The First Forty Years of Global Sources

GLOBAL SOURCES
As Japan adapts an export-oriented economic model, and the Four Tigers of Hong Kong, Taiwan, South Korea, and Singapore follow suit, Merle A. Hinrichs starts building a bridge to connect sellers in Asia with buyers in the West. From 1971, Asian Sources magazine chronicles the development of Asian trade, setting high standards for advertisements and editorial. The company moves into specialized, multi-channel "new total solution," adding a valuable face-to-face component to the company’s multilingual "new total solution," as exactly the time when production costs are rising and suppliers must work harder to market themselves in terms of value, not just price.

The Berlin Wall falls, a new global economy forms, and China shifts towards a market economy. Micro-chips, satellite communications and fiber optics usher in a new age of rapid communication, and four- and five-processing techniques further accelerate global trade. Asian Sources continues to expand as Asian exports boom, driven by the Four Tigers, the United States and Europe and by the subsequent globalization of supply chains. The company moves into new offices in colorful Wanchai, and later to bigger headquarters in Hong Kong’s Aberdeen district. Specialized publications launch to serve distinct industries. The company’s early adoption of computerized circulation marks the beginning of an enduring commitment to new technology.

As China prepares to pass the role of CEO to Spenser Au, the company Merle helped found approaches a dramatic moment of generational change. A culture of succession and growth is deeply ingrained at all levels. Against a background of evolving trends in consumption, retailing, technology and geopolitics, Global Sources has come a long way, just as the founding brothers, Merle and his company, have long demonstrated a passion for learning, for growing, and for helping other members of the global community to learn and grow. This characteristic explains how Global Sources has built its team from within, Merle sees the roles of business markets and business education as closely linked, and Global Sources has actively supported education in the areas of business, trade and journalism throughout the region and the world.
Capturing and recounting Global Sources' success over the past 40 years is no small task, and it could not have been done without the help of the many people who contributed to this book. Deserving of special thanks are: Doveen Schecter, who spent countless hours researching, interviewing and writing; Sam Dixon, who provided invaluable feedback as an editor; Brenda Hsieh, who oversaw production and also served as an editor; Willie Jose, who designed the layout; and Yanxia Chen, who helped coordinate production.
We believe that the cause for world peace through freedom from want is advanced by the establishment of long-lasting and mutually beneficial trade relations between private businessmen in the East and West…

– Asian Sources Statement of Purpose, 1971

Attracted by riches and adventure, the first European explorers journeyed to the Far East in pursuit of spices and silk. After Marco Polo, those who successfully returned were well-rewarded in the royal houses of Europe. But many others lost their lives at sea or along the mountain passes of the Silk Road. The lines of trade between East and West were only established through centuries of sacrifice.

Historian William J. Bernstein writes that stable countries are trading countries. In ancient times, traders were ambassadors of peace, presenting kings and emperors with exotic goods from far-off lands. Similarly, traders today create stability, sowing the seeds of peace with each transaction, building wealth and abundance for consumers, businesses and nations.

Because no individual alone can invent and produce every product and service needed to survive, civilization is held together by the glue of division of labor, trade and exchange. And as trade evolves, civilization evolves.

The 40-year history of Global Sources is the story of an enterprise, its founder, and the men and women whose innovation, commitment, and passion created a dynamic company. It is also the remarkable account of a region that grew with the visions of its dreamers, its leaders and the hard work of millions.

Although 40 years is the mere blink of an eye in the history of trade, this book tells how one company grew while the world changed at lightning speed around it. Global Sources matured as trade in Asia matured, and as more and more suppliers expanded their horizons, learning to communicate through advertising far beyond their own borders.

The story of East-West trade that began on the ancient Silk Road with dangerous, heroic journeys has led to the modern world of global commerce with wines from Chile, cars from Korea and personal electronics from China.
Timeline

1950s-1970s
Rise of Japan and the Four Asian Tigers – Hong Kong, Taiwan, Singapore and South Korea

1970s
Rise of mega-marts in the US and later across the world

October 1973
The oil crisis disrupts the global economy and the growth of exports

December 1978
Deng Xiaoping announces a new Open Door Policy to increase trade relations with the global community

1980s
Air cargo emerges as a spur to Asia’s economic development

Mid-1980s
Fax machines around the world speed time-to-market for buyers and suppliers

1990s to early 1990s
Personal computers brought international trade to a new frontier

1995
The Internet begins changing the patterns of communication

October 1997
British sovereignty of Hong Kong is officially transferred to China

July 1997-1999
Financial crisis grips much of Asia

December 11, 2001
China becomes a member of WTO

2007-2009
Financial crisis triggered by a liquidity shortfall in the US banking system caused by the overvaluation of assets

2007
Global Sources Online 2.0 is launched to offer buyers verified suppliers plus aggregated suppliers

October 2007
The telesales team, led by Cameron, relocates to Xi’an

2008
China Sourcing Fair’s geographic expansion begins with Dubai, later expands to Mumbai, Singapore, South Africa and Miami

October 2009
After joining the company for more than 30 years, Spenser is appointed as deputy CEO

1964
Merle arrives in Japan and joins The Importer to sell advertising space

February 1971
The first issue of Asian Sources goes to press with the mission statement of the young company on the cover

September 1976
The first specialized trade journals launch

1970s-1980s
The spin-off magazines put Greater China suppliers in touch with more specialized international buyers

February 1980
To ease political tensions between mainland China and Taiwan, a separate China Sources magazine is published to cover mainland export products

1990
The company’s Consumer Products Group moves the bulk of its operations to Manila

1991
ASM eTrade, the first step in the move toward interactive media

1992
Chief Executive China, a management magazine for China’s business executives launches

1994
Merle hands over day-to-day operations of the company to Sarah as CEO

1996
Asian Sources Online launches to complete the Total Solution which also includes magazines and CD-ROMs

1998
Asian Sources becomes Global Sources

1999
Merle returns as chairman and CEO

2000
Asian Sources Online goes public and is listed on NASDAQ under the ticker GSOL

2003
The first China Sourcing Fair is held in Shanghai

2004
Private Sourcing Events are initiated to help world’s top sourcing teams meet privately with pre-selected suppliers

2005
The new China headquarters opens in Shenzhen

2006
China Sourcing Fairs move to Hong Kong’s AsiaWorld-Expo

2011
Global Sources Online 2.0 offers buyers a Total Solution which includes verified suppliers plus aggregated suppliers, plus a website with aggregated suppliers.
Rising from the ashes

“Global Sources serves as a very important sales channel for us. We reach many of our long-term customers through Global Sources. This has helped us become more competitive and develop into a major player in the industry.”

Huaqiong Mai
General Manager, Best Wisdom (Shenzhen) Industrial Ltd

Company growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Export percentage</th>
<th>Sales volume (US$m)</th>
<th>Number of staff</th>
<th>Export markets</th>
<th>Factory size (sqm)</th>
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<td>400</td>
<td>Asia, Europe, North &amp; South America</td>
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Working with Global Sources continuously since 2003
Rising from the ashes

Before you can inspire with emotion, you must be swamped with it yourself. Before you can move their tears, your own must flow. To convince them, you must yourself believe.

– Winston Churchill

While some dream of filling container ships full of products to sell, others design the products. Some toil in the factory to manufacture them, and still others dream of buying them. Every link in the chain, from concept to production to sale, requires vision and specialization. In 1970, Merle A. Hinrichs, a man from Hastings, Nebraska, found himself in Tokyo and followed a vision to connect those links.

His company, known first as Asian Sources and later as Global Sources, has grown and adapted in response to changing patterns of trade and world consumption in much the same way the countries of Asia have looked beyond their boundaries to identify markets and grow businesses.

Today Global Sources is a leading business-to-business media company and a primary facilitator of global merchandise trade, helping a community of more than 967,160 active buyers source from complex overseas markets and enabling suppliers to sell to buyers in over 240 countries. Fourteen online marketplaces, 13 monthly magazines, over 80 sourcing research reports, and 17 specialized trade shows deliver information on 4.5 million products and 253,000 suppliers per year. In 2010, the company had a team of more than 3,000 people based in over 60 cities around the world. How did Global Sources accomplish all this?

Japan’s defeat and destruction at the hands of the allied forces in World War II made the country dependent on outside help for economic reconstruction. The Tokyo-based American occupation forces, faced with hundreds of thousands of unemployed Japanese, decided to revive the economy by boosting Japan’s capacity to manufacture goods that could be sold abroad.

The United States brought in teams of importers to help Japanese companies identify and develop products that American consumers would buy. The Americans also assigned engineers and technicians to supervise the start-up of new industries. While nothing can detract from the hard work and inventiveness that created Japan’s economic strength before WWII, its prewar export industries were limited to textiles and gift items.

Merle:
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The purchases at that time involved all kinds of Japanese cultural and craft items. The concept of everything from kimonos to chopsticks, anything Asian, was new to the American economy. This was the only way the unseasoned Japanese market could get started.

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The postwar push

During the late 1940s, Asia was in turmoil. Japan was recovering from complete defeat, China was ravaged by civil war and the future economic powers of Korea, Taiwan, Hong Kong and Singapore were yet to emerge.

The first major trade shift occurred in postwar Japan, when American importers began arriving to source its products. Surprisingly, they came not at the behest of a proactive, trade-intent government, but at the suggestion of the United States military.

While Japan’s early exports were limited to light merchandise, production soon expanded to more sophisticated, engineered products.

Merle A. Hinrichs, co-founder, chairman and chief executive officer of Global Sources

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Rising from the ashes

cable letter of credit to a Japanese supplier, then that supplier could go to a Japanese bank or an American bank in Japan and negotiate a loan for inventory, product development or employment. Through the late 1940s and into the ’50s and ’60s, this was a requirement in Japan. And the Japanese adopted it so that even European buyers were required to open irrevocable letters of credit.

The Japan export model
This was Asia’s introduction to export-oriented development, and Japan was quick to cultivate opportunities. While American importers arrived looking for light merchandise such as silk and pearls, early Japanese trading companies were busy identifying the potential for more expansive trade. They moved into textiles and Japan quickly became the world’s top exporter of cotton cloth, shipping 1 billion square yards in 1951.

The Korean War added fuel to a booming economy. The US government used Japanese industry to produce uniforms, blankets, tents and jeep parts. Japanese industrialists also made their first forays into electronics, consumer goods and the automotive industry. In the automotive sector, car and motorcycle production was perfected first for domestic needs, and later for export.

By 1970, while the United Nations and other agencies were advocating import substitution as the best path to growth for developing countries, Japan was proving to the world that a nation deficient in natural resources could grow dramatically by exporting consumer products. This was not the only lesson in economics that Japan taught its neighbors. By reinvesting the gains from its initial trading success, Japan upgraded its infrastructure to advance trade and product development further. Other countries recognized the success and growth potential of the Japan model and began to imitate it. The foundation for an economic miracle was laid, and by 1991 Japan’s exports were to exceed US$268 billion.

Merle: The whole world has been influenced by global trade. We have come full circle. Today when I arrive at the terminal in Lincoln, Nebraska, and descend the escalator all these years later, I now see the sign, ‘Home of
Rising from the ashes

In the 1950s, 90 percent of Taiwan’s residents lived in farming communities growing rice, sugar, tea, camphor and other crops. Two decades later, the government aggressively pursued industrialization, causing agricultural exports to fall behind agricultural imports.

Kawasaki.” This is the direct effect of foreign investment in the motorcycle and auto industry across Middle America, and it is one example of the power and influence that global trade and investment has had on community, country and industry all over the world.

The tigers as cubs

In the late 1950s, economic development was again influenced by politics when Korea and Taiwan began to compete with Japan. A war-ravaged economy and the award of US import permits and financial aid also seeded Korea’s huge export growth. Korean companies adopted Japanese technology and methods for manufacturing garments and electronics. Taiwan developed its own economy and trade identity by focusing on the output of small enterprises, which the government allowed to evolve in a relatively unregulated manner.

From humble beginnings as an exporter of asparagus and mushrooms, Taiwan soon expanded into textiles and carpets, and later electronics. This led to the success stories of international conglomerates such as Acer, Formosa Plastics and President Foods.

In Taiwan and Hong Kong, industry also grew out of the Kuomintang’s expulsion from mainland China in 1949. A mass exodus of émigrés included Shanghai textile barons who brought their entrepreneurial expertise to bear by establishing new textile factories in both Hong Kong and Taiwan. When the United States established quota systems to protect its domestic industries, particularly textiles and footwear, the new Chinese entrepreneurs responded by manufacturing other products not subject to quotas. As the cubs grew stronger, they began producing household goods, wigs, fashion accessories, tools, sporting goods, toys and electronics.

During the 1950s and 1960s, the young Asian economies held steady to a common export-oriented approach to economic development. By the mid-1970s, Hong Kong and Taiwan were among the first to be nicknamed the Newly Industrialized Countries (NICs) in Asia. Soon Singapore would join the pride. Hong Kong, Singapore, South Korea and Taiwan became known as the Four Tigers who, by the 1970s and 1980s, were roaring with high rates of growth and industrialization.

Asian Sources was the center of the East Asian tigers’ rapid growth through exports. Poised for expansion, the company neatly bridged the gap between sellers in Asia and buyers from the West. The early development of Asian trade was chronicled in the first edition of Asian Sources, published in 1971, and in specialized publications launched under the Asian Sources brand throughout the 1970s and 1980s.

Merle:

On my last week of my final term in graduate school at Thunderbird, then called the American School of International Management, I saw a posting pinned to the job board. I had already been through the interview process for jobs and had received offers from Cargill, 3M and a military joint-procurement service in San Francisco. I thought San Francisco would be a great place to live at the time. Even so, I was intrigued by a listing for a sales management position in Hong Kong from a Tokyo-based media company called the East Asian Publishing Company. In those days it was a big deal to have long-distance communications from Tokyo. I applied for the job by telex. Ray Woodside interviewed me by phone and telexed me a ticket to Tokyo. I deferred my answers to the job offers I had and flew to Japan.

It was not my first overseas trip, yet this was a monumental journey for me and would have been for any young man from small-town Nebraska. I had grown up with some consciousness of the outside world. My grandparents were born in Germany and my grandmother spoke German to my father. I had studied French in college at the University of Nebraska. I was fortunate that my parents insisted on taking me and my two sisters on trips all over the United States as well as Mexico and Canada whenever we had a holiday. My mother was a teacher who had given me a window on the world by teaching us geography and history.

There were many coincidences that came together when I met Ray Woodside. Each of us was a Thunderbird graduate with some background in media (I had been the publisher for the university newspaper and a radio anchor). And as...
it turned out, his family knew my family back in Nebraska. I left for Tokyo one week after graduation and didn’t look back.

Merle Hinrichs and his boss Ray Woodside were among the few people who believed Asia was on the brink of revolution that would transform the world economy. Under the recruitment and tutelage of Woodside, 23-year-old Hinrichs arrived in Tokyo in 1965 with US$25 in his pocket, a suitcase in one hand and his degree from Thunderbird School of Global Management in the other. Woodside, a veteran of the Korean War, had arrived in 1956 with his Japanese wife, whose family was from Nagoya. With only an old Chrysler automobile and US$500, Ray’s goal was to set up an export trade publication. During the next 14 years, he established the East Asia Publishing Company and founded a magazine called Oriental America, which came to be called The Importer.

Setting high standards
By 1964, The Importer was setting industry standards for quality advertising, quality circulation and editorial integrity. Ray had strong views about the importance of free enterprise, the potential of Asian markets, and the key role that trade publications could play in providing the information that allows trade to flourish. He was also to become an important influence on the careers of both Merle and Joe Bendy.

Joe, an English literature graduate from Chicago, had joined The Importer in 1964 to edit the magazine. He arrived in Tokyo with his Japanese wife, Celine, who was keen to return to her native country.

Merle came over a year after Joe to take up the challenging task of selling advertising space to some of The Importer’s most difficult clients, first in Hong Kong and Taiwan, then in Tokyo and Osaka. Merle recounts: “Three weeks after arriving to meet Ray in Tokyo, I flew to Hong Kong. There I was met at the airport by my predecessor Bill Fitzgerald and his friend Phil Wight, who took me directly from the airport to a Shanghai-style bathhouse. While there, my suitcase with all my worldly possessions was stolen. So began my career – clean but broke.”

Joe and Merle lived and worked in separate spheres in those days and did not see a lot of each other. Joe, based in Tokyo, focused on editing the magazine, while Merle operated out of different cities throughout the region, tackling clients who knew little about the markets in the West or the benefits of advertising.

Founding philosophy
At The Importer, Merle developed a philosophy that he and Joe were later to transfer to Asian Sources. Advertisers, they believed, would obtain the best response from well-prepared advertisements targeting a readership of specialized import merchandisers. In turn, these buyers would come to rely upon the magazine’s content for their important buying and sourcing decisions.

Through its quality editorial content, the magazine would establish a faithful readership whose increasing response to advertisements would benefit advertisers.

The philosophy worked. Merle became The Importer’s most successful salesman, and in August 1967 was appointed general sales manager.

Now spending more time in Tokyo, he and Joe began to discuss ways to improve the concept of the magazine to meet the needs of Western markets and emerging supply markets better than its competition. The ideas centered on not just one general magazine but specialized trade magazines.

Woodside, meanwhile, was planning his semi-retirement to the United States. As Merle recalls: “Ray asked me to take over the operation of the company as its vice president. In early 1970, we began planning the changeover.” However, before these changes could be fully implemented, tragedy struck when Ray suffered a fatal heart attack.

His death on November 1, 1970, at the age of 44, shocked all who knew him. “Woodside was a fabulous man and was like a father to me. We were very close,” says Merle. The total control of The Importer and East Asia Publishing went automatically to the Japanese

Deciding which industries to specialize in was one of the larger issues that Merle Hinrichs, Joe Bendy and Ric Day had to tackle in the early years.
Rising from the ashes

family of Ray’s first wife, who had died three years earlier.

The family members who took over the company were a Buddhist monk and Ray’s first wife’s sister. Neither had any experience in publishing, nor did they speak English. An offer by Merle and Joe to manage the company was refused and the two eventually resigned.

