

Fenbushi Capital and Entrepreneurship: How Wootrade was born in a bear market

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Although blockchain is just one of the many popular paths that start-ups can take, countless entrepreneurs have struggled to truly seize this opportunity. In the tumultuous cryptocurrency world, entrepreneurs must find how to build bridges between blockchain and industries, how to stand out among competitors, and how to adapt against the rapidly-changing market. Not surprisingly, there are very few who excel.

As an early-stage investment firm, Fenbushi has been a witness to the growth and development of many projects. In this newly-created Fenbushi entrepreneurial column, we will invite friends from past and present to share their stories and reveal the development path of their projects.

Beginnings on Wall Street

Wootrade is a project incubated by Kronos Research in July 2019, with the goal of addressing the pain points of decentralized liquidity in cryptocurrency markets. As we know, Bitcoin has become the best-performing high-risk asset in the 21st century, and there has been a steady influx of professional investors and traders to the cryptocurrency world. However, the lack of liquidity, high fees, and poor user experience have been a major source of frustration for those early participants. Wootrade is solving this by helping exchanges, wallets and other institutions provide users with high-depth liquidity and zero-fee transactions.

Since the end of September, Wootrade has been on the receiving end of a lot of good news. From Fenbushi Capital and Hashkey Capital in China to Three Arrows Capital and Dragonfly Capital abroad, Wootrade has earned the attention of both domestic and foreign institutions.

But let's take a step back. How did Wootrade originate? What happened to Wootrade over these years? Through this exclusive interview with the team, Fenbushi Capital hopes to share their stories.

Back in 2004, Jack Tan and Mark Pimentel were recent graduates of Carnegie Mellon University when the pair met in a business management class. Soon after that, Mark got a job with Citadel (a well-known investment firm) and earned \$2 billion for the company during a period of time plagued by the financial crisis. Next, he brought his talents to Knight Capital and led the team to operate the largest dark pool of both the European and American stock markets. Jack, on the other hand, was busy working for BNP Paribas and Deutsche Bank after graduation. Based on these experiences, the pair became experts in traditional finance, digital markets, and equity trading.

However, years spent on Wall Street soon led to disillusionment. Wall Street is a place that most people have a lofty impression of, yet it can be a harsh place to survive in. The principle of Wall Street is never to reward creative talents but to mold them into hard-working money-making machines. Jack still remembers what happened during the 2008 financial crisis. He had a strategy and tried to persuade his firm to buy assets whose prices had already collapsed. His firm refused. As a result, the product managed by Jack's firm failed and the whole financial system nearly collapsed. The severity of the financial crisis in 2008 was unimaginable. If there hadn't been government intervention, almost all banks in the United States would have failed. The firm's refusal to listen to Jack stuck with him: he knew it would be a waste of time to stay on Wall Street.

Wall Street was the starting point of these two talents, but wouldn't be their endgame. In 2014, Jack discovered Bitcoin and blockchain and soon realized that blockchain would be the future of currency and financial transactions. From controlling the supply and demand of money to forcing people to use dollars, the concept of using money managed by central bankers and Wall Street was totally wrong. Instead of manually controlling money, people will eventually trust mathematics, code, and technology, and innovative companies would go on to change people's lives by revolutionizing the financial system."

First with Kronos, then with Wootrade

Jack and Mark crossed paths once again working at a startup company. Although Jack and Mark were not in core roles, they contributed a lot to the project's fundraising efforts. However, their ideas soon differed from those of the company's founder, and when Jack and Mark couldn't reconcile these differences, they left and started everything from scratch.

This time, they came up with the idea of building a platform: to encourage and attract professional-trading teams to settle in and to provide investors with advanced trading strategies. This entrepreneurial orientation aligned with their strengths — years of trading experience. Unfortunately, they faced the following paradox: firstly, for investors to get on board, they needed to trust the professionalism of the project. However, projects need to establish their own policies, security, and reputation before that trust can be achieved.

As a result, Jack and Mark established a hedge fund-Kronos Research first. After Kronos Research was running smoothly, Wootrade was launched in July 2019, and the ecosystem began to take shape. What is the Wootrade ecosystem? The Wootrade ecosystem will connect investors, traders, exchanges, wallets, and other platforms together. When the Wootrade network empowers the whole ecosystem, they will also enjoy an unprecedented trading experience: 1) sufficient liquidity; 2) zero transaction fees; 3) a more convenient user experience. It can be said that the Wootrade ecosystem resembles the future of trading, with Jack and Mark leading the way.

