

# CHINAPAGES.COM'S Past, Today and Tomorrow : Opportunities and Challenges

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## 요 약 (ABSTRACT)

The paper at first gives an introduction to e-commerce, recalls the birth and the growth of an e-commerce giant Chinapages.com in the tough environment in the primary stage of the development of e-commerce in China, provides an overview of its e-business scope and its experience in its e-business development, then describes its present favorable and unfavorable e-business e-environment and its challenges in its future development. Finally it concludes that Chinapages' future is bright and promising with China's WTO entry just around the corner, if Chinapages takes advantages of the opportunities and faces the challenges with confidence and aggressiveness in the new era of e-commerce.

Key Word : Chinapages; China, e-commerce; online; B2B; B2C; e-solutions; e-marketplace

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## 1. Introduction

Modern business has experienced the following three revolutions in succession: the appearance of large department stores, the rapid development of chain stores across regions and the appearance of e-commerce at the end of 20th century.

E-commerce refers to a series of trading activities in which inquiries, offers, ordering, production, marketing, warehousing, buying, selling, transportation and payment are through the Internet, Intranet, Extranet etc., so that the costs are greatly reduced, markets expanded, the processes sped up, efficiency improved. It is a radical revolution and represents the advanced productivity and is replacing our traditional storefront businesses and is radically changing the way business has been traditionally conducted.

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E-commerce has started an industrial revolution. It is nothing less than the invention of the steam engine. Enterprises in traditional industries, if equipped with e-business applications, will gain competitive edges over their rivals in future market battles. Yet, it is not as easy as ABC to have a full appreciation of e-business and a full grasp of its applications, for e-business is a completely new tool for business operations.

With the rapid development of e-commerce at the end of 20th century, e-commerce began to be regarded as the best short cut to become rich overnight.

Chinapages.com (called Chinapages for short thereafter ) is one of the pioneers in e-commerce, has now turned into a giant and made remarkable contributions to the development of e-commerce in China despite the tough e-environment at the primary stage in China.

## 2. The Birth and the Growth of Chinapages

### 2.1. A brief history

In 1995 the word "Internet" made no sense to most Chinese, it was only a combination of several letters. However, a group of young pioneers headed by He Yibing and Jack Ma, crashed into this brand-new field with path-breaking courage, and with the commitment not to turn back. As a result, the first commercial website called chinapages.com was set up in China.

The trade mark of Chinapages is an arch bridge. One half of the bridge is blue and the other half is yellow. As it suggests, the blue color stands for sea civilization or Western civilization while the yellow color stands for land civilization or Chinese/Oriental civilization. Chinapages is aimed to set up a bridge of business communication between Chinese and foreigners. With Chinapages the two civilizations come to meet over the Internet.

Along with the accelerating growth of the Internet in China, Chinapages focused its operations in the field of e-commerce, and meanwhile developed some relevant technologies in such areas as helping its customers set up their own websites, providing web-marketing services to customers, building intranets and extranets for Chinese enterprises, providing application services and e-commerce solutions to Chinese enterprises. A complete standardized technological service system and administrative operating system took shape.

In October, 1998, Chinapages set up a Chinese Website For Foreign Enterprises, namely, www.chinaexcite.com, with the aim of helping foreign enterprises to set up their Chinese websites to meet their needs to enter the Chinese market. The site has attracted a lot of customers from Germany, USA, France, Switzerland, UK and other countries all over the world, including the world famous Messe Frankfurt in Germany and Crystal Palace Football Club of England, etc.

After a long period of technical preparation and cooperation with some business partners, the

online shopping website, www.mololo.com, came into being at the beginning of 1999 and the goods can be paid on the Internet with international credit cards. It sells Chinese goods directly abroad. The first online transaction was conducted across different nations in March 1999.

The year 2000 witnessed Chinapages' great achievements in the field of B2B e-commerce technology and marketplace. In March, 2000, Chinapages set up ectrade.com, a leading B2B e-commerce marketplace in China supported by several vertical sites like Chempages.com, Hardware.com.cn, Auto001.com.cn, etc.. Ectrade.com features a business information center, a platform for bid and reverse auction, a system of hotel room reservation and some useful personal offices and web-marketing tools, etc..