Merle:  
When Ray Woodside passed away, I was in transition to assume the VP position for him. I had managed the sales organization in Japan after it had been built up, and was then responsible for the Asian sales organization. So the majority of the people who worked for Oriental America, or The Importer at that time, were my employees and people I had hired. I had spent time with the editorial department, headed by Joe Bendy, and had spent time at the printers to get to know the print industry. But when Ray died, it was not my intent to start Asian Sources. Ray and I had both recognized industry specialization was necessary to move forward. We had to specialize our media because industries we served were specializing, in particular the nascent electronics industry. We recognized we could not do it all at once; we had to set up a process. So when he passed away, my first move was to make sure the Japanese family of his first wife was on our side, able and willing to support an organization in transition. If they were unable to do that, it would be extremely difficult for the organization to survive.

I knew one of the family members, a Buddhist priest who worked for the company, lived in Nagoya and who also owned a pachinko parlor. He used his contacts as a priest to further his business relationships.

Then as now, the pachinko parlors were heavily Yakuza-influenced, but his was one of the exceptions. Gambling was illegal in Japan. And instead of money, patrons of his games received gifts based on how many metal balls they won. Little did I know he was using his contacts with The Importer and our manufacturers to source the gifts.

It was only a couple of years later that the “ball” dropped, so to speak, and I realized why he had such a high renewal rate. I had been naïve enough to believe it was because he was such a good salesman. That was not the case, because his success in the pachinko business drove the purchasing for the backdoor novelty products. For example, we had so many cigarette lighters! Those pages and pages of cigarette lighter ads had always astounded me!

But as I got further into it, I realized the priest was the only one with any understanding of what this company was doing. When Mr. Woodside had set up the company in Japan, it was illegal for a foreigner to own a Japanese company. He had put it in his wife’s name so his wife would own more than 51 percent.

I saw there was no infrastructure for the company to really continue – Ray had been it, or I was it as the business head, and Joe Bendy as the editorial head, and Chuck Jenkins as the production head. And then we had some people on circulation. I decided there was no way this organization could continue without my assuming full responsibility, which I was prepared to do. I had reached the ripe age of 28.

But when I went to the bank, I found they had cancelled my signature rights. In other words, I could not pay my employees in Taiwan, Nagoya and other places.

I had already set up a home in Tokyo and had an apartment in Hong Kong, I knew Hong Kong very well. I knew the law, I knew the business and I knew the customers. By the time all this took place in 1970, the sudden death of Ray Woodside disrupted management of The Importer. Ownership of the company passed to the family of his first wife. Her brother was the only one with any knowledge of the business, but he was a Buddhist priest who operated a pachinko parlor!
Rising from the ashes

By the 1970s, Hong Kong was emerging as a regional economic center.

we had about 50 percent of our business outside of Japan. The yen had already appreciated in the late ’60s, and the cost of operating, printing and distributing in Japan was going up so fast.

We decided we needed to create a separate magazine title and establish a separate organization in Hong Kong. We made offers to the employees of East Asia, people I had hired. Some elected to stay with the Japanese company and others chose to come with us.

Pursuing the dream

Merle and Joe already shared a vision for a better publication. When they decided to go it alone, they looked first to the emerging economies of Asia – Hong Kong, Taiwan, Korea, Singapore and Southeast Asia – and decided that Hong Kong, rather than Tokyo, would prove a better operational base.

A major advantage offered by Hong Kong’s open economy was the lack of restrictions on foreign ownership of companies. Joe and Merle moved to Hong Kong at the end of November 1970. Celine Bendy and her four young children were to follow Joe to Hong Kong nine months later.

For both men, the new venture carried a huge degree of risk. Banks were not prepared to finance business at this stage, so Merle invested all of his savings and took loans from his family to start the new company. Joe cashed in his life insurance policies and invested those funds in the venture.

Within a month they had registered their company in Hong Kong as Trade Media Limited. The naming of the magazine took a little longer. Joe says: “We thought of names like Asian Made but realized that it could be misconstrued as Asian Maid, and rejected it. Aware of how importers alluded to the Asian countries as ‘source’ markets, and how they constantly referred to sourcing and sources, I advocated Asian Sources. Eventually, Merle concurred.

“We failed to take into account the phonetic variations the term would suffer when uttered by the tongues of so many for whom English was a second language,” Joe adds. “Asian Sausages’ magazine was a mischievous reference later coined by advertising salesman Martin Richman.”

The fact that Asian Sources would lend itself to naming spin-off magazines was also a factor in the final name choice.

For Merle, Ray’s death taught him a very important lesson, which he wanted to apply to the new venture. “I learned how destructive it is for a company, its employees and its customers, when the president and founder passes away or leaves an organization without a succession plan,” he explains. “I was determined to structure this new company in such a way that there would still be a company without Merle A. Hinrichs.”

This is why the new publishing company was not named after any of the founders.

Asian Sources is born

Joe and Merle started their business venture from the ground up. They had no products, no advertising, no advertising base, no readership, no revenue – only a great sense of confidence. They planned to introduce their new magazine to the public in January 1971. That proved a bit optimistic, as the first edition of Asian Sources reached the newsstands in February. Even by today’s fast-track practices, that was an incredible feat. Typefaces, logos, cover design, page layouts, and of course advertising and editorial content were finalized for the first edition in just two months.

It was a frantic time. While Merle traveled the region gathering advertising and appointing sales representatives, Joe and another colleague from the duo’s Japan days, Charles Jenkins, agonized over editorial content and the format of the front cover.

They were determined the magazine would retain a strongly independent editorial policy. To ensure this, they strictly avoided promoting a particular product or a trade personality on the front cover.

Some of the early members gather at a Hong Kong tea house. From left to right: Dick Folta, Merle Hinrichs, Joe Bendy, Sandy Walker and Charles Jenkins.
Rising from the ashes

For the first issue, Joe considered various art options. But deadlines were pressing and there was by now little time left for the artistic execution of a cover theme. As a contingency, Joe decided to use the front cover to declare a statement of purpose. The first issue of Asian Sources went to press with the mission statement of the young company emblazoned on its cover.

Many observers at the time regarded this as a daring move. It laid out, for all to see, the company’s philosophy and its ideals.

Asian Sources, Joe wrote in the Statement of Purpose, was a magazine that would serve businessmen active in the trade of consumer products made in Asia for export to Western markets. Its editorial content would present facts, analyze developments, anticipate trends and advance “the market potential of sources of Asian-made product lines...through compelling, professionally prepared advertising messages.”

It finished with the pledge “to speak out as we see fit against those elements we judge harmful” to trade relations between East and West. The statement identified targets such as ‘protectionism and other restrictions on free market competition, self-serving bureaucracies and opportunistic and tunnel-visioned businessmen.’

Merle was not around when the sample copies of Asian Sources’ debut issue were delivered to Joe Bendy and Charles Jenkins at their Empress Hotel offices in Kowloon, their rooms paid for by a full-page barter advertisement in that first edition.

“We knew Merle was coming, so we put a copy inside a valise, put the valise in an attaché case, and the attaché case inside a suitcase. We presented him the suitcase when he arrived and said there was a surprise in it,” says Joe. The three men shared that special moment of the unveiling of their inaugural issue.

Merle, in fact, had a fairly negative reaction to the appearance of the corporate mission statement on the front of Asian Sources. “Joe and I had discussed our vision many times, but I had not expected to see it in black and white on the cover,” Merle says, though he was somewhat mollified after reading it.

Both men felt a true sense of pride in the first issue, which contained 80 pages and carried advertisements for 130 companies. Although they had originally visualized specialist magazines, they decided to build their business base first on a general export magazine, and to develop the specialized titles later.

Their cover statement has stood the test of time and its vision is as appropriate today as the day it was written.

Early challenges

Euphoria surrounded the publication of the first magazine, and the response from advertisers had been positive. By the time the magazine came out, the new company had advertising sales offices in Tokyo, Taipei, Seoul and Hong Kong. Editorially, the magazine covered four product groups: clothing and accessories, leisure and recreation goods, home furnishings, and toys, gifts and stationery. Trade issues were covered in regular reports: Market Report examined global trade trends, Trade Scene looked at microeconomic developments in key source areas, and Regional Survey dealt with the trade factor that was common to all source areas. In the first issue, this column looked at labor costs.

Within a few months of launching the first issue, the hard realities of running a start-up operation became all too apparent. All-night work sessions became common place. Cramped offices were the norm. The Empress Hotel offices remained in use. Merle had his office in the Peninsula Hotel, where afternoon teas in the famous hotel’s lobby brought an upside to the grind and worry of those early publishing days.

Tempered by cash flow difficulties and out of a lack of creature comforts, small rooms, makeshift furniture and no air conditioning, an early company culture was forged. The culture centered on thrift: make every dollar go as far as it possibly can, and make the best use of every resource the company has. The basic tenet was that building a successful enterprise is not an act of magic; it takes hard work and commitment.

The Asian Sources team made careful use of company resources but was willing...
Rising from the ashes

Above: The early staff gathers in the old Singapore Hotel in 1972 on the occasion of the company’s first sales meeting.
Left: Merle Hinrichs and John Stickler greet guests of the Korean office presented by Kim Hyun-Ki (far right).

to reinvest in technological innovations that would sharpen the company’s competitive edge. Even with frugality, however, Asian Sources ultimately had to obtain outside investment to continue the business. Private investors were located and an infusion of capital secured. For their shares, Merle and Joe received a management contract and a full commitment by the investors to their dream. This arrangement ensured the company’s future.

Despite many setbacks, the magazine survived the first-year hardships and gained momentum between 1971 and 1973.

Getting to the front of the class
Irrespective of its bold vision, Asian Sources was still in competition with The Importer and its established portfolio of advertisers and buyers. The Importer’s advertising and sales staff adopted a ploy of comparisons, showing their 260-page magazine and then holding up the 80-page Asian Sources. To a prospective advertiser they would simply say, “Which do you think will be the more effective sales vehicle?”

Fierce competition, however, was just part of the battle. In many cases, ignorance was an even greater challenge. For Asian businesses, advertising or promoting their products beyond their local contacts was still very new. John Stickler, then head of sales in Korea, faced an uphill struggle in an environment where many Korean manufacturers did not understand the role of advertising as a marketing tool. “Some thought advertising was something they did at Christmas instead of sending out Christmas cards,” John explains.

Asian Sources sales people found themselves selling marketing concepts as well as advertising. As John recalls: “An advertiser would buy the US$100 advertisement just to get me out of his office – all nodding and smiling. Three months later I would go back to his office and he’d say, ‘Mr. Stickler, I am getting letters! He’d be so excited that he would renew his advertising contract.’

The beginning of Asia’s miracle
By early 1971, although trade between East and West had come a long way, many obstacles still barred the free exchange of goods. Political conflict was widespread. Vietnam was still at war, but the United States had started its withdrawal in 1969 and would be out by 1973. The rest of Indochina was plagued by spreading civil wars. China, caught up in the Cultural Revolution that began in 1966, remained cut off from the rest of the world. Richard Nixon’s historic visit would not come until 1972.

Economically, the prosperity of Asia that is now very evident was then uncertain. The booming export industries, extraordinary GNP growth, and glittering city skylines that characterize many Asian capitals today had not yet materialized. And technologically, the electronics revolution that has powered Asia’s success was still in its infancy. Communications systems were basic. In the early 1970s, videocassette recorders and personal computers were yet to be invented. In transportation, the first jumbo jets were only just beginning to roll off production lines at Boeing. Containers, now used extensively for shipping goods worldwide, had just made their maiden voyage from Japan to California in 1968. While Asia’s infrastructure was still in the development stage, a fledgling publication was trying to put the region on the map for Western buyers.

An East to West partnership
From the start, the company was built on an East-West partnership. Most Asian sales people, and Asian advertisers, had never seen the West. Without knowledge of Western markets, Asian Sources salespeople from Taiwan to Tokyo would have little luck convincing advertisers that these markets held great promise. It took substantial effort to overcome this handicap.

Moreover, without its regional sales staff who could form close relationships with clients using their own languages, the business would never have been able to make a profit.

Sales, then and now, are the result of a
Rising from the ashes

special professional relationship between the frontline sales teams and suppliers. In the first years especially, the success and credibility of Asian Sources depended very much on its sales stars in the field.

Dean Wilson and the Taiwan office

Merle first met Dean Wilson in 1966 when he was on a sales trip in Kaohsiung, Taiwan, for The Importer. He was staying the weekend and, with little else to do, spent Sunday morning at a bowling alley. As Merle recalls: “I was having problems with the manual bowling pin and a man in the next lane, who turned out to be Dean, asked if he could help. We ended up having lunch and he gave me his name card. His title was ‘propagandist’ and I was quite taken with this. He told me his job was marketing, which according to him was the same as propaganda. The Importer needed a person in Taipei and I knew I had the right man. When I got back to Tokyo, I convinced Ray that we should hire Dean.”

By 1972, Dean’s sales team in Taiwan was already a strong and steady earner. In fact, it was the key to the company’s survival and growth in the early years. “If it hadn’t been for Dean Wilson, we would not have had a company,” says Merle. “We would not have been able to generate the revenue necessary to gain momentum in advertising sales. Dean developed a great sales staff and he did an excellent job of positioning Asian Sources as the premier export trade magazine in a very competitive market.”

Later, as Taiwan’s exports burgeoned, Asian Sources became a standard for the industry. Dean’s technique to renew advertisers left a deep impression on Merle. “He would tell his expiring advertisers that if their ad dropped out of the magazine, buyers would think the supplier had gone out of business,” Merle recalls. This was a simple way to make an important point: building credibility in the global marketplace requires consistent advertising over a long period of time.

Steady in Seoul

Asian Sources also had a Korean office from the start, thanks to the support of S/K Associates, the company that had handled The Importer’s advertising sales in Korea. Korea was not an easy market. The chaebol, large companies such as Samsung, Lucky-Goldstar, Hyundai and Daewoo, had long dominated Korean business in both local and export markets.

Small and medium-size companies were at a disadvantage, and collecting advertising debts from them was often very difficult. From the first, Asian Sources clearly set out the principle that work done must be paid for, even if this meant going to court and battling over cases that dragged on for many years.

Korea’s system made it a difficult place for foreign publishers, yet Asian Sources succeeded in making a name for itself in many ways. Said Manager John Stickler: “We played a key role in Korea’s development between 1971 and 1976. Asian Sources was a marketing medium that helped small Korean manufacturers develop their exports.”

Sales grew at a slow but steady rate until 1976, when the magazine featured a comprehensive report on Korea as a source market. Led by Merle, the team capitalized on the opportunity with an all-out sales campaign.

As Kim Hyun-Ki, who had worked for S/K Associates since 1967, recalled: “With that issue, we were able to double the advertising from Korea in Asian Sources to 36 pages. From that time on, export companies saw how much better Asian Sources was than The Importer.” And the new magazine finally emerged from the shadow of its predecessor.

After Stickler left the company in 1973, the management of the Korean office passed to Park Jung-Woong, then to Kim Hyun-Ki. Park served as a sales rep in 1972, became manager in 1973, and by 1974 had left to work for the Federation

During the 1960s and 1970s, Taiwan began to develop a prosperous and dynamic economy, becoming one of the East Asian Tigers while maintaining an authoritarian, one-party government.
Rising from the ashes

Early Korean members at the Chosun Hotel office. Second from the left (standing) is Kim Hyun-Ki, an Asian Sources sales manager in Korea.

of Korean Industries as a top official in the Korean government. In 1988, he returned as country manager.

Another key contributor to the Korean office was Lee Jung-Shill, who joined the company in 1971 as secretary to Mr. Stickler. Although she left in 1973 to get married and start a family, she returned in 1976 and was a central figure and a pioneer in structuring the computerized Sales Prospecting System in Korea before finally leaving the company in 1990.

The Tokyo story
In Japan, Merle asked Mie Ikegame, whom he had earlier appointed sales manager of The Importer, to join the new company. She headed the Tokyo sales office from the end of 1971. Mie was a sales manager with an incredible reputation, built first at Tupperware and then at The Importer, where she had a tremendous record as the magazine’s top sales representative. Like Merle, her energy and stamina never seemed to wane. When Mie arrived at Asian Sources, she immediately set a demanding pace for herself and her team. Her skills and persuasiveness ultimately helped establish Asian Sources in Japan.

In a shining example of diehard salesmanship, Mie called on one reluctant company year after year. After each “no” they gave her, she would return the next year, just as if she had never heard the word. Finally, after seven years, she won the contract.

She was also famous for her payment collection technique. One factory boss who was reluctant to make out the check to Asian Sources watched wide-eyed as she threw open his office door and collapsed histrionically on the floor. His entire office staff outside jumped to their feet. “I cannot believe that a patriotic Japanese man would default on a payment!” she said tearfully, from the floor. A check was quickly prepared.

Effective advertising
From the start, Merle and his sales team understood that effective advertising was crucial. They knew that securing reader response to advertisements was the key to success and, therefore, repeat business. The definition of effective business-to-business advertising: an attractive, easy-to-read layout with copy offering a solution to a specific need would elicit the best response from readers. Sales representatives were trained not only to sell to advertisers but also to help them identify a point of competitive advantage to attract suitable buyers. The results of such advertising quickly proved the point.

With clear advertisements directed at buyers’ specific needs, advertisers received increased response from readers, which led to more orders. In turn, these clients would become repeat advertisers, leaving both Asian Sources and its customers reaping long-term rewards.

Ensuring client success
Asian Sources began to grow – not just because of its increasing success as an advertising vehicle, but also because of the fundamental strength of its approach to the marketplace.

As a conduit for the flow of
information, the magazine sought to benefit both readers and advertisers.

For the reader, that meant providing relevant and accurate information, maintaining an editorial policy independent from advertising interests, and providing detailed, product-focused advertisements. This format enabled buyers to discover new products and suppliers efficiently, and then make direct contact.

Advertisers benefited from Asian Sources’ targeted audience: a selective, qualified readership of buyers. The clearly communicated advertising messages attracted the right type of buyers and the resulting orders eventually led to handsome returns on the advertising investment.

First specialized magazine
Asia’s greatest manufacturing resource in the 1970s was its people. Across the region, national and international companies identified key countries that could produce on a scale that was more cost-effective than traditional manufacturing bases in the West.