Of Bears and bulls

Kronos research didn't have the terrific start they would have liked. At the beginning, Jack and Mark thought back to the investors who had withdrawn money from the previous startup. Jack pitched the idea for a new project and tried to convince these investors to get onboard. Unexpectedly, the investors were very supportive and settled on a valuation of \$40 million. Things were looking good until they reached the final stage of financing, and suddenly the industry encountered a bear market.

In July 2018, Kronos was met with its darkest moment as the price of Bitcoin languished around \$7000. Jack recalled that on the day of the deadline, none of the investors had actually transferred funds to the account. "Exciting thoughts of the awesome things we could build mixed with thoughts of investors not supporting us at the last minute made it all the more excruciating. Luckily, our backers had faith in us even as the ICO game had ended with large losses for many. The amount of funding that finally trickled in accounted for only 15% of what we expected. With the market looking particularly bearish, few investors were willing to touch projects, regardless of whether the projects were good or not. So those who supported us were the really brave ones." Jack said.

Fenbushi Capital was one of those brave investors. As the first institutional VC, Fenbushi Capital provided timely support to Kronos. Jack explained why Fenbushi Capital was so firm: "Fenbushi Capital believed in the Kronos's team and business philosophy. Our team's background is not only diverse, but also experienced. So far, we have proven some of our capabilities on the trading side through a variety of market conditions and situations."

When the money arrived, Jack and Mark realized that they still didn't have enough to build the project they wanted to. They decided to offer services to other projects to support the early development of Kronos. Just a year later, they found that the company had turned a profit through providing services and trading.

Looking back on this experience, Jack concluded that the project could have been finished had it not been for quick pivoting and some timely luck. Being unable to acquire significant capital initially was only the start of all the challenges on their path. The team not only needs to think about how the products and services can disrupt incumbents by providing much more value to the target audience, but also needs to focus internally on constantly aligning the culture and vision so that the whole organization is unified.

From needing capital to being the center of attention

While Kronos was building a solid foundation, Wootrade was going to be the one to really make the vision a reality. When Wootrade finally partnered with Hoo.com, it became apparent that it was on the right track.

For a go-to-market strategy, the project founder must have a few questions in mind: in what situations will the customer use our product? How will it be used? To be truly accepted by the market, a product needs to be good, but also to have a little bit of luck.

Looking back at the first deal, Jack said: "In the beginning, trust was very important. The relationship between Wootrade's BD team in Shenzhen and Hoo.com was very solid. After many rounds of communication, Hoo.com was willing to try out our technical solution. At that time, I flew to Shenzhen and stayed with the team day and night. When they knew our personalities and manners, they would be more willing to try our solutions, and then mutual trust was established. Secondly, the demo was very important to show how to solve the user's pain points and make them believe that we could really help them. At first, there were even a few technical problems. Some days our order books would lose money for us on the trading side, but we always made it up the next day. "

The Wootrade team has helped Hoo.com and MXC to improve their trading depth and liquidity. When influential customers spread their client experience in the community, the network effect will set in, and Wootrade's business will continue to grow. Wootrade has earned a positive reputation in the industry and attracted a lot of big names in Venture Capital. In the Kronos era, it seemed that the project was desperate for money; in the Wootrade era, the money came looking for them.

Adapting to meet challenges

Although Kronos and Wootrade were well-recognized in the industry, Jack and Mark's entrepreneurial path wasn't always smooth and the project needed to constantly learn from previous experiences and then adapt. Jack talked about the struggles with their recruitment policy and how companies need to overhaul conventional thinking in hiring. In practice, the two things that companies value the most when recruiting new hires is talent and experience, while things like personality aren't a priority. In reality, the most important characteristic is a compatible personality, the second is a shared sense of values, and the third is talent with less emphasis on experience. Jack noted that the company's past recruitment was chaotic and quick. Since the company was not familiar with Taipei, its recruitment relied entirely on LinkedIn and job advertisements. The recruited talent was unreliable and at the beginning, the dismissal rate reached 80%. After adjusting the recruitment strategies, the company eventually grew more stable and could really begin to target its goals.

Jack believes that the stronger the management team is, the less managing needs to be done. When recruiting is done right and business processes are established, key employees will set an example and the workforce can function efficiently without supervision. In addition, OKR (objectives and key results) are less important. If employees are just going through the motions to complete their OKRs, it will be a waste of resources and damage the company's culture.

Finally, entrepreneurs need to think about why they started their business in the first place. The biggest pitfall of starting a business is just doing it for money. Those just out to earn money should consider working for others, since money won't be enough to outweigh the difficulties and hardships that founders will inevitably face on this journey. On the road to entrepreneurship, there are many competitors who are willing to spend more energy and time than you. So before you start a business, you have to understand how much you are willing to sacrifice and how much success means to you. Only then should you consider the path of an entrepreneur.