With its no fanfare beginning at Hangzhou in East China and five years' assiduous experiences and endeavors, Chinapages has grown into a leader in the Internet industry in China with the business scope ranging from B2B e-commerce marketplace, B2B vertical e-markets and B2C e-shops to Internet solutions services, e-commerce technology development, applications services, web-marketing and trade-matching services for corporate China. It has not only accomplished extraordinarily in the corporate e-business field, but also come into intimate cooperation with traditional enterprises, cutting a brilliant figure in building large-scale B2B e-commerce platforms and marketplaces.

Up to now Chinapages has over 4,500 thousand corporate customers all over China, including such large and leading enterprises, institutions and government departments as Wuxi Little Swan Plc, Lubei Chemical Plc, Shenzhen Taitai Pharmaceutical Industrial Co., Ltd., Panasonic Hangzhou Co., Ltd., CCTV, Shanghai Opera, Shanghai International Movie and TV Festivals, Guangdong and Zhejiang provincial governments, Beijing Guo An Football Club, etc..

## 2.2. Stages of Development: Difficulties and Achievements

2.2.1. 1995-mid 1997 is a period of difficulty.

1) Few people in China knew the Internet. A lot of educational work had to be done. The staff in Chinapages were very often engaged in the work of enlightenment.

2) To persuade Chinese enterprises or businessmen into spending some money on the Internet was very difficult.

3) There were no laws or rules available regarding e-commerce in China. Therefore, Chinapages gradually became the target of imitation and copying. A lot of sites bearing a name similar to Chinapages either in pronunciation or in writing appeared one by one all over China. Over 600 brand names of the Chinese enterprise were illegally or inappropriately registered on the Internet by businessmen overseas.

4) The Internet infrastructure was poor and underdeveloped. The Internet services were characterized by very low speed and high cost in China.

It was the toughest time. However, in 1995 Chinapages managed to release a service product

aimed to help export-oriented enterprises grab business transactions via its trade-matching services. This service spanned a completely new bridge between buyers and suppliers both in China and abroad. A site was established for publishing China's business information, promoting Chinese products to the outside world, and providing web designing and space rental services and online promoting services to Chinese enterprises. In 1996 it developed an Internet-based foreign trade system for enterprises and began to offer a full array of services from market research to international marketing, from after-sale services to web public relations and advertising. The system signifies a global marketing approach really efficient, timely and accurate and at the lowest cost.

#### 2.2.2. Mid1997-mid1999 is a period of primary success.

A wide range of web-based services were provided and a favorable financial balance was achieved.

1) Chinapages teamed up with partners in the Silicon Valley in the USA and developed a product named interFAX, the first-ever web-based value-added service product in China. This system helped domestic enterprises effectively cut down their international communications costs.

2) The year 1998 witnessed Chinapages set out to develop the in-house networking system based on Internet technology for enterprises. To meet the needs of enterprises, Chinapages developed the Intranet system, a kind of large-scale in-house corporate network, which was up to the most advanced world standards.

3) Chinapages and some high-tech companies in the Silicon Valley partnered up again in 1998. The teamwork resulted in an online international retail system, another first in China. The system successfully enabled B2C transactions to be concluded online with credit card payment.

4) The website [www.chinaexcite.com](http://www.chinaexcite.com) was set up exclusively for foreign enterprises to publish information on foreign enterprises and products to help them enter the Chinese market, the first and perhaps the only of its kind in China. Its customers includes Messe Frankfurt of Germany, Crystal Football Club of England, etc..

#### 2.2.3. Mid1999-now is a period of development and expansion.

1) In 1999, Chinapages got down to the business of studying the practical requirements of enterprises of various kinds, and created a number of extranet-based e-business systems with different focuses on different needs of different customers.

2) In March 2000, Chinapages formally launched [www.ectrade.com](http://www.ectrade.com), a leading B2B e-marketplace with full information of business, trade and finance, bid and reverse auction platform, online tools for office and web-marketing, and online hotel room reservation system, etc..