As the 1970s moved into the 1980s, Asia’s manufacturers in turn realized that flexibility was the key to survival in increasingly demanding markets. When operational costs became too high in one city or country, manufacturers looked around the region for a lower-cost production base.

Hong Kong is an example of this survival instinct. As labor and land costs in the territory escalated in the early 1980s, the manufacturers who had spurred Hong Kong’s phenomenal growth only a decade earlier moved their factories across the border into mainland China or to the Philippines, Thailand, Indonesia or Malaysia.

Asian Sources was much more than an observer of these changing dynamics. It galvanized them by meeting the demand for information and facilitating the growth of industries upon which the region would build its future wealth and success.

In 1973, as trade trends evolved, the Asian Sources team saw it was time for the specialization that had been part of Joe Bendy and Merle Hinrichs’ earliest discussions. To serve a particular “vertical” product marketplace in great depth subsequently became a core strategy for the company, one that has lasted to the present day. Initially, though, the question was which product areas the spin-off should cover.

Merle was in favor of a toys publication, as that sector was strong in the region. Ric Day, who joined the company in 1972, was a self-confessed gadget fan and wanted an electronics magazine. He could see the advertising potential with companies such as Pioneer, Sansui, Sony and Sanyo, which were only just becoming widely known outside Asia.

Trade patterns were forming in the electronics industry. Products that had been first successfully developed and exported by Japan were migrating to the lower-cost factories in Hong Kong, Taiwan and Korea. However, with the influx of products to new locations, buyers found it difficult to quickly identify suppliers and supply trends. This was the information vacuum that the new Asian Sources titles were ready to fill.

At the end of 1973, the decision was made. Asian Sources’ first spin-off magazine would be Asian Sources Electronics. The dummy issue was prepared in May 1974 for use by the advertising sales force and in September Asian Sources Electronics was launched.

The new publication carried a bold graphic on the front cover, designed by Fred Bechlen and Bill Fong working out of their Tokyo studio. Popular with audiences, this innovative approach to cover design was also a good business decision. The company did not want to be seen as favoring any manufacturer or country by using a photograph of a particular product on the cover. The bold graphic style of the cover was sustained for each magazine that would be launched over the next 10 years.
Asian Sources Electronics was not an immediate success. To break even, the magazine needed to carry 100 pages of paid advertising each month, but its first issue contained just 16 and a half pages. Despite this, there was never any question about Asian Sources Electronics’ commitment to the long haul.

Advertising responsibility was placed in the hands of Martin Richman, an intuitive and natural salesman who was constantly looking for better ways to sell a product. He recruited a specialized force in Hong Kong, and traveled the region himself, successfully chasing down new business in Korea and Singapore as well as managing sales offices in Taiwan and Hong Kong. His team included Johnson Leung and Daniel Tam, who were to establish company sales records over the coming years.

Johnson was instrumental in the magazine’s ultimate success. After a week’s orientation, he went into the field and sold seven contracts in his first month, followed by an average of 10 new contracts per month. This was by far the best performance by a new salesman in the company’s history. Daniel was lucky and talented as he too experienced success from the start. They started with little knowledge of the electronics industry, but picked up on the jargon and learned the business quickly.

Switched on

After a long slump caused by the early 1970s oil crisis, the electronics industry experienced a resurgence in 1974. Asian Sources Electronics, as the established import and export industry reference, grew with it.

Mass-produced, pocket-sized calculators came of age. Two-way citizens band radios were on the brink of a sales boom. Clock radios were the latest must-have product. The first generation of interactive video games had been launched. US-based General Instruments produced millions of integrated circuits for new and varied-color games, which Asian manufacturers assembled for export to the resurgent consumer markets in the United States and Europe. Atari’s original Pong game had evolved into a new consumer category of interactive video games.

By June 1977, Asian Sources Electronics’ team faced the enviable challenge of producing a 420-page magazine, the largest in the company’s history at that stage.

As the magazine expanded, so did the work of the production staff. Eric Wong, then senior production manager, recalls the days of massive growth: “The company had only one production group when I joined in 1978. With each new magazine, the workload got heavier. Back then, I lived on an island near Hong Kong and after working all day, would continue laying out the dummy pages for the magazines on the ferry going home. Then my wife would paste them when I got home.”

As the specialized magazine grew, soon its offspring, Asian Sources Electronic Components, would eventually surpass 700 pages and in turn its offspring, Asian Sources Computer Products, would reach 850 pages. The specialized magazines of Asian Sources were well on their way.

Three of Hong Kong’s brightest sales stars: (from left) Daniel Tam, Johnson Leung and Spenser Au.

Asian Sources Electronics became the established reference for the import/export industry, keeping the world’s importers informed of the latest products to hit the market.
“History is the witness testifying to the passing of time. It illuminates reality, revitalizes memory, provides guidance for daily life and brings us tidings of antiquity.”

Honkiu Wong
President/Managing Director, Hollyland Group Holdings Limited

Hollyland Group Holdings Limited
Hong Kong
www.globalsources.com/attbatt.co

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Working with Global Sources continuously since 1976
Riding the wave

The company was a participant in the Four Tigers’ phenomenal growth, helping businesses in Hong Kong, Taiwan, Korea and throughout Asia publish their advertisements to buyers in the global marketplace. Merle Hinrichs and his team stuck to their original vision to expand and specialize to keep up with the ever-growing demand of economies around them.

Over its 40-year history, Asian Sources and later Global Sources acted upon the shifts in trade across Asia. The company positioned itself not only to take advantage of these shifts but also to add value – being ox carts. A number of influential Shanghainese industrialists, who had fled the Chinese mainland together with the Kuomintang forces, had emerged as manufacturers of plastics and textiles in Taiwan, and they soon began growing their export markets.

South Korea kept an eye on the export processing zones in Taiwan and soon organized its own similar industrial parks and processing zones, focusing on underdeveloped regions away from its capital. Mainland China was also watching, and at the end of the 1970s would launch special economic zones (SEZs) in a number of coastal cities. All these facilities spearheaded the emergence of capital-intensive heavy industries such as iron, steel and petrochemicals, but by the 1980s, the focus shifted to high-tech industries, particularly computers, semiconductors, telecommunications and biotechnology.

Being at the center of the tigers’ rapid growth through exports, Asian Sources served as a bridge between sellers in Asia and buyers from the West, a role it would continue to expand.

Between 1970 and 1994, the value of merchandise exported from Japan, Hong Kong, Taiwan, Korea and Singapore increased by more than 3,500 percent. In the same period, the number of advertising pages sold by the company soared by a factor of 100.

Mirroring the expansion of various export-oriented products manufactured in the East Asian tiger economies, the Asian Sources portfolio grew from the original lone magazine to a range of specialized publications serving distinct industries. Adding to this export explosion was the widespread commercial success of containerization and palletized airfreight, large aircraft, and express package services, all innovations that prepared the way for globalization. Publications within the Asian Sources brand would come to include Computer Products, Electronics, Component, Garments & Accessories, Gifts & Home Products, Hardware, Telecom Products, Toys & Sporting Goods and Timepieces.

Traffic in Taipei has always been notorious, making motorcycles the most effective mode of transport for the company’s sales representatives.

Traffic in Taipei has always been notorious, making motorcycles the most effective mode of transport for the company’s sales representatives.

Seismic changes in the structure of international retailing powered the rapid growth of Asian supply. As Merle remembers: “In the 1940s and ’50s, every small town had a handful of ‘mom and
As consumer buying habits shifted to the suburbs in the 1960s and 1970s, shopping malls sprang up across America. Large retailers such as Wal-Mart also played a central role in the industry with innovative self-service and a revolutionary approach to supply chain management.

Wal-Mart was a central player in the rise of American imports. Founded in 1962 by Sam Walton, the retail chain rapidly grew beyond its roots in Arkansas, and boasted 18 stores in the American Midwest by 1969 when the retailer was incorporated under its current name. Innovative practices included self-service and, more importantly, a revolutionary approach to supply chain management which eventually led to volume sourcing of product direct from overseas suppliers. That practice was at the core of the retailers’ ability to keep prices for consumers low.

“As consumer buying habits shifted to the suburbs in the 1960s and 1970s, shopping malls sprang up across America. Large retailers such as Wal-Mart also played a central role in the industry with innovative self-service and a revolutionary approach to supply chain management.”

First acquisition

In May 1972, Asian Sources made its first print acquisition, The Daily Buyer’s Report. The daily newsletter covered the Hong Kong manufacturing industry, and provided information about buyers visiting Asia.

With this purchase came the services of the publication’s editor and managing director, Richard “Ric” Day, and the lease on its David House office.

Acquiring the publication, and renaming it The Export Market Review, was an early indication that Asian Sources intended to grow and diversify while keeping its focus on sourcing in Asia. The strategy was to develop newsletters, magazines and other media products that would complement each other.
Riding the wave

Moving to Wanchai

Though not yet in the black, the company began to implement the kind of operational initiatives and innovations that have been an important part of its success for the past four decades.

Also in May that year, the company moved its offices from the Peninsula and Empress hotels on the Kowloon side to David House in the Wanchai district of Hong Kong Island. This location provided a larger, more centralized base from which to operate.

Ric recalls the move: “It was during a tropical downpour one evening when I was helping Merle, Bea Da Silva and her assistant Alice move files from Kowloon into the new offices. David House was comparatively modern for a Wanchai building at that time. However, it had taken on much of the color and character of its neighborhood.

‘Wanchai in the early 1970s was a home away from home for the US 7th Fleet. It was also known as Susie Wong Town. The district was full of girlie bars and tattoo parlors and David House, at the corner of Fenwick Street and Lockhart Road, was literally in the middle of the action. The neighborhood was also known to be divided into territories ruled by some of Hong Kong’s toughest triads. In the middle of all this, the company ran a professional office, putting out quality publications for readers around the world.”

Computerized circulation

Committed to using the latest technology to improve information access and customer service, Asian Sources in 1972 became the first publishing company in Asia to computerize its circulation listings.

Although the company was still struggling financially, Merle decided to spend the money to have the circulation list batch-processed by IBM. That list at the time consisted of several shoeboxes full of index cards.

The first step was to code the information onto punch cards, which was done by Frances Chan, the company’s first circulation manager and bearer of the nickname “fastest keypunch operator in the East.”

The process resulted in voluminous computer printouts. On a sophistication scale, it was light years ahead of using index cards, but the initial printouts themselves were rife with errors and duplications. Merle, Joe and Ric took on the task of checking each name.

This was the first of many decisions to incorporate new technology into operations. Back then that initial step seemed costly but the company saw the future of technology in Asia and continued with high-tech investments. Along with the development of industries it was serving, Asian Sources not only witnessed but actually contributed to the technological revolution that transformed Asia.

Those shoeboxes of index cards, which became coded punched cards and then computer printouts, were the seeds of the enormous tree that is now the Global Sources.
Riding the wave

Sources database connecting more than 1 million buyers and suppliers around the world. Merle’s faith in the punch cards opened the way for the organization to achieve success in the age of the computer and the Internet.

Technology and hard work
But in 1972, print media was still the revenue source. Merle, Joe and Ric over one weekend in May designed the daily newsletter with better graphics and stronger editorial, and distributed the first issue of *The Export Market Review* on Tuesday. That fast turnaround said a lot about the work ethic of the young company. Commitment to getting the job done was high and often crossed function and department boundaries.

The four-page newsletter would have two-color printing on both sides of the page. The press in David House, however, could print only one color at a time. This meant each copy of the publication could print only one color at a time. The commitment to quality left even management with no choice but to roll up their sleeves and get things done.

As Ric recalls: “Our press operator announced suddenly that he would rather resign than do the job. So Merle and I worked night and day through a long weekend. We pulled down the curtains from some of the windows for makeshift beds and took turns going out to get drinks and noodles. When the job was done, we stumbled back to our flats covered in black and brown printer’s ink and solvents. Our clothes reeked of the chemicals and we could hardly hear from three days of bending over a clattering printing press.”

For subsequent issues of *The Export Market Review*, Ric found another press operator.

Asian Sources Hardwares
The second spin-off magazine proved to be an even more difficult launch than *Asian Sources Electronics*. The increasing interest in Taiwan as a source of industrial machinery, auto accessories and hand tools pointed to the need for a specialized magazine in this area. But the field included such a mix of products that naming the publication was a problem. The decision was made to go with *Asian Sources Hardwares* as the title for encompassing this product range, and the magazine was launched in January 1976. Greg Wadas, whom Joe Bendy recruited from the *Korea Herald* newspaper in Seoul, came over as editor.

The first issue of *Asian Sources Hardwares* had 92 pages. The sales team, led by Oscar Wu in Taiwan and Anthony Ma in Hong Kong, quickly discovered that the publication could not sustain support from one of the advertising markets: the heavy machinery sector. Machinery ads disappeared after the first few issues because these manufacturers were mostly seeking only one-time orders. The heavy machinery section would soon be omitted from the magazine.

This was one of the first examples of a key element of Asian Sources’ success over the years: deep sensitivity to the two sides of the sourcing equation, both buyer and supplier. The level of fragmentation on the buy and sell side determines an industry publication’s ability to prosper. If too few major buyers or suppliers control either supply or demand, then there will not be enough readers and advertisers for a publication. Buyers typically source more than one product line, and understanding the pattern of demand for a range of products determines the optimum mix of product coverage for a vertical industry publication.

After a three-year learning period, *Asian Sources Hardwares* was repositioned to cater more to sectors that were responding positively to the magazine’s advertisements and editorial: the DIY, hand tools and auto parts suppliers and buyers. After the repositioning, the magazine became a steady and reliable earner.

The early years of *Asian Sources Hardwares* served as a vehicle for Oscar Wu to exhibit his talents. Hired in Taipei in December 1976, Oscar soon averaged 20 sales calls a day. After just two years at the company, he recorded 55 ad sales in one particular month. Impressively, this new monthly record beat the previous one by 23 contracts! A former industrial engineer, Oscar developed a method for success, which he would pass on to the numerous sales people that he trained in Taiwan and later mainland China.

Under his sales call strategy, Oscar
Riding the wave

would first spend three days organizing his prospects. He would write essential data about prospective advertisers on cards, and then arranged the cards according to location. This ensured an efficient itinerary when he headed out into the field, maximizing the number of visits he could make each day and increasing his sales volume.

Sales people did not receive their commission until they personally collected the advertiser’s payment. To address this, Oscar developed a pre-collection system. “Instead of picking up one payment check at a time, I started asking my clients for three checks at once, the last two being post-dated. To clients who gave excuses instead of checks, I would hand over a stamped, self-addressed envelope,” he recalls.

The company was becoming a specialist in specialization, so to speak. Product trends and industry specialization led by consumer demand provided the impetus for new trade magazines. Asian Sources Electronic Components was a good example. The existing publication Asian Sources Electronics focused primarily on finished products, not components. By 1978, component manufacturers were ripe for a magazine of their own through which they could promote their products directly.

The decision was made in late 1978 to introduce Asian Sources Electronic Components. This proved a great success, as the inaugural issue ran to 200 pages, more than half of which were for paid advertising. Sales soared, and within a year after launch the number of advertising pages had doubled.

Continuity in name and design

Asian Sources had produced three offspring, and in choosing their titles the company had emphasized the importance of continuity. The success of each spin-off relied on the natural progression from parent to child, and the right segmentation of product based on the buyers’ pattern of demand. By extracting a pool of readers and advertisers from the parent magazine, the new specialized publication already had a base from which to grow.

Bearing this in mind, the new magazines retained “Asian Sources” in their names. With Fred Bechlen’s graphic images on each cover, the parent and the spin-offs were also visually linked. The team was learning lessons with each launch, putting stronger magazines on readers’ desks. Asian Sources Garments & Accessories soon followed.

Going westward

Even in the early years, Asian Sources recognized it would eventually need to establish offices in North America and Europe to bring advertisers and readers closer together. The consumer electronics shows in Chicago and Las Vegas became prime showcases for Asian Sources Electronics, with Merle, Joe and Martin Richman taking turns running the magazine’s booth.

As far back as 1977, Joe Bendy had established Wordright Enterprises as the circulation sales agent for Asian Sources magazines in the United States. Joe hired Tina Dagert to manage subscription campaigns. She started with a list of import and export companies from the Journal of Commerce, and built a team of telemarketers which gathered the names of the key buyer and the mailing address for each company. With this method, complemented by other qualified names collected at trade shows, Wordright was able to compile the most comprehensive and authoritative list of importing companies known to exist. It then set out signing them up as subscribers.

Led by Alexis Schmookler, the Chicago telemarketing team was largely a group of middle-aged American women. They spent all day every day on the phone, calling Asian Sources magazine subscribers and came to know tens of thousands of buyers on a first-name basis. This was at a time when few expected this level of service from an Asian publication, and telemarketing was not as prevalent as it is today.

Amsterdam office

In 1979, the company opened a circulation, sales and trade show facilitation office in Amsterdam, the Netherlands. Media Services International was set up by Michele Sweitering as the company’s representative in Europe. Like Alexis and the Chicago telemarketers, Michele soon knew a large percentage of the Asian Sources readers in Europe, and attended all the major industry trade shows on the continent.

Michele recalls: “At that time, in terms of manufacturing and trade, the map of world economics was being redrawn. Many of the industries traditionally based in Europe had already shifted to the Far East. But much of Europe had not yet come to terms with those new economic realities, and as a result, there was still resentment against Asian products.”
Riding the wave

From Merle’s telexed Tokyo ticket in 1965 to computerization of the customer contacts shoebox in 1972, the company’s commitment to new technology was making operations increasingly more efficient. After five years of employing IBM’s Hong Kong branch to process circulation data, Asian Sources set up its first in-house electronic data processing (EDP) department in August 1979. This would have a dramatic impact on the company’s ability to respond quickly to clients’ needs.

Hiring Carlye Tsui to manage EDP signified an important step – both for the company and for Hong Kong society – in bringing on a woman to head a major department. Carlye supervised the installation and use of a sophisticated new computer, the Hewlett-Packard 3000. The outmoded punch-card processing method was abandoned, and reliance on the HP 3000 expanded steadily, as did the department’s staff. Within six months, Carlye had hired a system analyst, three programmers and a secretary.

