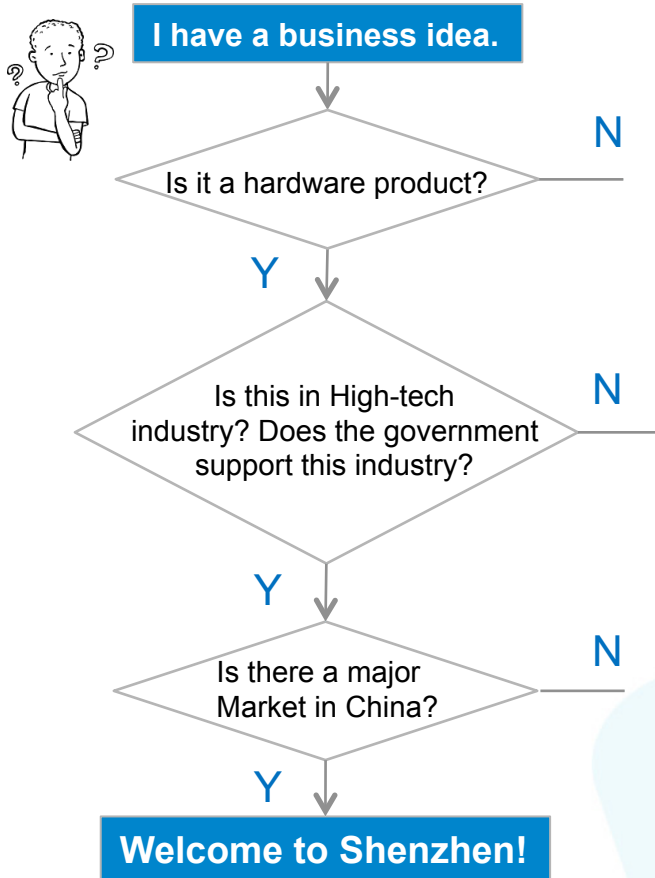
## 1. Hardware ecosystem to help you quickly implement the idea: Product Idea → Prototype → Product



## 2. Financial and legal advisors to help you identify your business model: Business Idea → Business



# Suggestions for new startups



## Questions to Ask:

- What is my exit strategy? Sell the technology? Sell the product? Or sell the company? Or build up a Brand Name company?
- What is my business model? B2C, B2B, B2G?
- Where is the market? Global? In the US? In China?
- What is my purpose for being an entrepreneur?

"I'm convinced that about half of what separates the successful entrepreneurs from the non-successful ones is pure perseverance." - [Steve Jobs](#),



# High-level summary

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## □ Climate

- Large number of new companies every day
- A lot of companies with similar ideas

## □ Soil

- More emphasis on hardware
- Having a market in China is preferred

## □ Nutrients

- Financing
  - Differences in standard definitions of VC's and PE
  - Government subsidies
- Human Capital
  - Plenty of skilled talent, lack of visionary talent
  - Growing focus on employee wellness
- Resources
  - Fast product innovation
  - Exit plan is important



Questions?