3) Chinapages collaborated in 2000 with the China Automobile Sales Corporation, China Textile Town Plc. and China Hardware Town Co. Ltd. successively in developing large-scale B2B e-commerce transaction platforms (vertical e-markets) in the real sense of the phrase.

However, because of the lack of online payment system and lack of credit system, people do not feel safe and secure for online transactions and are aware of the false information on the Internet. As a result, some people are unwilling to pay for online services and the online transaction volume is still small.

### 2.3. Chinapages' experience

Chinapages was one of the three biggest websites on the Internet from the end of 1995 to early 1996. The other two vanished in 1997 and in 1998 respectively and only Chinapages has not only survived, but also developed rapidly because it is characterized by down-to-earth manner, teamwork spirit, right decision, far-sighted vision, sound commercial ethics, advanced and sophisticated technology, and customer-tailored services. Its motto is aggressiveness, creativity and unity. So it has grown with Chinese enterprises and Chinese business.

For the domestic enterprises that dare to make breakthroughs and face up to challenges of the information era, Chinapages is their guide to their world of e-business. Attaching uttermost importance to searching for e-business operational modes and e-solutions for corporate China since 1995, Chinapages has constructed a full, standardized system for offering technological services and operational management mechanism. Over 4,500 domestic enterprises have become Chinapages' customers, effectively opening up for Chinapages the Internet market sectors both in China and abroad. These customers include not only big brand names such as Little Swan of Wuxi and China State Automobile Industry Corporation, but also small and medium-sized enterprises such as Guanghua Pigeon Industry of Guangzhou and Jinjiang Chemicals of Hangzhou. While making active contributions to domestic enterprises, Chinapages has helped more than 200 international corporations make their inroads into Chinese markets. Generally speaking, the customers are satisfied with Chinapages' ingenious contributions.

In line with the status quo of Chinese enterprises involved in e-commerce, Chinapages has, on the basis of in-depth, comprehensive research and development, released the latest e-business solutions that penetrate the core of business operations. These solutions aim to transform the traditional operation modes and enhance competitiveness and operational efficiency for enterprises so that they can best face the challenges after China joins WTO in the new century.

The essence of e-commerce lies in business. On the basis of in-depth research, in three major e-business domains where domestic enterprises can greatly benefit from Chinapages' experience and expertise, Chinapages offers the following e-solutions:

1) for small and medium-sized enterprises

Quantitatively, small-and medium-sized enterprises form the foundation of China's industry. It therefore follows that these firms should play a major role in adopting e-business applications, thus contributing to the prosperity of China's e-business. These domestic firms have the following features: their business operations are comparatively small; they do not have enough business

resources, compared with their large-sized counterparts; they are eager to get engaged in e-business, but they have only a shallow knowledge of the electronic tools.

In order to introduce small and medium-sized domestic enterprises to e-commerce, Chinapages has customized a series of services to help them start web trade as their first step into a full array of e-business actions. They are

- A. setting up business websites to display enterprise presence in the cyberspace,
- B. promoting online trade in search for more trade channels and markets,
- C. setting up online sales system to conduct direct sales on the web,
- D. setting up online production and sales management to manage orders and production, and
- E. setting up online office management to boost efficiency in in-house operations,

2) for large-sized enterprises

Business giants enjoy many unique advantages in comparison with their small counterparts. Generally, they maintain business connections nationwide and/or worldwide and are operated on the basis of complicated management procedures. Therefore, these big firms have a very strong basis to adopt e-business applications and need more comprehensive and more powerful e-business solutions. To meet their needs, Chinapages has, on the basis of comprehensive studies of operational modes adopted by Chinese enterprises, developed some basic modules of an e-business sub-system for large-sized enterprises. These modules can be easily modified to gratify particular needs of a particular enterprise so as to make a tailor-made e-business system for the enterprise.

3) for an industry

It could be imagined how difficult it is to work out a complete e-business solution that serves a whole industry. A complete system needs taking into account a comprehensive development plan as well as general requirements of various enterprises within the industry. What is more, the system must extend to include services offered in other industries. To solve all these problems, Chinapages has, with the 5-year experiences in developing and operating large-scale websites, set up an effective development mode for industrial e-business solutions in the real sense of the phrase.