Then advertisement billings and customer services went “live.” A program called Compute-a-Source was designed to promote reader response to advertisements, and to keep track of trends by asking buyers to specify products they wanted to import. Meanwhile, through newsletters spearheaded by James Strachan, sales representatives were informed of the top five products receiving the most requests – essential information for their sales presentations.

Compute-a-Source linked the advertiser and reader databases. The company’s unique Supplier/Buyer Finder Service evolved from this. Both buyers (readers) and suppliers (advertisers) provided information about their products and services. The profiles and product interests of buyers were passed on to relevant suppliers (advertisers) provided information about their products and services. The profiles and product interests of buyers were passed on to relevant suppliers

In the 1970s, watches and clocks became low-priced electronic devices rather than high-priced jewelry items. Asian Sources Electronics and Asian Sources Timepieces reported on the development of the electronic timepiece industry from day one.

Seizing the time

Meanwhile, the watch and clock industry, long the domain of Swiss craftsmen, was undergoing what would be irreversible changes as Japanese electronics specialists once again optimized opportunities. The mechanical, self-winding watches of the early 1970s were accurate to within a few seconds in a month and displayed the day and date in little windows on the dial. They were about to be challenged.

By the end of the decade, Japanese and Swiss electronics designers almost simultaneously had succeeded in developing battery-operated, quartz crystal-controlled watch movements. The Swiss did not proceed with these breakthroughs beyond having one registered as a chronometer in Geneva. The Japanese designers, however, immediately saw the commercial potential. Reduced to solid-state chip circuits, these new watches could be as accurate as the most expensive of the handmade Swiss timepieces.

Light emitting diodes (LEDs) displaying the time in digits replaced the conventional dial and hands, and as with most solid-state products, mass production of standard devices pushed down prices substantially.

As of the late 1970s, an increasing number of these LED watches were being advertised in Asian Sources Electronics, often by the same companies who advertised calculators. “We had an onslaught of a new product line and were not sure it belonged there,” says Ric Day.

The technological breakthroughs continued with the Swiss inventing liquid crystal displays (LCDs), ideally suited to wristwatches. But again, it was the Japanese manufacturers that stepped in and began using the technology to produce LCDs for digital watches. Seeing the rush of electronic watchmakers willing to advertise, the company launched Asian Sources Timepieces in November 1980.

With 119 pages of paid advertising in its inaugural issue, Timepieces was profitable from the start. It was also the company’s most specialized magazine, dealing solely with watches, clocks, and their parts and components.
Riding the wave

Asian Sources in China

As trade developed, opportunities evolved. But political tensions between mainland China and Taiwan made it awkward at that time to cover both sides in the same trade magazines. To address this, the company created a specialized magazine exclusively covering products from the mainland. As a result, China Sources, launched in February 1980 as a cross-industry title like the original Asian Sources. The inaugural issue had just 40 pages and 34 advertisers.

After China’s dizzying rise, today few remember China before the door opened. With his experience of the shift from Japan to the Four Tigers, Merle was keenly aware of the potential.

Merle:

During one of my first visits to the Canton Fair in the late 60s, I joined a group tour, which was staged as a showcase. I remember noticing the total absence of birds, dogs and cats. Anything incidental had been eaten in order to sustain human life. At the time, I had always loved dried fruit from China, which was so cheap at the China Emporium in Hong Kong. But we went to a fruit farm which was next to a hospital and saw the trays of drying fruit. They were black with flies.

At the hospital itself, you could hardly see into the operating theater. The light was not good enough for reading. The surgery table was metal without padding of any kind and there were straps for tying down the patients. The screen door was broken, and the guide reached through the hole to unlock and open the door.

Everywhere the walls were covered with political slogans. Training in enterprises was at least 50 percent political, and those who had the best political standing always gained the best commercial positions. Most of the factories were lost in political infighting, and there was no concept of a market economy or of listening to feedback from buyers. These companies did not have a clue about pricing and often asked us what price they should set for an export product.

Buyers would then get the same price no matter what the design, because manufacturers felt that, for example, any bicycle should sell at a certain price, regardless of its features or of the cost of materials, because the price of bicycles was fixed centrally.

I was always thinking how I might bring value to these organizations. But we were not allowed access to the manufacturers directly, only to the import-export corporations. Buyers would say, “Can I talk to the factory?” and the import-export officials would answer, “We are the factory.” So there was no ability to alter packaging or branding.

As a result we saw such infamous branding mistakes as “White Elephant” batteries, which were in fact oversized and very low end, as the English phrase would indicate. But even in those days, the potential was obvious. The scale of everything was massive: the size of the country, the number of people. But the extent of the transformation since then has been truly miraculous.

From those early beginnings, Johnson Leung, then Hong Kong sales manager for all Asian Sources magazines, and his assistant Marcus Leung steadily developed the new China Sources magazine’s reputation among potential advertisers in Hong Kong that had factories across the border in the mainland.

Selling ads in China was tough, requiring the approval of government trade organizations which controlled foreign exchange. Success was largely based on winning the confidence of bureaucrats at every level.

Merle:

Our key contact in China was Mr. Xiong of the Shanghai Advertising Corporation. A delightful man who spoke very good English, he was the one who signed the contract for Shanghai Ad Corp. to be our agent in China. They wanted exclusivity for the whole country, and of course all business through Shanghai, but we had a discussion where we said, no, we will work with Guangzhou and Shenzhen separately. We wanted to ensure that our representation in China would not be dependent upon one company.

What was fascinating, just as it is today, was that you were either in or out. If you were in, you were appreciated or valued as providing the right service at the right time. We spent a lot of time working on these relationships, and they presented some crazy situations. We would get a booking for 10 pages but I wouldn’t know the size of the ad, the company’s product, or the product’s size or color. I would stress that we must have this data, so we would send three or four people back to talk to the company.

We would not have made the investment in China Sources if we had not seen opportunity. There were a few shocks but every step was part of a learning process. Eventually, China Sources would become the world’s largest publication on China’s exports.
The addition of the China Sources titles further diversified and also complicated the operations of Asian Sources in its aim to connect the right buyers with the right suppliers.

Circulation development and auditing
There were strong circulation sales efforts at Wordright in Chicago and Media Services International in Amsterdam, but no one was devoted full-time to developing circulation marketing strategy for the company as a whole. Then Bert Wild, who brought a background in direct marketing from the United States, was hired in July 1982 for the new position of circulation marketing director in Hong Kong.

Bert’s initial efforts concentrated on making better use of the company’s impressive database, in order to source readers and track mailing response. Industry directories had been the sole external source of prospective readers, but Bert introduced the use of rented lists to supplement this effort.

He was also instrumental in developing a subscription sales analysis program to measure the effectiveness of direct mailings. The system was put together with the help of Ric Day and Theresa Yiu, Carlye Tsiu’s successor.

A major task for Bert was keeping up with the steady introduction of new magazines. Each launch called for a mailing to subscribers and prospective readers announcing the publication. In addition, each new magazine presented new challenges in terms of successful distribution. The advent of computerization, however, made it easier to experiment with more complicated methods of obtaining a solid readership.

Circulation methods were soon systemized to combine traditional paid circulation (subscribers) with controlled circulation (free distribution to qualified industry specialists).

The circulation department utilized computer power to execute a very complex system of “rotating” the controlled portion of the circulation so that prospective readers received a copy every third month and advertisers got maximum exposure to the reader bases.

New headquarters at Vita Tower
After more than 10 years of dynamic growth, the company showed no signs of slowing down. Its original 130 advertisers in 1971 had increased to 2,100 each month by 1982. Fulltime writers were reporting from 11 countries and territories: Hong Kong, Taiwan, South Korea, Japan, the Philippines, Singapore, Thailand, Indonesia, Malaysia, India and Sri Lanka. The 80-page Asian Sources magazine had expanded into a library of seven publications totaling 2,000 pages a month and circulating to readers in 160 countries.

The handful of staff in the early 1970s had grown to 135 personnel in Hong Kong alone. In short, the fledgling company had turned into a publishing powerhouse, and it needed new offices.

The growing number of publications and employees for sales and circulation made the Wanchai office in David House too crowded. When expansion to three floors was still not enough, the company relocated to larger premises at Leighton Center in Causeway Bay. Eventually, however, even that space would be insufficient for the expanding company.

The Leighton Center lease was soon to expire and the rent was set to rise by more than 200 percent. The selection of a new site reflected the company’s first priority: meeting the needs of readers and advertisers. To be cost-effective, Trade Media did not require a prestigious downtown office. What it needed was lots of space. The company found its new home not in the high-rent towers of Hong Kong’s Central district, but among the factories of Wong Chuk Hang in Aberdeen on the island’s south side.

Following a crash in Hong Kong’s residential and commercial property markets, the company’s HK$38 million decision to purchase, not rent, office space represented a significant commitment to the future of the territory. The decision came, however, at a time when Hong Kong’s direction was uncertain. World trade was in recession, and the Sino-British Joint Declaration on Hong Kong had yet to be signed.

At the opening ceremony of Vita Tower in February 1983, with 200 advertisers and 200 local and overseas staff
Riding the wave

in attendance, the company celebrated its new 45,000-square-foot office.

In his inaugural remarks at the ceremony, Merle expressed great confidence in Hong Kong: “In the dozen years since the publication of the first Asian Sources magazine, we have seen the export community adjust to and overcome numerous obstacles. Among these were the US import tax fiasco, the energy crisis, inflation, and rising interest rates. This is the reason for our commitment to the new facilities we are now opening.”

Another member of the family
Also in 1983, Asian Sources Computer Products joined the family as a spin-off of Electronics. As computers and related parts were being produced across the region, the advent of this specialized magazine was inevitable. Asian Sources Computer Products hit 100 pages of advertising in its third issue and passed the 500-page mark in spectacular fashion in October 1989.

Specialization was showing itself to be a tremendous success. That October,Asian Sources Electronics and all of its offspring – Electronic Components, Timepieces and Computer Products – together carried 1,700 pages of paid advertising, almost 100 times that of the original Asian Sources Electronics 15 years earlier. The decisions by manufacturers such as Acer, Mitac and Tatung to advertise in the magazines spurred growth for their companies as well.

The company bridged East and West and brought together a range of colorful characters. Some of the Westerners were old Asia hands reminiscent of the stories of Somerset Maugham. Sarah Benecke joined the company in 1980 without knowing the impact she would have on the company, nor the impact the company would have on her. She vividly remembers her job interview:

Above: Sarah Benecke’s success story parallels that of Global Sources. Starting with the company as a sub-editor, she worked hard at expanding her industry expertise and business skills, rose through the ranks to become chief operating officer and eventually chief executive officer. Sarah is currently a member of the Board of Directors.

Right: Asian Sources Computer Products was an immediate success, regularly topping 500 pages.

Sarah: I went to see the managing editor at the time. We met in the coffee shop of the old Lee Gardens Hotel. And I remember saying to him on the phone “How will I recognize you?” He said, “My dear, I shall recognize you.” And when I got there, he was smoking one cigarette, and had another cigarette still burning in the ashtray. I thought, goodness, this is a strange company!

After that interview, I went to the office at Leighton Center, not far from the Lee Gardens, and I had to do a test on an old manual typewriter. An editing test. And I knew neither how to type nor how to edit. But I started work the next Monday.

I had come to Hong Kong with a boyfriend of the time who had relocated from Australia for work, and I immediately fell in love with the city. But I needed a job. When I saw one advertised by Asian Sources Electronics, I asked my boyfriend if he knew the publication. And he said “It’s my bible,” because he was running an electronics buying office. And I thought, well, that can’t be bad!

So mine wasn’t a planned career. But the new owners had other people who joined the company in those days.

The editorial team was staffed mostly by recently graduated native English speakers like Sarah, and the team was growing fast to keep up with booming sales.

Buying The Importer

In 1981 Merle learned that The Importer, the trade magazine he and Joe left years earlier, might be for sale. While the region had diversified its manufacturing and trade, The Importer had neither grown in size nor become specialized. In contrast, the Asian Sources magazines had expanded dramatically and were ahead in terms of revenue and influence in their markets.

Even so, Merle was concerned that, in the hands of a major US or European company, The Importer possibly could still emerge as a rival. Working through a third party, he completed a successful buyout.

Merle: I had been prepared to make many sacrifices to keep The Importer going after Ray Woodside’s death. I had been very close to him, and very close to his sons. I was ready to do whatever it took. But the new owners had other
Riding the wave

plans. So when, after many years, we finally wrestled the title and the people and the structure away from the Japanese consortium, it was quite a coup, and I was very pleased we had managed to pull it off.

The publication was merged with the Asian Sources group, spawning two new specialist magazines: Gifts & Home Products and Toys & Sporting Goods. The former was an immediate success. Asian Sources Toys & Sporting Goods, however, existed as a modest publication focusing on two distinct but seasonal product categories. It was also in competition with the annual toy directory published by the Hong Kong government-subsidized Trade Development Council (TDC).

"Toys & Sporting Goods simply could not compete with the TDC's advertising rates at the time," said Tony Howlett, editor of the magazine. It soon ceased publication, with Asian Sources Gifts & Home Products absorbing its advertisements.

By 1984, the company’s advertising sales topped US$15.6 million. After 13 years in the publishing business, the company had become a regional giant. It had nearly 20 offices worldwide and more than 300 employees in Hong Kong alone. But with each new publication, operations were being stretched.

There were still relatively few people in top management. Merle was still in charge of the organization. Ric Day served as managing editor, handling editorial and circulation concerns throughout the company. James Strachan was soon to be named vice president of sales and marketing. Under their leadership, the company created positions as needed and each new department reported to one of them.

Opening the door

China’s business prospects were growing, too. The Open Door Policy, launched by Deng Xiaoping in the late 1970s, continued to encourage Western trade and investment and had put the country in the world spotlight. Following the models of the Four Tigers, China established its export zones in the southeast near Hong Kong and in proximity to Taiwan. Three zones were situated in Guangdong province at Shenzhen north of Hong Kong, Zhumai north of Macau, and Shantou opposite southern Taiwan. The fourth was in Xiamen, Fujian province.

The year 1983 in particular saw US$1.7 billion worth of foreign capital invested in Shenzhen. That represented 60 percent of all foreign investment in the whole of mainland China, and most of it came from Hong Kong and indirectly from Taiwan.

Toy and textile factories were built, there was speculative investment in property, and in just a few years Shenzhen had grown from a backwater fishing village into a sprawling industrial city home to millions. People from all over flocked there in a rush reminiscent of the American frontier boomtown, except this was a melting pot of investment.

The mid-1980s also saw a breakthrough in telemarketing. Dexter Bell wrote the software programs that would allow names to be downloaded from Hong Kong to computers in Chicago, automating the entire telemarketing system. A year later, Wordright leased a building at 1020 Church Street in the Chicago suburb of Evanston. This move enabled the installation of a truly state-of-the-art telemarketing system, which not only ensured that subscribers would be properly reviewed and verified but also that every subscription prospect would be called on a regular basis.

Continued expansion

By 1985, the tremendous potential of the China market was clear. This was a favorable time for the company to launch Electronics News for China. The purpose of the Chinese-language publication was to inform manufacturers in China about the electronics industry worldwide.

The first issue consisted of 104 pages, but the extent of China’s appetite for the magazine took everyone by surprise. Circulation quickly shot up to 8,000 subscribers.

Bruce Humes was a key figure in the editorial organization in the late 1980s and 1990s, having helped launch publications such as Electronics News for China, Computer Sources and Chief Executive China.

The original book, Importing from Hong Kong, was written by Greg Wadas and published in January 1985. Two years later Tony Howlett became the first manager of the company’s books department. He wrote a second edition of Importing from Hong Kong and then Importing from China in 1988. Subsequent books in the series included Importing from Taiwan by Bruce Humes and Importing from Singapore by Chris Hanrahan.
Riding the wave

Bruce Humes, who reads and speaks Chinese fluently, edited the magazine. “I remember going to an electronics show in Shanghai to promote it. We were mobbed,” he says.

“This was the first chance for manufacturers to obtain, in Chinese language, information that would help them make the products they wanted to make. I came back with nearly 3,000 signed subscription forms,” he adds.

Next an editorial-only newsletter about electronics was launched in 1986. China Newsletter Electronics, a biweekly aimed at the top end of the market in the West, reported on all aspects of the industry in China.

At this time, Deng’s Open Door Policy was opening wider. Chinese businesses resulted, the company established a firm policy requiring advance payment, an unheard of practice which has since become the norm in China’s business-to-business advertising industry. Putting this in place took a lot of work and persuasion.

China’s publishing momentum continued. At Merle’s behest, in 1988, the company bought a competitor, China Trader, and merged it with the China Sources titles. The new acquisition also included a Chinese-language title World Economy & Trade. Post acquisition, this title was repositioned as an information broadsheet to keep China manufacturers and executives abreast of international trade developments across a spectrum of industries. This proved very popular.

As China shifted toward a market economy, there was a vast and growing requirement for new skills and knowledge. Suppliers were starting to grow up in China, and they demonstrated an insatiable demand for information and knowledge on how to succeed in the global arena. World Economy & Trade was a response to this.

Craig Pepples was involved in the project from the start, as editor and circulation manager. Under his leadership, the publication’s controlled circulation grew dramatically from 2,000 to 20,000 free subscriptions. Once a substantial free readership base was established, efforts were made to convert to paid subscriptions. This pioneering effort proved so effective that it was subsequently implemented on Electronics News for China.

Publisher training within
Sarah Benecke had joined as a sub-editor and would go on to become COO, CEO and a member of the Global Sources Board of Directors. By this time she already had her hands full with Electronics News for China and China Newsletter Electronics. But she also presented an idea for another new magazine. After lengthy market research and discussions with others in the company, her plan for a bilingual magazine serving engineers and technical managers in the region was approved.

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Riding the wave

Asian Electronics Engineer was launched in May 1987. It broke new ground in more ways than one, being the company’s first magazine to also have regional splits. The bilingual English/Chinese publication was circulated to readers all over Asia, with specialized material for Hong Kong and Taiwan bound into the back.

Like Electronics News for China, it was aimed at senior engineers and technical managers rather than buyers. And like China Newsletter Electronics, it was editorial-oriented with reports taking up at least 50 percent of the page count.

