



CLARITY CONSULTING
Clarity of Plan. Clarity of Action.

China Capability Backgrounder

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1.0 EXECUTIVE SUMMARY

SUMMARY

Clarity provides custom primary source market research services, focusing on manufacturing based trades.

We maintain a China practice, primarily assisting Western corporations in their efforts to expand China markets.

This marketing piece has been developed to help prospective China research clients gain a high level understanding of Clarity's China market research methods and capabilities. Due to confidentiality constraints, we cannot distribute actual examples of our work. In order to gain a more thorough read on how Clarity's China services might be applied in specific scenarios, we recommend a face-to-face meeting where we can show excerpts from actual studies and discuss potential research designs that address your unique requirements.

Please contact Rich Sheiman, President Clarity Consulting, Inc. to discuss next steps

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2.0 METHODOLOGY

2.1 China field research

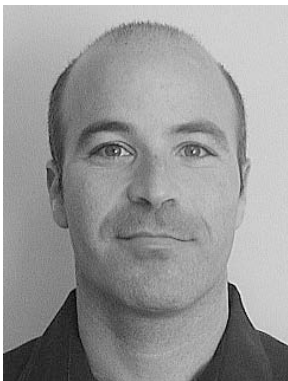
Clarity maintains a longstanding working relationship with Adam He (He Qiyi) and his Tianjin China based research practice (Hualang).

Prior to forming his own firm, Adam was an analyst at InterTech Research, a Tianjin based market research firm. Clarity's first China market research engagements were conducted in partnership with InterTech.

During the course of these projects, Clarity also worked with Bob Ke (Xiaodong Ke), who principally served as a translator. Bob is fluent in English and spent time in Ithaca, NY as a World Health Organization research fellow at Cornell University. When Adam formed Hualang, he recruited Bob as a key employee.

A typical Clarity engagement involves Clarity's President (Rich Sheiman) as stateside project manager and Adam He as China project manager. Bob performs the role of translator, assuring a solid communication channel for initial project definition and research production.

Where appropriate, Rich performs project kick off and/or study production work on the ground in China with the Hualang research team. Most projects involve mid study telecoms with Clarity, Hualang and client resources.



Rich Sheiman
President of Clarity



Adam He
President of Hualang



Bob Xiaodong
Principal translator at Hualang

2.2 Extended network

Hualang maintains an extensive network of industry contacts who assist the research process. While Clarity occasionally involves industry experts in our domestic research, this is not the norm. Conversely, most China research projects involve the Hualang extended network. This network is built on the cultural notion of “Guanxi”, bolstered by honorariums for services rendered. Hualang can readily develop industry specific experts for new projects, which help us climb the learning curve and gather targeted intelligence.

2.3 U.S. resources

Clarity’s China research projects generally involve U.S. based resources in a support role. We apply our secondary source research expertise to provide direction to the China field research effort and inform the overall project management effort. Where appropriate, we also utilize U.S. based interviewers for primary source research. For example, in many cases the China market participants maintain U.S. or European offices that are privy to the relevant China activities. This combination of Western and China based research better enables Clarity to advise our clients on emerging market factors and the optimal business development framework.

3.0 CASE STUDIES

3.1 Distribution analysis

The client sells primarily through a US distribution network. While the client has an intimate understanding of its US distribution structure, the channels available for China market development are largely unfamiliar.

Clarity works with the client to develop a 2 phased study of the China distribution arena for relevant products and services.

In Phase 1, we established a framework for defining the distribution trade, including profile work on typical distributor types based on breadth of product line, importance weighting of key manufacturer relationships, geographic markets served, vertical markets served, captive service capability, captive value added manufacturing capability, and distributor size.

In Phase 2, we conducted on-site field research with selected distributors. Each distributor interview was coordinated in advance with the General Manager or equivalent of the prospective channel partner. The client was generally described as a major US based corporation with aggressive China growth plans, but was not specifically identified.

Clarity utilized a 3 person research team for each distributor interview; Sheiman, He, and Xiaodong. This approach yielded a high level of distributor participation and candor.

Clarity findings were utilized by the client to process key tactical questions, such as the optimal level of market saturation and how to enhance distributor loyalty. Our research also helped define the attributes of target distributors (macro perspective) along with specific distributor partnerships to be pursued.