In addition, Chinapages provide its customers with the following services:

Reverse Auction: By close cooperation with its strategic partner in USA, Chinapages has launched a reverse auction platform on its site [www.ctrade.com](http://www.ctrade.com). Some volume buyers, such as Michaels, CVS and Dollar General, are invited to place their orders on the site. Suppliers from China are then invited or organized to bid for the orders online. During the whole process of the bidding, necessary help and support in international trade practices, such as language translation, etc. are offered by the members of so-called "e-trading department" of Chinapages. In return, Chinapages and its US partner will collect from the winner 2.5% of the business value as commission for using the platform and services.

Web-marketing: Many small and medium-sized enterprises regard grabbing new buyers as their realistic objective. Yet, due to limitations posed by many factors, most of these enterprises are not adequately experienced in handling their own online business operations. Therefore, it is only

natural that Chinapages' first and foremost service target is to aid them to clinch business transactions as many as possible. Web-marketing services for them at Chinapages is handled by the web promotion department actively engaged in business push and online trade-matching services. The department is split into several groups, each consisting of several customer promoters experienced in web promotion with adequate industrial background.

Each promoter covers a certain number of customers. Their daily routine work includes, among other tasks, keeping in close touch with their customers and keeping tabs on their latest needs. In line with the intimate knowledge of their customers, they tap into the Chinapages' business resources and promote customers' brand names and products on an individual basis on the Internet.

Before they joined Chinapages, most of them had been senior salesmen with experience in international trade. They had both profound expertise and professional qualifications. After rigorous training in web-marketing and client services, they must pass a six-month-long service test before obtaining a customer promoter "license". Thanks to these qualified professionals, Chinapages is able to make sure that our customers have the best, full-scope services of web-marketing.

### 3. The Opportunities and the Challenges of Chinapages in the Era of E-commerce

#### 3.1. The favorable conditions for the development of Chinapages

It is over 5 years since the Internet was available in China. In the last 5 years, the e-environment in China for Chinapages has greatly improved in the following:

1) Both the Chinese governments at all levels and the ordinary Chinese people have realized the miracle the Internet will and can create. A recent survey indicates that in 2000 only 3%-4% of the Chinese enterprises realized the importance of the Internet. Now 98% of them have come to realize the very positive effects of the Internet on their business. By March 2000, Chinese government organs had established 52 websites, 1038 various data banks and registered 2400 domain names on the Internet. 720 government departments had begun to provide the public with e-services. As a result, the e-business volume increased from 0.18 million RMB yuan in 1999 to 0.4 billion RMB yuan in 2000 in China.

2) More and more people are English-literate and computer-literate in China. English and computer courses have been taught to all the students from junior high schools to universities. English and computer courses are offered now even in some elementary schools. All the college students must pass tests of English and computer applications administered by the Ministry of Education of China. In 2000 as many as 6.5 million PCs had access to the Internet.

- 3) The number of Internet users in China has been shooting up in the last few years. In 1996 there were only 0.1 million users. In 1999 the number increased to 4 million and in 2000 it reached 16.9 million. Now it has reached about 30 million. It is predicted that it will have reached 0.1 billion by 2005.
- 4) The charges for telecommunication services have been decreased several times dramatically in March and October 1999, and recently. As a result the Internet services are financially available to more people.
- 5) The infrastructure for e-commerce has been improving. The capacity of the international line increased from 351M in 1999 to 1234 M in 2000. China has been connected with the major business partners, such as USA, Canada, Australia, UK, Germany, France, Japan, South Korea, etc..
- 6) Some national and local regulations and rules regarding e-commerce have been promulgated, which will certainly contribute to the establishment of a fair and orderly e-business environment.
- 7) Chinapages is located in Hangzhou, the capital of Zhejiang Province, one of the economically most developed regions in China. Its market economy is better developed and boasts of more than 3000 physical markets, which are all the potential e-marketplaces/customers for Chinapages.