Sarah enlisted Chris Smith, a New Zealander who had been editor of Asian Sources Electronic Components, to help with the new magazine. The first issue was a challenge but they succeeded in meeting its goal of 104 pages. Sales manager Don Sniegowski was even able to sell the last of the 36 pages of advertising as late as one week after the deadline.

Less than a year later, Asian Electronics Engineer launched a Korean-language edition in April 1988. Soon, with Ed Teja as editor, the magazine added an ASEAN edition for the booming Southeast Asian market.

“The company was growing fast at the time,” remembers Craig Pepples. “Then as now, Merle preferred taking risks on young, eager people who knew the company. I’ll never forget the day in the early ‘90s when he called me into his office and said, ‘It’s time we set up a subsidiary in China, and I think you’re the one to do this.’ I said, ‘but I don’t know anything about company law or tax and have no experience in these matters.’ He told me I could get professional advice. I guess he just had a hunch that I could do it. And in the end, he was right.”

By choosing to develop people from within, Asian Sources created a unique culture of constant growth and change. Although the company would later become more mature and complex, the preference for growing people from within remains in place today.

Commitment to technology

The EDP department was working fast to tackle the company’s growing information needs. “We had a schedule laid out for us to computerize each department,” Carlye recalls. “However, one of the sales managers, Johnson Leung, just couldn’t wait.”

Using his own money, Johnson bought a personal computer, and through trial and error took steps toward developing an ad-prospecting program. That led to the enormously successful Sales Prospecting System (SPS) launched in 1988 by the Information Services Department, the new name for the EDP unit. James Strachan, then vice president of sales and marketing, played a major role in creating the SPS, which compiled information about prospective clients from all the sales representatives in the company.

This information was useful as a sales support tool, being a concise record of sales activity. More than that, it was a way for management to track trends in the market and make decisions for the future. The resulting database also provided marketing units with accurate names and product interests for promotional mailings.

After sales, the editorial departments were brought into the computer age with the incorporation of personal computers for word processing.

The company’s smooth transition to computerization was a result of two
Riding the wave

main factors: it had knowledge about the computer industry from its magazines, and management was committed to integrating new technology into all areas of operations.

First consumer publication
Global trade trends were not the sole influence guiding the launch and redirection of publications. Political issues also had an impact both on business and on the lives of business people. The Emigrant magazine would arise from this. In 1988, the main topic of discussion among Hong Kong residents was the future of the British colony after its scheduled return to China rule by June 30, 1997.

As Merle recalls: “Team member after team member came to me asking for help in obtaining a visa to Canada, to Australia, to the United States. They were the brightest people of the group, with skills that were migratable. I had to help them. I wanted to help them.”

This was part of a tremendous social need as people all over Hong Kong wanted to know where to go and how to get there. They wanted information about education and housing in countries they were considering for emigration.

Merle’s response was The Emigrant – and it would provide many of the answers. “I loved that publication,” he says. “It just had so much humanity to it. It was neutral. There was no question of demand, as we received thousands of subscriptions very quickly.”

The Emigrant also had strong advertising commitments from major multinationals, banks, airlines and hotel chains.

The company’s previous publications were all aimed at a select trade clientele that was reached through direct mail. The Emigrant, however, was consumer-oriented and sold on Hong Kong’s newsstands. The magazine was the first to address the high-profile and controversial topic of emigration from Hong Kong and even Taiwan.

Ric Day led the project, with Ruth King as sales manager. Katherine Kreuter was the English-language editor and K.W. Chan took care of Chinese-language text.

Launched on August 8, 1988, an auspicious day in Chinese numerology (8.8.88), The Emigrant went out to 6,500 paid subscribers. The inaugural issue contained 140 pages, 44 of which were advertising.

After less than a year, The Emigrant reached its most critical moment. The people of Hong Kong responded immediately to the crackdown against demonstrators in Beijing’s Tiananmen Square on June 4, 1989, and the magazine was seen as a resource for the public.

As Ric recalls: “After June 4, Hong Kong was electrified. People were walking into our customer service department and saying, ‘Give me every issue.’”

Newsstand sales soared and the magazine received international press coverage with the world’s attention focused on China. The goal, however, was not to promote emigration but to provide unbiased information about the subject. Despite its popularity, The Emigrant ceased publication in August 1991, partly due to increasing political pressure brought to bear on advertisers.

Markets were turbulent. By the end of the 1980s, the company had become complex and was no longer the small closely knit team it had been in the early days. Structural change was needed to push the company forward.
Company growth

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Townway Zhang
General Manager, Jiangsu Sunpower Solar Technology Co. Ltd

“In the past three years of working with Global Sources, its multichannel marketing, training and services have helped us greatly enhance our impact on the global markets. Global Sources has definitely strengthened our company’s leading position in the industry.”

Jiangsu Sunpower Solar Technology Co. Ltd
Changzhou, Jiangsu Province, China
www.globalsources.com/czsunpower.co
The world reconfigured

The three foundations of learning: seeing much, suffering much, and studying much.

– Catherall

The hardest thing to learn in life is which bridge to cross and which to burn.

– David Russell

When the Berlin Wall came down in 1989, it signaled the end of the Cold War. A new global economy formed as an integrated marketplace. At the same time, China was making its presence felt with a fast-growing GDP fueled by exports to the West.

If the 1960s and 1970s had been built around falling transportation costs – the introduction of container ships, jumbo jets and express packaging services – this new era gained momentum from the ever-decreasing costs of technology and communications. It was the dawning of an incredible age of microchips, satellites, fiber optics and the Internet.

The new technologies began weaving together a new trade community where developing countries manufactured products on a scale and to a level of quality that was unimaginable even a few years earlier. Trade became more global and more sophisticated.

Merle and his team recognized this time as an opportunity for further growth, and made a concerted effort to expand the Asian Sources footprint globally. But as trade and geography become more complex, so did the scope and complexity of the management challenges.

A new structure was needed, and the company decided to choose publishers from promising young team members rather than to look outside for established talent. In 1989, the monthly publications and the responsibility for sales, editorial and circulation were handed over to five individuals: Ric Day, publisher of the Newsstand Group; Sarah Benecke, publisher of the Technical Electronics Group; James Strachan, publisher of the Computer & Consumer Electronics Group; Tony Howlett, publisher of the Consumer Products Group; and Craig Pepples, publisher of the China Business Group.

Sarah Benecke was a natural choice for publisher. As Merle comments, “She made a commitment to learn marketing, what it was, how it worked, and what it took to be a marketing and sales person.”

James Strachan had 10 years of experience in sales and marketing with the company, but no exposure to the editorial or circulation sides of the magazines. He recalls the drama and complexity of reorganization: “With the change, I had to take a crash course in operations largely unfamiliar to me, especially editorial.”

Like James, Tony Howlett possessed only limited experience outside of his chosen field. He came from a strictly editorial background and had to face a new challenge with the responsibilities for sales and marketing.

Craig Pepples had been with the company just three years at that point, but had launched World Economy & Trade and had been involved in repositioning China Newsletter Electronics.

“Restructuring had begun, and we would continue to restructure to meet our needs,” says Merle. “An organization is not static. It is dynamic, and people in it have to realize that training does not stop. In a way, it’s the same as selling ads. Once you learn, you then start relearning. Like an athlete, the day you stop practicing your skills is the day you stop being a competitor.”

The Manila move

In 1990, the company’s Consumer Products Group moved the bulk of its operations to Manila. The relocation aimed to increase cost-effectiveness, expand Asian Sources’ geographic base, and allay concerns about the impending Hong Kong handover and potential restrictions on media under the mainland Chinese regime.

Tony Howlett laid the groundwork for the transition, but he suffered medical problems and decided to resign to pursue his lifelong ambition of sailing around the world. Mike Hay, who had previously worked for Time magazine as director of marketing in Asia with experience in specialized publication launches, was recruited to step in and take the operation forward in Manila for the group. He called those first few months “a blur.”

The Manila move was a challenge
The world reconfigured

Merle (left) with the early team members in Manila in 1990. Today, there are more than 150 people in the Manila office.

even for the company’s veterans. Eric Wong, a senior production manager who joined the company in 1978, remembers how Manila’s poor infrastructure compounded the difficulty of putting out magazines: “The shift to Manila was one example of how the company is exciting but exhausting to work for. There is always change and constant expansion.”

Alexander Boome, former general manager of Corporate Marketing, recalls its printing operations to North America. This was not only the company’s first publication designed exclusively for the North American market but also the largest launch, with 280 pages in the first issue – quite a feat, given the long-standing of competitive publishers like Ziff-Davis and Reed.

James Strachan, who supervised the launch, reflected on the extremely positive reaction to *Computer Sources*: “When companies such as Mitsubishi, Acer and Mitac, and 47 others in North America, signed long-term contracts before the first issue came out, it was a major vote of confidence and a clear indication that we were meeting an important, unsatisfied need in the marketplace.” That publication was quickly followed by a European version with editions in English, German and French. *European Computer Sources* went on to become the leading computer reseller magazine for Europe. Its high-profile advertisers included Philips, Verbatim and Emerson Electric.

**Striving for excellence**
The company always strived for excellence in editorial. And *Computer Sources* reached a milestone with the award-winning “Rip Off the Lid” feature produced by Doug Wilson in Boston and Bruce Humes in Asia.

James Strachan recalls: “Readers loved it. It was very sensitive since almost all the leading PC manufacturers in the US were using Asian-sourced components and peripherals. In addition, most of the Asian suppliers were under strict instruction not to reveal the identity of their end-user customers.

“To identify the origin of the components, Doug would literally take the top off and rip apart the new model PCs. He would look for labels, names and symbols on each primary component and sub-assembly. He would pass information on to Bruce, whose network of writers in the region would nearly always track down the identity of the original manufacturer.”

Alexander Boome, former general manager of Corporate Marketing, was one of the first wave of team members in the Manila office.

Cultivating niche markets
Moving operations to lower cost areas was not the only new strategy of the time. More distant opportunities also beckoned. Niche distributor markets had emerged in the computer industries of North America and Europe. *Computer Sources* launched in 1991 to serve the rising computer product resellers who sourced domestically. The new publication’s need for content and format differed widely from the traditional *Asian Sources* export trade titles. In the fast-moving reseller market, timely news was essential, which meant moving most of the new magazine’s production and all of its printing operations to North America.

In the late 90s, the Manila offices would peak with over 350 team members active in almost every area of Asian Sources operations, including software evaluation, content development and management, and accounting services.

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This was not only the company’s first publication designed exclusively for the North American market but also the largest launch, with 280 pages in the first issue – quite a feat, given the long-standing of competitive publishers like Ziff-Davis and Reed.

James Strachan, who supervised the launch, reflected on the extremely positive reaction to *Computer Sources*: “When companies such as Mitsubishi, Acer and Mitac, and 47 others in North America, signed long-term contracts before the first issue came out, it was a major vote of confidence and a clear indication that we were meeting an important, unsatisfied need in the marketplace.” That publication was quickly followed by a European version with editions in English, German and French. *European Computer Sources* went on to become the leading computer reseller magazine for Europe. Its high-profile advertisers included Philips, Verbatim and Emerson Electric.

**Striving for excellence**
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European Computer Sources was positioned as the only pan-European, multilingual publication for resellers.
The world reconfigured

With its focus on management techniques for executives in Asia, World Executive’s Digest offered possibilities for new editions, particularly in China.

Executive management education

World Executive’s Digest was another publication from that era that reflected the increasingly complex and international scope of the company. In June 1991, while waiting at Manila’s international airport in the wake of the Pinatubo volcanic eruption, Merle met Ashok Nath, the publisher of World Executive’s Digest. The two passed the time productively, with Merle negotiating the purchase of the magazine.

The newly acquired publication was designed to fill a need for management information that was common to all business executives, including Asian Sources suppliers who were experiencing the challenges of rapid growth. For the benefit of young and senior executives alike, the magazine summarized the latest trends in practical management thinking and educated managers on necessary skills and career development strategies.

Merle recalls: “There was hardly an airport lounge in Asia where I wouldn’t find people reading it. I would go up and ask how they found the publication – and we would always get interesting and constructive feedback.”

Subscribers – 80,000 of them by April 1997 – loved World Executive’s Digest, but in the end the advertising revenue was not sufficient to keep it in the black. The magazine finally closed late in 1998, the year of the Asian financial crisis. But one offshoot, Chief Executive China, survives to this day, with an audited magazine and website community of over 1 million users in China.

Following the 1991 acquisition, the company’s Chinese-language broadsheet World Economy & Trade had morphed into a China edition for World Executive’s Digest, catering to the huge and growing appetite for knowledge among the rising entrepreneurs on the mainland.

The first leadership transition

The same year of the World Executive’s Digest acquisition, Merle Hinrichs, then age 50, began to plan his retirement from day-to-day management. “My role is phasing out,” he told team members during the company’s 20th anniversary celebrations in 1991.

In 1993, Sarah Benecke was appointed chief operating officer as part of a clear plan of succession, which would lead to her becoming chief executive officer of the group in 1994.

Merle:

No selection like this is made overnight. It’s a process. Sarah had the total respect of the whole team. They might not have agreed or approved of everything she said and did, but she was recognized for the commitment she was prepared to make. We went through the entire transition process to make sure. She spent six months next to me – listening, being engaged and...
The world reconfigured

For the second six months, we reversed the roles. She would make the decisions and I would counsel her directly or indirectly with feedback on those decisions. And by the end of that year, we had come from 80 percent to 95 percent agreement on issues. We reached a level of enough harmony and understanding to say, “OK, you are ready to fly.”

Under Sarah’s guidance, the organization went truly global, expanding its editorial coverage to help buyers looking to source products from new markets. The Consumer Products Group in particular began reporting on new supply markets such as Brazil, Chile, Mexico and South Africa. Advertising sales efforts were initiated in Dubai, Egypt, Nepal, Pakistan, Sri Lanka, Turkey, the United Arab Emirates and Vietnam.

Recognizing that an increasing number of buyers were traveling to Asia on business and facing complex requirements for airline flights, hotels and car hire arrangements, Traveler was launched in the early 1990s and managed out of the Traveler was designed as a resource for readers of the Asian Sources magazines who frequently visit Asia on business.

Consumer Products Group under Mike Hay. An Asian edition of this magazine was later added as a tool for companies whose budgets and responsibilities were limited to Asia. Both the worldwide and Asian editions of Traveler were initially mailed out with the trade journals to subscribers as complimentary publications. Once their reputation as serious travel titles was attained, they were to become revenue earners in their own right.

This was a clear move to leverage the unique positioning of the Asian Sources trade community: a way to expand the company’s business footprint into space traditionally occupied by international business publishers like Time and BusinessWeek. At the time, many publishers were using new printing technologies to provide new editions and segmentations of magazine readership. The challenge was to provide greater segmentation and lower rates for regional splits without cannibalizing the bread and butter business from advertisers who paid for a publication’s total worldwide reach.

Going global

In 1993, the company introduced regional editions for most of its main trade journals. Editions for the Americas, Asia and Europe could offer advertisers greater flexibility in targeting particular overseas regions with unique marketing messages. This approach leveraged the production flows from Computer Sources and Asian Electronics Engineer, which also had different sections in different languages. The choice of content for the editions allowed increasingly specialized and sophisticated coverage, in line with the growing diversification of buyers. Asian Sources Electronic Components, Asian Sources Fashion Accessories & Supplies and Asian Sources Timepieces all launched with regional editions.

In response to requests from watch manufacturers in Hong Kong, mainland China and Taiwan for information in their own language, the Electronics & Timepieces Group introduced another type of regional edition that was modeled on Asian Electronics Engineer. The Greater China edition of Asian Sources Timepieces had a section in Chinese that provided content on suppliers of watch and clock components.

Regional editions for the Americas, Asia and Europe were introduced for most of the sourcing magazines in 1993 to offer more specialization for readers and more flexibility for advertisers.

Merle Hinrichs handed the day-to-day operations of the group over to Sarah Benecke as chief executive officer in 1994.
Establishing offices in China

The China government’s endorsement of the SEZs had led to the company opening representative offices in Shenzhen, Guangzhou, Shanghai and Beijing in 1992. A new team of sales people, all from within the mainland, was also established.

Bernie Holmbraker looked after Southern China, and Craig Pepples was country manager and concentrated on Shanghai, Beijing and regions in between.

“We were recruiting young people usually in their 20s, and in most cases they had never worked for a foreign company,” Bernie recalls. “But all of them had the dream. They knew there were opportunities with foreign-invested companies.”

Bernie started with five people in each of his two representative offices in Guangzhou and Shenzhen. When he left the position four years later, there were 70 sales reps and five locations across Guangdong province alone. Oscar Wu and Samson Wu traveled to China every couple of months to help with the hiring of recruits and sales training. By January 2005, the China team had grown to more than 1,300 people in 44 locations throughout the country.

Craig Pepples recalls: “I was on a flight in China with Merle in the early ’90s. He was looking out the window. He turned to me and asked, ‘How many people do you think our China team will have in five years?’ I didn’t have a ready answer because I was too involved in my day-to-day problems with a team of less than 100 people. He said it would be at least 500, and I remember feeling shocked but excited. The growth prospects of China were obvious to him, because of his involvement in the evolution of the Four Tiger economies.”

The digitization of trade

Technology has always been an instrument of change. Technology took the world from sail to motor vessels, horse and cart to motorcars, propeller-driven aircraft to jets. In the 1980s, the world’s major retailers had become more and more reliant on the benefits of international trade. Their challenge was to manage and maintain the variety of information attributes that make up a profitable transaction across borders.

Information became more critical as the rhythm of trade accelerated. This was also a time when technology was being democratized, when the innovations of computerization, telecommunications, miniaturization, data compression and digitization all began to come together.

As one of the first publishing enterprises to computerize operations, Asian Sources had gone digital even before the Internet entered public consciousness. By computerizing its circulation, the company had long ago realized the importance of managing information so as to identify new areas of product demand and new segmentations for the trade journals.

But by the late 1980s, Merle’s vision of improved and expanded global trade was taking him further down the path of technology, into Enterprise Resource Planning (ERP) software, the core services where buyers placed and managed orders.

