

The significance of ‘on-the-ground’ presence

Guest Blogger

It is amazing how our Client engagement model varies from geography to geography, and particularly in China. When we started out about 11 years ago, almost all our clients wanted us to cover large-cap stocks in developed markets. The client’s on-shore analyst was typically a star, and wanted to maximize time with his clients and meeting company management. Our analyst was asked to do a lot of the modeling and background research work. The onshore analyst had on-the-ground presence; the and our analyst had a computer, an internet connection and spreadsheet software.

When we established centers in Costa Rica and Beijing, the engagement somewhat reversed. Particularly for China coverage, where many of our clients do not have physical presence, and our analyst became the on-the-ground presence to enable corporate access, perform channel checks and generally provide local color to events. Creating excitement in the organization from the bottom up...

Of course, this was valued earlier from our delivery centers in India too. Our analysts have been to different cities in India checking out real estate developments, infrastructure and consumer demand. However, India is an easier market to study and understand as compared to China. To invest in China, having a local presence is critical. Having access to first-hand information locally gives the investor better quality information earlier and helps interpret that information more accurately. Looking at it practically, visiting company management, plants and distribution outlets becomes a lot easier if there is someone (the investor’s point-man, so to speak) in constant touch with key organizations and people.

What particularly satisfies us is how well we have built a steady flow of talent into our Beijing center. Note that our analysts need to be proficient in both Mandarin and English (sometimes in Korean or Japanese too), and also be experts in financial research and analysis. Having built excellent relationships with the best Universities, we find ready access to the right human capital. Add to that our unique CFA-approved training program. Over the next 3 years, our goal is to convert our “on-the-ground in China” service from a good-to-have to a must-have.

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