### 3.2. The challenges and unfavorable conditions Chinapages faces in the development of e-commerce

Generally speaking, China's e-commerce is still in the primary stage. Among 10 million Internet service users, only about 20% have shopped online. Most of the users of the Internet services are the young people in their twenties or early thirties. Though online purchase will increase by 31% in 2001, yet 70% of the purchase will be conducted by phone/fax/e-mail. The following factors have hindered e-commerce in its development in China:

- 1) Many Chinese people, especially those elder managers, are both computer-illiterate and English-illiterate. For example, 90% of the Chinese can not spell out world-famous brand names such as Boeing and Mercedes Benz, though most of the Chinese people know the brand names in Chinese.
- 2) Some of the Chinese consumers do not trust e-commerce. Traditionally Chinese consumers are weak and are vulnerable to fraud, such as fake and shoddy products, false advertisements. They do not have efficient and sufficient legal protection. In e-commerce there is no face-to-face contact and consumers can not examine their products with their eyes and hands. The after-sale services are very poor. They feel that they are more vulnerable to cheating, and fraud and false information online than in the physical storefront businesses.
- 2) Online there is a lack of nationwide payment system, a lack of nationwide credit system and a lack of a system of Certificate Authority to identify the parties involved in the e-business transactions.
- 3) There are not enough laws or rules or regulations nationwide or worldwide regarding the



security and safety of e-business transactions, the protection of privacy and of intellectual property rights on the Internet.

4) The infrastructure for the Internet is still poor. E-business is conducted via the telephone line. But the telecommunication industry is still monopolized in China. As a result, the Internet services are characterized by low speed and high cost, compared with the yearly income US\$1,500-2,000 of most of the Chinese users of the Internet services.

5) Among the 10 million medium and small-sized enterprises registered in State Administration for Industry and Commerce of P. R. China, the business information of only less than 10% of them is electronically processed. Among the approximate 15,000 state-owned large and medium-sized enterprises, the business information of only 10% of them is basically computerized and one fifth of them have only a few computers used as typewriters only or in their financial departments.

6) E-commerce has yet to be supported by a reliable and punctual delivery system, but the present goods delivery system in China is far from reliable, efficient and punctual.

7) Chinese currency RMB yuan has not become an internationally freely convertible currency yet. It is convertible only under the current account.

8) As e-commerce has been developing rapidly in China, Chinapages is confronted with fierce competition in the e-commerce industry. E-commerce websites have been mushrooming recently. By the end of 2000, websites dealing in e-commerce had amounted to as many as over 1600 in China, more than 600 of which are engaged in retailing, about 100 of which in auction, 180 of which in distance learning and 20 of which in medical service and consulting. The number of Internet service provider (ISP) and Internet Contents Provider (ICP) had amounted to over 300 and 1000 respectively.

### **3.3. Chinapages' tomorrow is bright and promising**

If Chinapages takes advantage of the favorable conditions and the improved e-business environment, brings its advantages into full play, faces the challenges with confidence and aggressiveness, tackles the related problems and removes the obstacles on its way of development, Chinapages'tomorrow is bright and promising. With China's WTO entry and China's potentially huge market, Chinapages will make greater contributions to the development of e-commerce not only in China, but also in the world by continuing to focus its services on

1) e-marketplaces, namely helping the more than 3000 physical markets in Zhejiang Province to do business online (See Chinapages' Vision Chart), as it has done for China Textile Town Plc.the biggest of its kind in Asia, China Hardware Town Co. Ltdthe biggest of its kind in China, and China Automobile Sales Corporation.

2) e-government, namely helping all the departments of the governmental institutions at all levels to provide the general public with services and information online, just as it has done for Guangdong Provincial Government in the south, Dalian Municipal Government in the north, Nanjing

Municipal Government and Ningbo Administration of Industry and Commerce in the east, Bazhou Government in Xinjiang in the west, the Commercial Counselor's Office of the Chinese Embassy in UK overseas.

## 4. Conclusion

Chinaapges was born immediately after the Internet entered China, has grown up and become a giant in the primary stage of the development of China's e-commerce despite the tough environment. As China has been improving the e-environment of hardware and software, Chinapages will be further developed and expanded and will continue to play a leading role in the development of e-commerce in China.

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