In 1989, the company purchased a majority shareholding in DSC Consultants, a Hong Kong software house offering order-processing software which worked through electronic data interchange or EDI. The new software, originally launched in 1991, was upgraded and repackaged as ASM eTrade. This was the first step in the move toward interactive media.

By the mid-1990s, Merle decided to offer a client-server version of the transactional software for buyers. The software would allow buyers to open letters of credit, provide shipping documents and letters of origin – all the export documentation required to conduct transactions. The vision was to go from an online request for information (RFI) all the way to the purchase order and ultimately to payment.

Merle:

We thought we could provide a common template for buyer and seller. And we eventually reached an installed base of 230 buyers around Asia, mostly in consumer products. The benefit of such
The world reconfigured

A package was clear: to take information we had online and repurpose it into an RFI and then download it to a purchase order. This would save time, reduce errors and add a lot of value. But we soon discovered we could not template the information into the format each of our buyer customers was used to. Everyone had their own style. The position of the photo was in the upper right, not the lower left. The fax number must go at the bottom, not after the address, etc. etc.

By 1999 we had a large software house spending all its time maintaining and customizing the documents for our clients. By 2000, we decided to web-enable the software and switch to a hosted common service that buyers could access from any location. We bought some of the largest servers then available to store the content we anticipated. We renamed the product “Connect” and completely rewrote the software. But after several millions of dollars of investment we did not see the traction and in 2001 when the capital markets imploded, we realized this business was untenable. We eventually made the decision to sell the software and stick to our core, which was to support the initial discovery process, not the transaction. And to this day I have yet to find an independent transactional platform that can work for major buyers. There are simply too many expectations for customized forms.

That said, there is far greater automation today than anyone dreamt of in the year 2000. But the automation has been pushed primarily by banks and logistics providers. In addition so many retailers and manufacturers have invested huge amounts of money to enable themselves with big SAP or Oracle programs that have been customized to their needs. The lesson we learned in the software business is that even when there is a market for services that are peripheral to our core, it can represent a big divergence in terms of capital and may take up a lot more management time than initially expected. You must be extremely careful with any kind of diversification of your business model, whether it is achieved organically or inorganically through acquisition or merger.

Playing vital roles
As general manager of Asian Sources trade software division, Trade Management Systems in Hong Kong, Theresa Yiu played a vital role in the company’s software business. At the time, she had decades of experience in information technology, starting her career with Unisys and working for Hong Kong Telecom and American International Assurance before joining Asian Sources in the early 1980s. Her first role as an electronic data processing consultant soon evolved into EDP manager. In 1987, she spent six months managing the circulation department. Theresa became vice president of information systems in 1989 and was chief information officer before passing the mantle to Bill Georgiou.

Each of them worked with the cutting-edge technology of the moment, leading the company to where it is today by training and managing teams to create products and services that fit buyer and supplier needs.

Theresa recalls: “In 1989, I began analyzing the information needs of the company, and with the diversification into publishing groups, I recommended a major rewrite. Hardware and software that we had invested in during past years were totally replaced and a new Oracle database and Unix hardware platform were selected. The new software PubPlus was launched at Chinese New Year 1992.”

Database sophistication
PubPlus was an aggressive attempt to bring together all the buyer-focused databases within the organization. Initially, it became the data-entry point for magazine production and billing, indexing

Above: Theresa Yiu (center) masterminded the evolution of ISD over the past 19 years from “Publisher” to “PubPlus.”

Left: In 1991, the company entered a related industry: international trade management software development.
The world reconfigured

The design of PubPlus was based on relational databases. Oracle provided the software. A relational database integrates all information on a given subject or client company from various sources. Instead of having separate records, often maintained by different departments, the software allows users to view the common database from several perspectives.

“A key aspect of our current approach to developing customer solutions is to deploy standards-based, open technical platforms and protocols that are able to interoperate with systems of partners and other market players. We also closely monitor and adopt industry best practices in the design and development of our solutions.

“In line with current technology trends, our solutions now reflect several cutting-edge features and tools. Examples include a sophisticated guided-navigation search engine and a powerful data warehouse to support customer behavior analysis.”

Many other executives in the company have a technical background. An engineer by training, Peter Zapf expressed it simply.

“I have always been fascinated by how technology and business can work together,” he says. “I remember the magic of seeing my first FedEx package delivery noted online just minutes after it reached my door. At this company, we are making our own magic with results that can actually be quantified and measured as they apply to site design and functions, and to marketing and the Web.”

The first name change

The company had come far from the first generic trade magazine introducing products and suppliers from Asia to Western buyers. The company was widening and deepening its scope, seeking growth by expanding geographically and also by serving the internal process needs of its buyer clients. The future was looking less like the past.

After an in-depth review of the organization’s existing profile by external design consultants, the ASM Group identity was created to replace the more descriptive Asian Sources as the primary corporate brand. In addition to a new logo and typefaces, one of the most visible and far-reaching changes was the redesign of the core sourcing magazines. All emerged with striking covers and an emphasis on their role as a complementary tool to the interactive media. A new mission was launched with the new identity at the 20th anniversary celebrations in 1991.

A new future was envisioned that embraced new geographies, new technologies and new media.

Trends and patterns of trade and technology continue to evolve. Each revolution, whether in transport or information technology, may be regarded at the time as a giant step. But looked at retrospectively, each can be seen as just another turn of the wheel of progress.

Business-to-business e-commerce, or B2B, is a phrase of the new millennium, but Merle Hinrichs suggests there is nothing new about the concept. The world, he says, has employed business-to-business communication throughout history.

The February 1991 issue of each Asian Sources magazine carried a glossy supplement that included an overview of the company’s history, magazines and future plans.
“With the help of Global Sources, our company developed into Asia’s largest antenna manufacturer, with 17 offices in the United States, Hong Kong, Beijing and Shanghai. Global Sources enabled us to promote our products worldwide. Each day we receive inquiries through Global Sources, bringing us many quality customers.”

Company growth

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Simon Qiu
General Manager, Kenbotong Communication Ltd

Kenbotong Communication Ltd
Foshan, Guangdong Province, China
www.globalsources.com/fsktb.co

Working with Global Sources continuously since 1995
The digital revolution

To see things in the seed, that is genius.

– Lao Tzu

As far back as the 1960s, the US Department of Defense had conceived the idea of the Internet as a project linking up a small network of supercomputers to promote research data sharing. The concept was further developed as a long-distance network of computers during a period of collaboration with the Massachusetts Institute of Technology or MIT. This grew into what we now call the Internet, with multiple independent networks of arbitrary design. Research continues to expand the infrastructure along several dimensions.

But what precisely led the Internet to become the powerful global tool it is today? Merle has a simple answer: the commitment by US authorities to make the net available to the world without regulating it.

America’s telephone companies cooperated, leaving their data systems open and free of charge. Individuals and corporations soon adopted the Internet and quickly demonstrated the potential of its use as a marketing device and as a tool for the distribution of knowledge. Remarkable change took place. Internet technology made it possible for millions of people around the world to get connected and exchange information, news, money, family photos, music and video in ways never witnessed before.

Merle, an avid reader and observer of the impact of change, had been plotting the path for e-commerce long before most people had ever heard of the Internet. In the early 1990s, when he handed the responsibility for all day-to-day operations over to Sarah Benecke, the immediate objective behind his “retirement” plan was for Merle to travel and spend more time on humanitarian activities and other personal interests. But he saw the vast potential of the Internet, and returned to the company with the outline of a plan that was to transform its profile and also to change the patterns of trade in Asia.

The company’s new online electronic platform would require a tremendous level of re-education for team members and customers. Craig Pepples looks back on that time with a perceptible shake of his head: “We were relearning everything – trying to figure out the Internet, learning what e-mail was, what a browser was. It was all very painful, but very exciting. That transition was without doubt one of our greatest achievements so far.”

Education in new media

On many of his travels, Merle brought Howard Finger along with him. Howard had been partner in a Hong Kong law firm but was taking a sabbatical from law. Howard recalls: “Moving into semi-retirement, Merle wanted to work out how he could have a more direct engagement in peace through trade. While he might not be a peacemaker per say, he believed that education is the underlying requirement for stability in any environment.”

The two began to explore the potential of CD-ROMs for long-distance education programs. In the process of that investigation, both Merle and Howard underwent some technological education themselves. “When the web browsers hit, their power became obvious, especially as an educational tool,” says Merle. “The more we got into this, the more we could see the potential impact in education and trade terms. And considering that the whole vision and purpose of the company was to just that, how could we not aim to integrate these new technologies into our business?”

Asian Sources CD-ROMs gave buyers access to editorial content from the last 12 issues of the companion magazine.
The digital revolution

Hitting the information highway
Howard first set off for America on a journey to explore the information highway. “I met with every big name in the subsequent dot com boom, but back then they were not big names: Netscape and CompuServe, and news organizations such as Reuters and Knight Ridder. It was Wild West stuff,” he says.

Young Internet businesses were interested in talking to the company because of its strong cataloging history and international trading community. The big focus in 1994 was on applying the Internet to a business-to-consumer scenario.

Howard prepared a business plan involving both CD-ROM and Internet development and presented it to Merle and Sarah Benecke when they were visiting the offices of the Chicago representative in late 1994.

Sarah remembers the meeting clearly: “They had made a dummy of a website and Merle said, ‘OK, Sarah, you are a buyer coming onto the website. What are you looking for first?’ I said ‘product,’ and Merle kind of jabbed Howard knowingly in the ribs. Apparently they had been arguing about whether buyers would look for product, country or supplier first. My belief was that it would be product, and they wouldn’t really care who the supplier was or from which country.”

Sarah and Merle bought into Howard’s business plan immediately. Both also recognized that investing in interactive media would be the biggest, and riskiest, decision the organization had made up to that time, and would require a high degree of re-engineering for the business.

Howard was appointed general manager of interactive media. The technical team worked with the Hong Kong consultants Black Box to learn the process of building a website. There were many complications to resolve, both technical and sales-related.

As Sarah recalls: “We realized that we had to get our suppliers involved. But there was no model to guide us on how much to charge them to participate on our website. We knew this service shouldn’t be too expensive, as we were asking people to take a bit of a gamble. So, we decided that the pricing should be something like the cost of taking a client out to a good lunch in Hong Kong.”

Embracing electronic trading
Merle and Sarah introduced the interactive media plan to the company in July 1995. Howard fronted the presentation that is today still remembered with a grin by many of the executives who were present at that initial marketing conference.

Howard recalls: “Where it used to be that you would present acetates or 35mm slides, I went in with blaring music and PowerPoint presentations and talked about this Internet/CD-ROM solution we were planning to roll out. There were 50 people thinking, ‘Who is this character, and what the heck is he talking about?’”

They soon found out.

In September that year, the company unveiled to buyers in Hong Kong and Taiwan its plan to help move Asia and the world into the era of electronic trading. It was a plan of pure integration involving the trade magazines, CD-ROMs and websites.

As Sarah told her audiences: “When a company decides to take advertising space in one of our magazines, we will design, set up and maintain a homepage on the World Wide Web for them, at no extra charge. We will provide Internet access for all of our advertisers, along with e-mail addresses. We will make their transition to the future as painless as possible.”

The total solution
By 1996, after detailed planning, Asian Sources was ready to launch its website, Asian Sources Online, and its monthly CD-ROMs. Both media were designed to supplement and complement the company’s trade publications.

To communicate this multimedia solution of magazines, online and CD-ROMs, marketing campaigns emphasized the organization’s culture and direction across all three media formats. They incorporated specific services such as creative advertising for suppliers, sales lead consultancy, trade management software, seminars and trade shows.

Asian Sources Online, which would become Global Sources Online in 1999, continued to evolve under the guidance of Howard Finger and his team. Their objective was to make Asian Sources Online the heart of Asian trade on the Web. These people were on a mission, working long hours to meet critical deadlines.

The first batch of CD-ROMs was

The Shenzhen sales team received their first batch of computers in 1996. All were eager to learn how to operate their sales presentation from these notebook computers.
The digital revolution

released in January 1996 and covered Asian Sources Electronics and Asian Sources Security Products. One month later, the first Asian Sources Gifts & Home Products CD-ROM was released. Together, they contained more than 3,000 product images. By the end of 1996, a total of 10 sourcing magazines had monthly companion CD-ROMs.

At the same time, a separate team was developing an electronic worksheet that would facilitate the input of supplier information onto the CD-ROM and the website.

There were many large issues, plus thousands of small ones, most of which were being solved by people who had spent 10 to 15 years at Asian Sources producing magazines.

A key element of the new website was a value-added service called Product Alert. This service sends alerts to buyers via e-mail as soon as new products are posted on the website. Buyers receive updates only for the product categories in which they have specified an interest. Information about new lines, from fashion jewelry to garden furniture to MP3 players, is relayed as soon as it becomes available, according to their interest. The concept sounds obvious today but was highly innovative at the time.

Supplier and buyer education

A similarly intensive education was underway for suppliers and buyers. How do you sell a new concept like this to manufacturers around Asia who at that stage did not have access to the Internet?

Spenser Au, now deputy chief executive officer, recalls the situation: "In 1995 and 1996, when we first talked about the Internet and the online business, none of our suppliers had e-mail. They knew nothing about websites or the Internet business. So we worked with AT&T in Hong Kong to put together a package that would help suppliers enter the e-mail era."

"First, we trained our sales reps to learn about computers and do their sales presentations from notebook computers. We financed them to buy a notebook computer and to develop a sales presentation on it. We then sent them out to visit suppliers and convince them to install the Internet dial-up service offered by AT&T through a co-branded CD-ROM package we had produced."

"It was a long and difficult period of educating the supplier community on the positive effects that e-mail could bring to their business world. We did a fantastic job helping almost all our suppliers install the CD-ROM, training them on how to use it, and educating the market on the importance of the package we were offering."

"None of our competitors, no Hong Kong publisher, offered such a comprehensive service," Spenser explains.

For suppliers, the moment an e-mail response arrived from a buyer marked their transition to the new age of electronic commerce.

By the mid-1990s, the China sales infrastructure was firmly established.
The digital revolution

Some magazines had come and gone, but there were still eight primary titles – and these were expanding. Then the decision was made to take Asian Sources online. Preparations got under way.

“It was like dropping a bomb!” recalls Bernie Holmbraker. “We had spent three years pounding away, getting everyone conversant with print sales, and then with the website launch it was back to school for everyone.”

The website training program was as intensive as the initial print training program. And there were additional challenges. Fly-by-night companies offering websites emerged, trying to sell to the largely uninformed. It was difficult for them to get signed up and processed through the system, and then get an Internet account,” says Bernie.

To deal with this, the company’s account executives established relationships with each of the local post offices. “We would go around with our clients’ forms and help them get signed up and processed through the system, and then get an Internet account,” says Bernie.

Once an Internet account was set up, the sales team would help install the software. Customers were invited to training sessions and shown how to use a browser and how to respond to buyer inquiries. It was a full-service offering.

Bernie looks back on that period with pride. “We can take a great deal of credit for internationalizing many of those companies, especially in the smaller cities. If we had not come along, it would have been many years before they could have created a mechanism for sales in the international market.”

The media transition

The simultaneous launch of the CD-ROMs with the company’s website was very important to the success of the entire electronic process. Although most buyers at that stage did not have access to the Internet, they were able to use CD-ROMs.

By simply placing the data that had been digitized for the website onto CD-ROMs, which were in turn tucked inside each trade magazine, Asian Sources was deepening the level of information available to all buyers.

But the launch of this technology was not simple. The new tools had to be introduced to thousands of suppliers and buyers, and this was done by the sales force and through an exhaustive print advertising campaign. Suppliers’ e-mail addresses were placed in their print advertisements – a normal procedure today but an innovative one in the mid-1990s.

Trade shows, conferences and exhibitions were also targeted to promote the website and the CD-ROMs. “It’s business as usual in many ways now,” says Sarah, “but for the first three years it was very hectic. We knew we would get there, though. No one doubted that. As time went by, the momentum gathered and it became more and more clear that this technology was the wave of the future.”

Asian Sources had, in fact, created the model to showcase Asian exporters and their products to the international market through the Internet.

Creating e-commerce communities

Once Asian Sources Online was up and running, its development team looked at ways to add new levels to the process that would strengthen both buyer and supplier communities.

From the start, each supplier listed on the site had much the same kind of presentation – a basic description of the company, its functions and its products. When some suppliers indicated they wanted to include more information, Asian Sources responded with the Gold Website.

This enhanced premier service contained additional information on a company’s manufacturing capability, quality control procedures, the trade shows that it attended and data on company management. Soon, buyers could request samples from the website simply by clicking a button.

Around the same time, the organization refocused on Asia. While the Technical Electronics Group’s business continued to grow rapidly, most of the other segments that the company was involved with in the United States and Europe could best be described as difficult. The most attractive opportunities were clearly in the company’s own backyard, so 1995 saw a back-to-basics approach.

By then, trade publishing had also grown more competitive and the group found itself operating in a much more demanding environment. The refocus on Asia brought with it a renewed commitment to Taiwan, Korea, Singapore and mainland China, in particular.
The digital revolution

Refining and refocusing
Most of the original Asian Sources magazines have been refined or refocused over the years. With the advent of broadband technology and the ever-increasing functionality of Global Sources Online, the CD-ROMs for the magazines were phased out in 2005.

The company’s 14 vertical trade journals as of January 2010 are just one part of a three-media package that includes print, online and trade shows – a total solution linking suppliers and buyers worldwide. The growth of electronic media, in particular, therefore leads to a significant question: does print still have a long-term role at Global Sources?

Sarah Benecke provides an answer: “The Internet revolution has created a whole new genre of publications. In my business, the magazines I used to read years ago I just don’t read any more. Now I read magazines that didn’t exist before the technology came along. Still, I feel strongly that print will continue to be important. The titles, the look and feel will be different. But I think print magazines will be around for a very long time.”

Global Sources
The rapidly increasing momentum of the Internet revolution and the ability of the Web to provide views of a database customized to individual user needs prompted new thinking about the company’s branding.

Merle:
It was very difficult to project the concept of being a global sourcing organization when we called ourselves Asian Sources. This was before China evolved into what it is today. We were looking to do things in Turkey, India and South Africa. We already had representation in South Africa.

