

URL: <https://stvp.stanford.edu/clips/an-open-field-in-china>

DFJ Managing Director Tim Draper relates his first forays as an investor in China, including how early opportunity recognition led his firm to a series of successful deals.



Transcript

Flash-forward about 15 years, it's 1998, '99 when I thought I had heard somebody had built a 90 million dollar chocolate company in China.. I said well gee maybe I should go check that out.. I went this time to Shanghai and from Shanghai to Hangzhou was about a 3 hour drive.. I was driving to Hangzhou looking out the window, it's very boring, it's all the same thing.. Two storey, concrete tilt ups.. Everybody lived in two storey concrete tilt ups.. Then all of a sudden there was one with a spire, and a drive way and beautiful blue windows.. And I thought, oh that's interesting.. We went a little further and there was another one, a spire, driveway, blue windows.. Spire, driveway, blue windows..

Then I saw a three together with the driveway is all connected and blue windows all the way across and I thought wow that blue window salesman is going to make a fortune.. Then the second thing I thought was, oh my gosh it's just like the '50s here where it's keeping up with the Jones: if Jones had a refrigerator you had to have a refrigerator.. If he had an oven you had to have an oven, if he had a cellphone, you had, well the cellphone came later.. I thought wow this is a really interesting opportunity.. I met with some big finance minister in China and he said, "Hi, we want you to invest all your money in China." I said, "Oh I never invest in China," and I was a little bit trying to provoke him.. And he said, "Well why not?" I said "because this guy who built the 90 million dollar chocolate company here got nationalized.. You guys just took it from him.. If you want people to invest here they have to make a lot of money and they have to be able to repatriate that money, bring it back to their country.. If they see one or two people making a lot of money by repatriating it'll be "Katie bar the door".. People will be lining up to invest in China." I couldn't tell whether the translator had said it right or anything and he kind of nodded but I wasn't quite sure but I think he was really listening..

Because somehow that's exactly what ended up happening and a lot of money went into China.. We started to make investments in China and our first ones we thought, oh we are going to China.. Well it's a new country and we started giving money to people and really literally this was giving money to people, investing.. To people who said, "I have great government connections." Okay, you guys would have known, we lost all our money in all those companies.. But we started to think well what about, what we normally do.. Well we invest in these driven dynamic interesting entrepreneurs who make great things happen? So we started to do that and just with small small amounts of money.. From there we got Baidoo which is the search engine for China, Focus Media which is like the Clear Channel for China and YeePay which is like the PayPal for China.. We had an open field and we had quite a run of it...