3.2 OEM analysis

The client has identified Chinese OEMs as a critical component of its broader China business development plan.

Clarity worked with the client to segment the OEM universe. We ultimately established 9 vertical markets along with several key OEM attributes such as size, export activity, adherence to international standards, key decision maker/influencer by function for relevant purchases, and level of equipment customization.

Clarity proceeded to develop lists of OEMs segmented by size for each of the 9 vertical markets. These lists were reviewed by the client to confirm that current accounts did not represent a significant share of any interview population.

Clarity proceeded to conduct 50 phone interviews for each of the 9 verticals according to a structured interview guide. This sample (N=450) enabled us to draw reliable conclusions about the trade's procurement behavior for relevant products, focusing on distinctions in behavior by vertical and OEM size.

3.3 Competitor analysis

The client manufactures integrated circuit assembly solutions.

The client faces heavy competition from deep pocketed international conglomerates.

China represents both an opportunity and a threat in terms of serving the growing China market and defining the optimal level of China based manufacturing for Rest of World (ROW) markets.

The client is considering the establishment of large scale China manufacturing. This potential investment will address both China business development objectives along with ROW cost structure imperatives.

Before proceeding with its China investments, the client seeks a Competitive Intelligence study on the China operations and ambitions of its key competitors.

3.4 Acquisition analysis

The client has historically limited its China manufacturing capabilities to Joint Ventures with Chinese enterprises. Changing political and economic conditions, along with the client's growing experience level with its China operations, elevate interest in Wholly Owned Foreign Enterprises (WOFE) through acquisition of Chinese companies.

Clarity conducted a 2 phased research exercise to develop suitable acquisition prospects.

In Phase 1, Clarity identified Chinese companies that met defined criteria. Prospects were segmented into 5 groups based on key business activity. Each of the 5 prospect sets included Company Capsules on the operations of each prospect, including name, location, size, key products, and images of key products extracted from company websites (where available).

In Phase 2, Clarity developed more detailed information on the operations and strategies of specific prospects selected by the client from the Phase 1 deliverable. These Company Abstracts and more detailed Company Profiles included a preliminary assessment of the company's attitude toward selling. Some of these attitude inquiries were developed through on-site interviews and provided substantive guidance on factors that would impact the likelihood of completing a deal.

ABOUT CLARITY

Clarity Consulting, Inc. was formed in 1994 by Richard Sheiman. Prior to founding the company, Sheiman worked for two firms that specialize in primary source competitor analysis.

Clarity consists of two practices; Clarity Research and Clarity M&A. Clarity Research develops custom market intelligence studies. Clarity M&A provides a range of deal support services.

Clarity Research

Clarity Research develops detailed market intelligence in high technology and industrial trades. Clarity works closely with our clients up-front to define a customized scope of informational requirements. A methodology of expert interviewing of competitors, customers, and other sources and a thorough review of published material yields a detailed view of the relevant market landscape. Clarity Research goes beyond traditional market research content to deliver probing insights into competitive positioning, unmet customer needs, channel partner motivations, and other difficult to obtain information.

Typical applications for a Clarity Research study include Competitor Analysis, New Business Studies, Customer Analysis, Executive Search, and Acquisition Due Diligence. We also maintain a China market research specialization.

Clarity M&A

On the Sell Side, Clarity grooms manufacturing based businesses for short to medium term liquidity. We apply our market research expertise to segment prospective buyer types and position the company for maximum value. Our association with BBN, the nation's largest network business brokers, advances our ability to get the deal done.

On the Buy Side, Clarity offers both private client and corporate client services. For private clients, Clarity helps match buyers with the right company and supports all facets of the negotiation and due diligence. For corporate clients, Clarity supports the market facet of the broader due diligence process. Our role is to confirm market facing justifications for the deal, such as customer goodwill, market trending, substitute solutions, and competitor positioning.

CONTACT

If you would like to learn more about Clarity's capabilities, or have questions about this study, please contact Richard Sheiman at (607) 272-1830 Extension 212 or (607) 227-6032 (mobile) in Ithaca, NY. You can also visit our website at www.claritydelivers.com