Sarah and I were at the Sears Tower in Chicago, and we had just been to a trade show and we had struggled with this question of the naming for some time. The digital world was coming into play and it seemed to me that it would work if we set up a three-tier global entity. We would have Global Sources and under Global Sources we would have Asian Sources, European Sources and American Sources, and under Asian Sources we would have Hong Kong Sources, Taiwan Sources and China Sources.

In that way, we would be able to satisfy all of our users with a single name. So if a user wanted to come into our databases, they could come in at our highest level, our Global Sources, or they could say I’m only interested in Asian Sources, or only interested in Taiwan and would then select a level. The thought was to offer the database to our users to slice and dice in the way that would be most useful to them, but we had to create the ontology. We had not only a product ontology but also a geography ontology. So if we did not change our name to Global Sources, we would miss the opportunity to look at the global market as a source market.

In the years of creating Asian Sources, it became such a dominant name, it became associated with quality and it was differentiated from all others. I think with the name change we lost some momentum because our primary market was always Asia.

In my mind the power of naming is absolutely critical in life and should never be underestimated. You have to make sure your name is relevant to the audience that you want to serve. There is a Chinese expression that says, “If you cannot name it, you cannot own it.”

The name change was also a chance to strongly link the company’s media together. Each magazine cover highlighted the website address or URL, and the editorial pages listed additional online sources and CD-ROM information. The ultimate goal, however, was to attain a truly global profile to reflect the international coverage of the company.

“It was clear that our community had accepted our new look,” says Paul Mottram, who headed the corporate identity project.
in 1999. “It was equally clear that the global nature of our operations had become a defining aspect of our company and a great differentiator for both customers and investors. Since the Global Sources identity exactly followed the Asian Sources identity, this big change was ultimately quite easy to implement.”

However easy it was to implement, the decision to change the name to Global Sources was a long time coming, and has taken time to settle in.

The intent was always there. As early as 1994, globalsources.com had been registered as a URL – along with europeansources.com, asiansources.com, africansources.com and latinamericansources.com.

Taiwan Sources, Hong Kong Sources and China Sources were rolled out as early geographic portals, later joined by portals for Singapore and Thailand.

“We always knew where we were going. It was just a question of timing, of when the market would drive us that way,” says Merle.

The organization also took on the challenge of delving into the South African market, which had long shown promise and was just emerging from 20 years of trade embargo while struggling to grow.

“We looked at South Africa and the approaches being made to us from there and thought, ‘Let’s do our part and help South Africa come back into the world,’” says Howard Finger, who at that stage was heading new business development.

Negotiations began with the prospective South African partners who were prepared to pay a premium to cover the investment required for training, setup and organizational management of a South African online trade catalog. Thereafter, other agreements were signed with partners in Indonesia, Mexico and Turkey. This was at the beginning of the dot com boom, and many partners were motivated by visions of rich public offerings and potential spin-off public listings.

**Product categorization**

In 1999, UCCnet was established as an international nonprofit organization to address the lack of product categorization standards in trade software for buyers and suppliers. Some large retailers enrolled their suppliers in proprietary networks, some of which utilized the new UCCnet standards. But the vision was never realized, because each buyer had unique sourcing behaviors and classifications.

With its background in trade software, Global Sources led the way by making its online product information compliant with the new UCCnet standards. As a result, the Worldwide Retail Exchange, now called Agentrics, endorsed Global Sources as its only information partner in Asia.

Agentrics is a service provider for the global retail industry. Its solutions help retailers, manufacturers and their trading partners reduce costs and improve efficiency by streamlining and automating sourcing, product design and supply chain processes. With a secure hosted solution, comprehensive customer support and extensive retail experience, Agentrics manages and simplifies the implementation process. Agentrics currently serves 50 global retailers with combined annual sales of US$1.5 trillion, including 15 of the world’s top 25 global retailers.

Global Sources is the only company in Asia to be chosen by Agentrics for its Asian Supplier Sourcing Program. This allows Agentrics members to tap into Global Sources’ electronically enabled supplier community. Buyers can immediately conduct detailed discovery and pre-qualification activities online, for the identification and selection of Asian suppliers and their products.
The digital revolution

Sophisticated commerce
Business-to-business electronic commerce was becoming increasingly sophisticated. The company developed Private Buyer Catalogs to enable merchandisers to make targeted inquiries to specific trading partners, or to broadcast requests for information to multiple suppliers. The target users were the world’s largest retailers. Their catalogs were designed to support the buyer’s own product categorization systems and were also intended to link into Global Sources trade software, which in turn was compliant with UCCNet and other evolving standards. Even when a retail operation’s headquarters supported the concept of going electronic, individual merchandiser habits die hard, and each user always required special customization to meet its own unique requirements. Despite intense recruitment efforts under Howard and Douwe Cramer, the Private Buyer Catalog never fully took off.

But its companion, the Private Supplier Catalog, remains as the primary tool for suppliers to use in updating their company and product content dynamically on the Global Sources website. The original design of the catalog included the ability to conduct one-to-one marketing by posting private offers of merchandise directly into specific Private Buyer Catalogs. The supplier catalogs also allow suppliers to introduce product designs in a password-protected environment that can be open to a specific group of invited buyers. The catalogs also provide market intelligence, customized information about competitors and market trends.

Through the Private Supplier Catalogs, manufacturers can send e-mails regarding up-to-date products and company information to multiple buyers at one time. Their online catalog can also be printed easily from the website if needed at a trade show or a meeting. In addition, the service represents safe and secure storage of their electronic catalog on Global Sources’ servers. This offers suppliers huge cost savings over updating, printing and mailing their catalogs to customers.

Fast product development
After a Global Sources business team defines a new product it wants to launch, the company’s Information Services Department develops the back-end software. Once all teams are completely satisfied with the result, the product is developed and rolled out to the market.

It sounds simple. But as Peter Zapf, deputy chief operating officer, points out:

“The trade community has become increasingly demanding in terms of product and service delivery times. Global Sources’ buyers want solutions that facilitate and shorten their trade transaction processes.”

Besides tight time frames, geography is a big challenge in developing products of this scale and complexity. “People can be working on one project from offices in Shenzhen, the Philippines, Hong Kong and Singapore. There are unintentional cultural barriers and communication difficulties,” Peter says.

“A smooth launch really depends on the ability of these teams to communicate their specific challenges and requirements clearly,” he adds.

Individual teams within the organization are constantly working on new software developments and products that facilitate trade. This involves a far different business approach from that which applies to the organization’s early days of simple trade publications.

Real-time customer service
Technology has done much more than open fresh corridors of commerce for Global Sources. It has also given the company the ability to take its culture of customer service to new heights. No longer are customer queries related solely to product sourcing. Many now involve technology.

Michelle Beck, former vice president of Community Development and a trained historian, watched with interest how...
The digital revolution

Michelle Beck (second row, center), former vice president of Community Development, saw customer service move from mail to fax and from e-mail to the Web.

Technology changed customers’ expectations about time. “In the snail mail era, it would take 10 days or two weeks to send an international correspondence, and a similar time to respond,” she says. “Then fax came along and that had a 48-hour reply expectation. But now with e-mail, people’s expectations about timing have become very aggressive. They expect an almost instantaneous response.”

This aggressive expectation also means that in the world of the Web, Global Sources has to ensure that its customer service teams stay ahead of their clients in terms of knowledge.

In the 15 years that the organization has been online, it has introduced a series of customer service tools that mirror the progression of Web technology.

The company has an e-mail system that allows its customer service officers anywhere in the world to log on in real time, to see and respond to inquiries. All messages are easy to track and customer service operates literally around the clock, around the world and with online chat tools.

Structured data is key

As in the beginning, databases remain the foundation of Global Sources’ operations today. Buyer databases and circulation databases are routinely audited. A number of the trade publications as well as Global Sources Online also undergo third-party circulation audits and certifications.

Global Sources works hard to facilitate these audits as an important method of verifying the quality of its products – whether in print or online – and maintaining its position as market leader. The databases, in turn, become the critical tool used to identify trade trends and the effectiveness of software. During the heyday of the dot com boom, when everything was about volume of users and “stickiness,” many newcomers offered services for free, and they often treated statistics with “poetic license.” Against that background, Global Sources has insisted on quantifying its community in terms of users active within the last 12 months, an exacting standard which many competitors have yet to follow.

Peter Zapf explains: “In the Web world, you want to know that what you have designed is working. You can have a gut instinct, but statistically you test it and statistically you can prove it. Market intelligence and data mining is important for us to understand our customers and to understand whether our marketplace is working.”

Sarah’s first retirement

In 1999, Sarah Benecke resigned from her position as chief executive officer to take a sabbatical and pursue personal interests. She had been with the company almost 20 years, first as a sub-editor, then editor, publisher, chief operations officer and CEO. Hers is a rich story that does not end here.

Sarah: After a few years of editing day and night, I went to Merle one day and said, “I really like your company and I like you. But I don’t like sitting in the office editing, and I think I need to leave.” And he said, “Well you can have another job in the company.”

I was really very young and had not thought about that possibility. So he said, “Go away and think about it. You can have any job in the company except mine.” He was to change his mind on that later.

Looking around the company, I saw that sales people seemed to have the most interesting work. They certainly

Thanks to structured, digital data, Global Sources Community and Content Development teams can identify and track demand for a hot new item instantly. This means faster sourcing and reduced time-to-market for new products.

Sarah Benecke took a sabbatical to pursue personal interests in 1999.
The digital revolution

have the best clothes, and cars! And they’re out talking to our clients every day. So I went back to Merle and said, “I want to work in sales.” He said, “Well, you’ll never be able to do that, but go talk to Anthony Ching, our Components sales manager, get some prospects and try selling.” And I did that and enjoyed it greatly. Later I learned about circulation marketing and that led me to launching new products and building new sales teams. In the mid-80s, I saw that many of our Electronic Components readers were in Asia. As China started to make more electronics, engineers there were using the magazine by default because there wasn’t another option. So I remember going to Merle with a proposal to launch Asian Electronics Engineer. It was written on a manual typewriter. We didn’t have the concept of publisher at the time. I was the first publisher and then went on to train several others.

I enjoyed almost every minute of the five years when I was CEO. But the Asian financial crisis in ’98 and ’99 was a very tough time, which meant closing publications and laying off a lot of people. The first wave of Internet IPOs was underway, and Merle was very keen to go public at the time. So I suggested I retire and he come back. And that’s what we did.

It was executed very smoothly. We all know each other so well. We know what everybody wants and needs at different times in their lives. I certainly didn’t leave with any acrimony. And I don’t think Merle came back with acrimony. We just swapped places and kept going.

Merle took over her responsibilities in the joint position of chairman and chief executive officer. Sarah joined the Board of Directors, and Craig Pepples became the company’s COO responsible for the day-to-day management of the core departments. The new management structure introduced shortly afterwards replaced an increasingly outmoded Publishing Board with two new groups reflecting more complicated times: a Management Board comprised of the senior managers responsible for the organization’s revenue, and an Operations Board made up of heads of the technology, marketing and support departments. The senior members on both boards worked in a matrix management structure to ensure that operational resources were provided in support of specific revenue and profit goals of the business units.

And in 2000, to the great surprise of many old timers in the company, Global Sources went public!

Going public

Just as the Internet transformed the company’s business profile, it was also changing the commercial and financial dynamics of the fast-paced business world in which the organization was operating.

Start-up software companies were appearing all over, and for many, there was no shortage of venture capital. As one of the early movers in the commerce field, Global Sources found that many of its experienced team members were becoming targets for these young start-up dot coms that were assembling teams quickly to take advantage of market conditions. As a private company, Global Sources could neither compete with offers of share options nor access capital markets like its younger competitors.

In 1999, Merle decided to take the company public on the NASDAQ Stock Market in the United States – the stock exchange of choice for global technology-related companies. For a man described by friends and colleagues as low-key, intensely private and very protective of the business, this was a major decision.

In the end, however, the reasoning was simple. Eddie Heng, who was the public company’s first chief financial officer, explains: “A listing gave us the vehicle to raise capital. Without the listing, our growth opportunities would have been confined solely to internal resources. A listing provided us with the opportunity to expand in the future.”

It also gave the company the currency to offer team members share options and other incentives.

Global Sources team members celebrated the NASDAQ listing simultaneously at locations worldwide. Pictured here are (top left) Craig Pepples and (bottom right, from left to right) David Huang, Emerson Chang, Penny Cheng, Oscar Wu and Jarvis Wang.
The digital revolution

Complex listing process
Goldman Sachs was initially selected to lead the offering at the time. However, the complexities of the corporate organizational structure inhibited a smooth move into an IPO. The plan was abandoned, but senior executives continued to study the possibilities of the public listing in other forms.

In October 1999, Jeffrey Steiner, chief executive officer of the Fairchild Corporation, a leading worldwide aerospace and industrial fastener manufacturer, and a friend of Merle’s, entered the picture. The two reached an agreement on a NASDAQ listing through a reverse merger: a share exchange between Fairchild Corporation (Bermuda) Ltd, a spin-off from the Fairchild Corporation, and the shareholders of Trade Media Holdings Ltd, which after the exchange became a subsidiary of Global Sources Ltd.

Was it difficult for Merle to change the organization’s status from private to public? Yes, he explains: “The benefit of operating a private company are that you have greater flexibility to move. You can protect your ideas and your innovations more easily.”

Bill Seitz, formerly the organization’s legal counsel, now retired, worked with Merle through many of the negotiations that led to the public listing. “He always realized it was a friendly merger where both sides were going to win, so we were able to go through it with the minimum amount of pain,” he says.

Preparing the prospectus for the listing was a huge job that involved James Strachan, Eddie Heng, Seitz and teams of lawyers representing both parties working round-the-clock from conference rooms at a printer’s facility in New York. There was no excuse to leave – the facility included full catering and rooms in which team members could sleep.

Eddie Heng recalls: “For me both personally and professionally, the biggest turning point at Global Sources was taking the company public. It was a lot of hard work, but by the time we got listed and accepted by NASDAQ it was really satisfying. Leading up to that point we had spent several months re-auditing, converting international standard into US GAAP (Generally Accepted Accounting Principles) accounting. Then we worked for two weeks in New York, preparing the paper work for document presentation to the Securities and Exchange Commission with questions going back and forth.”

The fateful day
On March 24, 2000, the Securities and Exchange Commission in Washington, D.C., approved the prospectus and gave permission for Global Sources Ltd. to list on NASDAQ under the stock ticker symbol GSOL.

NASDAQ scheduled the listing for April 14. Team members in Global Sources’ offices around the world were in party mode. A live webcast had been arranged linking offices throughout Asia with Merle and his team, who were in San Francisco watching events as they were televised from NASDAQ’s trading floor.

All waited to celebrate GSOL’s first move on the boards. But nothing happened.

As fate would have it, April 14, 2000, was D-day for NASDAQ – the biggest meltdown in the exchange’s history. Panicked traders were focusing on the fallout, and not on newly listed GSOL.

Merle:
Our timing couldn’t have been worse. The day that we went public. I was in San Francisco. Everybody was excited and the price of the shares went to something like 2 billion dollars in market cap, so we were instantaneously all millionaires. But of course our shares were restricted shares at the time. And then the following day it collapsed and we were back – back to being mere mortals. We couldn’t believe it. I remember watching the screens in total disbelief – not just about our shares, but how the market absolutely collapsed. That was the dot com bust. That was the moment it all crashed.

Michael Nock, chairman of Doric Capital and a longtime financial adviser to Merle, put the listing exercise in perspective. “By the end of 1999, the dot com situation was getting very silly. The way the company was listed was clearly the most expeditions way to go about the process. But Merle certainly had the sense everything was getting out of hand in the market,” he says.

“Merle saw the meltdown that was going to happen, but he saw there was still
The digital revolution

For the second time in two years, Merle presided over the NASDAQ Stock Market and rang the ceremonial opening bell on September 3, 2009.

Global Sources now has better access to capital. In February 2005, the company raised US$40.5 million in US capital markets. That June an independent research analyst report by Pacific Growth Securities rated GSOL stock favorably. As of November 2005, it was the only US-exchange-listed company in its field. The result is that Global Sources’ team members must operate to maintain a level of integrity and professionalism expected not only by customers but by investors as well.

Nock believes in those strengths: “Global Sources understands its community, has built up its capabilities over many years on the basis of that understanding, and has been able to do that from a dominant market position. If the capital markets remain shut, then the organization can still build out and grow its business through internal resources. That’s a huge advantage.”

Staying ahead in today’s electronic era comes down to knowing your customers and delivering to them the support they require to succeed. With its publishing, online and trade show business, Global Sources places a huge emphasis on proactively developing technology, products and services to meet the needs of its customer base.

Buyout offers
As time went on, several major international publishers were noticing Global Sources’ growing number of successful products and expressing interest to acquire control of the company.

Merle had to consider whether any of these offers would match the aims of the organization, result in better publications and services for readers and advertisers, and be of greater benefit to employees.

“There were discussions with a lot of different publishers about the possibility of selling the company,” he recalls. “But it became apparent that most of them would pick our company apart, selling off titles not suitable for them and retaining the more successful ones. Without a doubt, this solution would have destroyed the mission we had set for the company.”

The cut-and-paste intentions of the potential purchasers showed they were primarily interested in how the company’s database, resources and know-how in Asia could benefit their operations in the short term. They lacked a reciprocal long-term commitment to the development of Global Sources’ products.

Given this reality, the company chose to rely on its own financial, human and technical resources.

“In those heady days of megabuck deals, it would have been possible to sell the company for 15 times the price-earnings ratio,” Merle says. “Financially, it was very attractive. Our real interest, however, was in perpetuating the company and what it could mean to tens of thousands of individuals and the wealth created for developing countries through the evolution of trade.”

He adds: “The company was founded to further peace and understanding in the world by helping world trade develop. Our mission should be continued.”

Outstanding investor relations
Global Sources’ status was elevated in July 2006 when it was listed, based on financial and liquidity requirements, on the NASDAQ Global Select Market, which has one of the highest initial listing standards of any exchange in the world. Prior to that, Global Sources had been listed on the NASDAQ National Market.

Merle Hinrichs commented at the time: “We are most pleased with being selected for the NASDAQ Global Select Market and as the number one investor relations website for small and medium cap companies in our region. Both demonstrate we are meeting all standards of financial health and disclosure that are very important to our investors.”
The digital revolution

It was in April 2010 that Global Sources received investor relations awards for the fifth consecutive year, winning the Certificate of Excellence for IR Websites in Asia-Pacific, Best IR Website in China and Certificate of Excellence for Corporate Governance in Greater China. David Gillan, former chief financial officer, says: “Winning the awards five years in a row is an accomplishment we are very proud of, especially given that the candidates included more than 500 companies from over 30 countries. We appreciate the recognition of our commitment to corporate governance best practices and transparency to shareholders.”

Global Sources provides investors with a large and attractive market opportunity primarily focused on China. Its key differentiators are an integrated, end-to-end media offering, leadership of the professional market, a deep relationship with the largest buyers and a high-quality community of verified suppliers. The company’s leadership in serving China’s electronics industry, in particular, has produced a strong balance sheet and a 40-year track record of profitability.

The company has strong brands, extensive sales infrastructure and an experienced management team, all of which position it well to grow and thrive as the market gains vigor.

The long-term view

How Global Sources responds to competition and change is a main factor determining its success. As CEO emeritus Sarah Benecke explains: “We make changes with a long-term commitment in mind. For example, Electronics News for China did not make money for five years and Asian Electronics Engineer also took time to see profits, but we continued to invest in them because all our publications are important strategic building blocks to our client offerings.”

She provides another example: “To maintain our market share in response to government-subsidized competition, we cut the price of our ads in half in Asian Sources Timepieces. In so doing, we more than doubled the ad pages, largely thanks to the leadership of Spenser Au, which was a powerful demonstration of the strength of our brand and the ability of our sales organization.”

Global Sources’ leadership on the sales front is due partly to its deep relationships with the world’s largest buyers. For example, in one legacy of the pioneering work done with users of the Private Buyer Catalogs, in 2010, some 23 of the 25 largest retailers in the world work with Global Sources at the company’s Private Sourcing Events, which bring top buyers and quality suppliers together in face-to-face private meetings.

Powerful engine of trade

Global Sources Online is a sophisticated search engine, which as of June 2010 features nearly 4.5 million products. Each month, more than 967,000 buyers log on to search for the products they want. Global Sources’ teams of researchers work directly with suppliers to help them better communicate their product and company benefits to buyers, building on the timeless core competence and knowledge of business advertising from the very first Asian Sources publications.

His creativity and knowledge of business advertising has produced a strong balance sheet and a 40-year track record of serving China’s electronics industry, in particular, has produced a strong balance sheet and a 40-year track record of profitability.

Private Sourcing Events were held during the year of 2009 for more than 200 sourcing teams from very large buying organizations.
“Ever since our initial months of advertising with Global Sources many years ago, we have been receiving inquiries and orders from quality buyers. We continue to expand our cooperation with Global Sources, as its marketing tools are powerful. We now invest US$200,000 annually in advertising with Global Sources.”

Gaofeng Ying
President,
Nanlong Group Co. Ltd

Nanlong Group Co. Ltd
Yongkang, Zhejiang Province, China
www.globalsources.com/nanlong.co

Company growth

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Working with Global Sources continuously since 2000
China enters the WTO

Underlying most arguments against the free market is a lack of belief in freedom itself.

– Milton Friedman

It doesn’t matter if a cat is black or white, so long as it catches mice.

– Deng Xiaoping

For centuries, Chinese civilization outpaced the rest of the world in the arts and sciences. In the 19th and early 20th centuries, however, the country was beset by civil unrest, famine, military defeats and foreign occupation. Following World War II, the Communists under Mao Zedong established a social system that, while ensuring China’s sovereignty, imposed strict controls over everyday life. But after 1978, Mao’s successor Deng Xiaoping and other leaders focused on market-oriented economic development, and by 2000 output had quadrupled.

China’s economy has moved from a centrally planned system, largely closed to international trade, toward a market-oriented system with a rapidly growing private sector. The reforms that began in the late 1970s with the phasing out of collectivized agriculture expanded to include the gradual liberalization of prices, fiscal decentralization, increased autonomy for state enterprises, the development of stock markets, property ownership, and an opening up to foreign trade and investment.

China is now the fastest-growing major economy in GDP terms. Restructuring has contributed to a more than tenfold increase in GDP since 1978. In 2004, China’s GDP was nearly US$2 trillion. The country is now a leader in the global economic recovery, and the world’s largest exporter, surpassing Germany in 2009.

Macro- and micro-economics

The meteoric rise of China as factory to the world is a milestone in late 20th and early 21st century history. Behind the scenes, over the past 40 years, Asian Sources and Global Sources have played a key role in making the economic miracles of Asia and China come to fruition. This role was recognized publicly in comments by a Taiwan External Trade Development Council official who said in the 1990s, “If you want to understand how Taiwan’s exports are doing, just count the advertising pages in Asian Sources trade journals.”

Many other metrics are not found in the headlines: the number of jobs added by Global Sources advertisers who found new business from better buyers by advertising, the retailers who profited from identifying capable Global Sources suppliers in Asia, the consumers who obtained better products for previously unimaginable low prices.

The macroeconomic indicators that most economists follow are in fact the result of countless individual efforts by exporters and importers, and by committed information providers such as Global Sources. The charts in this chapter show that indeed these “uncountable” efforts of millions can be seen in the growth of companies and the growth of sustainable economies.

Global Sources could not have succeeded without responding to and anticipating changes in the external macroeconomic environment. For Global Sources, changes in global consumption drive change in the retail industry, which further drives change in the geopolitical landscape of Asia over time. In addition, changes in information exchange technology also bring new opportunities and challenges. Understanding the interplay of all those dynamics is critical to understanding the history of Global Sources.

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China awakens

First, Japan had shown the rest of Asia that a nation deficient in natural resources could spur growth through the export of consumer products. Following in those footsteps were the Four Asian Tigers: Hong Kong, Taiwan, Singapore and South Korea. They imitated the Japanese model and began shifting focus from agriculture to industry. And as they set up more export processing zones, Asia’s economic miracle began to materialize.

Containerization was yet another critical innovation that spurred the growth of exports. This system of using standard-size shipping containers helped streamline the shipping industry and enabled Asia to join the new global supply chain.

After World War II, while other undeveloped nations were being advised by international development agencies to achieve growth through import substitution, Japan had proved to the world economic community that a nation deficient in natural resources could grow dramatically by exporting consumer products. China’s exports, on the other hand, started growing tremendously after the Open Door Policy was implemented. It overtook Japan as Asia’s top exporter in 2005, and surpassed Germany as the world’s largest exporter in 2009.
China enters the WTO

From 1976 to 1980, as the Four Asian Tiger economies began their roaring growth, the post-Mao Chinese government began to think about integrating with the global economy, creating a mood of cautious optimism in the world’s most populous nation.

By the late 1970s, China lifted itself out of the shadows of the Cultural Revolution with its Open Door Policy. This was a bold decision, since the Mao era had left Chinese enterprises with no concept of marketing, investment or technology procurement.

Deng Xiaoping led China’s charge with a series of stepwise reforms called the “Four Modernizations.” These aimed at strengthening China’s agriculture, industry, science and technology, and defense sectors. Later, the government introduced economic reforms that incorporated elements of a free market, and encouraged foreign investment. The foreign investors would bring in the missing elements of capital, technology, management knowhow and, most importantly, an understanding of the importance of fitting production to market needs.

By the early 1980s, Merle and his team were helping to connect China’s exporters with overseas buyers who could fill the huge knowledge gap regarding product features and price points. Hand in hand the Asian Sources team helped each customer and exporter create print ads that would attract suitable buyers.

Supply chain management

Developed in the early 1980s, the concept of supply chain management (SCM) integrated key business processes and closed the link between retailers and suppliers. This ushered in a new kind of competition in the global market, not company versus company, but supply chain versus supply chain. It also led to more specialization in supply.

Li & Fung, a global consumer goods export trading giant, is one example of this trend. The company positioned itself as a global supply chain manager. Its SCM strategy includes a dispersed manufacturing base and a global supplier network. Seeing how SCM helped to fulfill customer demands through the most efficient use of resources, many soon followed the practice. The creation of SCM techniques was a critical underpinning of China’s subsequent export success.

China’s door opens

In the 1980s, China attempted to combine central planning with market-oriented reforms to improve productivity and living standards without exacerbating inflation, unemployment and budget deficits.

As Deng instituted the Open Door Policy, China’s potential as a world trade partner became enormous. Soon, China’s production machine shifted into high gear as special economic zones modeled after Singapore and Taiwan sprung up throughout the country. At this time, Global Sources moved into a larger office in Hong Kong from which the company launched the development of its China business.

During the 1980s, China’s market-oriented reforms led to average annual growth rates of 10% in agricultural and industrial output. Rural per capita real income doubled. China became self-sufficient in grain harvesting. Production of light industrial and consumer goods increased substantially. And reforms were initiated in the fiscal, financial, banking, price-setting and labor systems.

Foreign direct investment (FDI) in the early 1980s was restricted to export-oriented operations and only in a joint venture arrangement with a local firm. FDI rose quickly aside from a brief slowdown in late 1989 in the aftermath of the Tiananmen Square incident. In response, the government introduced measures designed to encourage foreigners to invest in high-priority sectors and regions.

In the 1990s, as retail price wars intensified, retailers started to pass more and more costs to suppliers. Globalization of procurement became a core part of almost every large international business, and international procurement officers proliferated in Asia during the decade.

China also began allowing foreign investors to manufacture and sell a wide range of goods in the domestic market and authorized the establishment of wholly foreign-owned enterprises, now the preferred form of FDI. China is today one of the leading FDI recipients in the world, attracting over US$90 billion in 2009, excluding financial investments.

Another major trend that transformed business was the emergence of the personal computer, and later, the Internet.

Technological revolutions

Despite the recession in the early 1990s, demand for personal electronics was on the rise, the personal digital assistant (PDA) being one example. First introduced in 1992 by Apple Computer, PDAs achieved only modest acceptance due to their relatively high price and limited applications. Later in the decade, with improved software and lower prices, PalmPilot launched its own version, popularizing the technology. When the BlackBerry offered synchronized e-mail in 1999, the PDA was on its way to becoming a mobile office.

Global Sources rolled out ASM eTrade in 1989. Then in 1996, it became the first B2B company to launch an online sourcing platform: Asian Sources Online.

RFID (radio-frequency identification) technology was introduced in the 1980s...
China enters the WTO

and reached the masses in the 1990s. It revolutionized the way suppliers, manufacturers, distributors and retailers track products and inventory, bringing innovative wireless technology and advanced data managing and processing capabilities into the supply chain.

RFID benefits were significant for a range of users, from Wal-Mart to the US Department of Defense, and after the turn of the new century, RFID proliferated. Enterprises across the globe adopted the technology to improve the efficiency of their inventory tracking and management.

China enters the WTO

China’s admission to the World Trade Organization in December 2001 marked a significant step in the development of the country’s exporters. Buyers no longer needed to worry about China’s Most Favored Nation (MFN) status and could now work with Chinese exporters easily and directly.

Manufactured goods were the primary driver of China’s trade expansion. Some 88.6 percent of its 2001 exports were manufactured goods, up from 71.4 percent in 1990. In 2001, it was the fourth-largest exporter of manufactured goods, trailing only the European Union, the United States and Japan. By 2005, China’s total exports surpassed Japan’s, and in December 2009 they overtook Germany’s.

Emphasizing China

Global Sources had begun emphasizing China in the early 1990s. By 1995, the company had a network of 18 representative offices in China, with Craig Pepples as country manager.

“We had to figure out a systematic way to expand, because of the country’s scale,” says Craig. “In the old days, in Hong Kong or Taiwan, a manager would stand up and speak loudly to his team in a single room. But in mainland China, with so many offices, that wouldn’t work. We needed a more standardized approach. We hired people, and trained and retrained them where necessary, trying desperately to find a way to speed up the learning curve.”

The group used a tried and true double-call approach, with experienced executives accompanying sales personnel on client visits. “This was a valuable exercise for all concerned. The minute you talk to someone who is a user of your product, you get the whole picture very quickly,” he says.

Some of Craig’s stories of double-calling on clients in China during this period have become legendary.

Craig:

I was going out on a call with a salesman in February 1995 in Tianjin. It was a rather cold day. We did the whole day riding bikes to see clients – we were so far outside the perimeters of Tianjin that we were almost to Beijing. The clients were stunned. Some salesmen felt that it looked ridiculous. They felt that factory managers wanted to see our executives in a long car with smoked-glass windows, with the foreign expert in the backseat. But that wasn’t what the company was about then, and it is not what Global Sources is about today.

With hundreds of account executives to train, and thousands of prospects to reach, group sales seminars such as this one hosted by Craig were the most efficient way to cover the China market.

Tough trade

As global trade prospered, questions arose as to what constitutes fair trade. Back in the first half of the 1990s, the Most Favored Nation policy and its revocation hung like a sword over the heads of buyers. US trade policy toughened under President Bill Clinton, and Washington used the threat of not renewing China’s MFN benefits each year in an attempt to win con-

While Clinton was in office, the United States was tough on its trade policy with China.
The question is whether there is ever fair trade. In a mercantilistic world, the WTO has tried to create rules and regulations to monitor trade, to give a structure – but it has failed. How has the WTO impacted our business? Here is an example: the textile quota system was used for years and years to determine which countries would be the beneficiaries of a quota, and which would regulate the type and commodity used for a particular textile. But if you look historically, the system regulated the commodities, like cotton or wool, but not the finished product. Then it evolved into a whole bureaucracy created to manage the textile quota distribution system.

Now that sounds great, but the quota bidding was separated from the manufacturing. So if you were an importer, you would have to find who had the quota and then you had to pay for the quota, and then the quota may or may not be available to the manufacturer of your choice. Ultimately, the cost of this was paid for by consumers who paid not only for the product but also for the quota and the shipping costs. So if we speak of fairness, then, for example, if you were dependent on Pakistan for your shirts, you might find yourself without shirts if that country went to war. Quotas were supposed to protect the consumer against upheaval of whatever kind. But it was at a cost to the consumer, because the bureaucracy did not make the best use of appropriate manufacturing assets in the country that could provide the best deal – it was being driven by politics instead.

For many years, the US believed it could use duties, quotas and MFN status to its advantage. But in December 2001 when China, a developing country, ascended to the WTO as a full member, every wholesale importer could feel more assured that the US Congress would not put business in jeopardy by dictating whether China

cessions from Beijing on issues such as endorsement of intellectual property rights. The resulting policy uncertainty affected Global Sources buyers directly. They had to stay ready to rapidly restructure supply and pricing arrangements, should sudden trade tariffs be implemented. Even worse was the constant threat that highly charged negotiations would erupt into a major trade war, with serious consequences for all parties concerned. Despite China’s strong manufacturing ability, buyers held back from committing more orders to the country.

At the same time, trade in Japan was being affected by a fluctuating yen. In early 1993, the US dollar was worth 125 yen and Japanese exporters knew they could not remain profitable much longer. But in the next two years, the yen soared in value. As a result, Asian suppliers that relied on Japan for raw materials and components had to switch to other areas. This presented an opportunity for the many alternative sub-assembly, component and finished goods suppliers elsewhere in Asia, especially China.

International investors continued to pour capital into China, which would raise more than US$60 billion in FDI in 2004 and US$90 billion in 2009. The total value of China’s imports and exports exceeded US$1 trillion in 2004 and soared to US$2.2 trillion in 2009. These are heady figures for a developing country, and are in large part a reward for the country’s commitment to reforms required under its entry into the World Trade Organization (WTO) in 2001.
China enters the WTO

Since joining the WTO in 2001, the Chinese market has opened wider, and people are enjoying a variety of improved and more convenient services.

China was or was not to be a MFN. And the result was a huge flow of orders to China. The impact was even greater than many had expected.

Free trade is a theoretical concept aiming to reduce the tensions, objections and barriers between countries. When there is a loss of free trade between states, consumers suffer. And without the concept of free trade, we would not have the Global Sources that we have today.

China Sourcing Reports are born

As buyers rushed into China, Global Sources needed to take many actions in response, and one example was the launch of a new editorial initiative: the China Sourcing Reports. These special research reports look in detail at fast-moving product lines made in China, and feature a cross section of key suppliers. They also provide buyers with analysis of supply-market trends.

Using proprietary data extracted from Global Sources Online, the company is able to identify fast-growing demand for very specific products out of China, plus a representative sample of suppliers. On-site interviews of factories all over China by editorial team members provide crucial unbiased information for buyers.

As of May 2010, more than 80 reports on specific products had been published. The list of published reports includes Car Security, Car Wheel Rims & Covers, Computer Cases, Connectors, GPS Devices, Power Supplies, Scooters, Sunglasses, WLAN Products and Writing Instruments. Some bestsellers are Vietnam Footwear, Beauty & Cosmetics, Mobile Phones and Lighting & Electricals.

Available for a variety of industries, these market research reports double as sourcing guides and supplier directories, helping buyers source more efficiently and make better informed decisions.

Methodology

To produce these reports, Global Sources surveys a range of companies. All profiled companies are export-oriented professional suppliers, and the selection is designed to reflect closely the composition of the industry in China in terms of geographic spread, business type and ownership. Although mainland China is the main focus of coverage, suppliers from Taiwan, Hong Kong and South Korea have been included in reports where production has not shifted primarily to the mainland. Separate reports on supplier capability in India have covered product areas where that country is a strong supplier rivaling China. There are also reports on capability in Vietnam.

For each company profile, the research team interviews senior executives and export managers, who discuss their recent performance and provide price, R&D, production and export forecasts for the next 12 months. The interviews are done in person, by phone or via e-mail.

All manufacturers are asked to participate in a survey designed to provide insight into product and price trends, and major challenges facing the industry. These are discussed in the Supplier Survey and Outlook sections of each report.

Customized sourcing service

Ever since its beginning, Global Sources has had strong relationships with the world’s largest retailers. By the 1990s, those relationships had deepened, as the company branched out into trade software and the Private Buyer Catalog initiative. The alliance between Global Sources and the world’s leading retailers has given rise to a new source of market research—China Sourcing Reports.
and Agentrics brought even more large retailers into the community. And by the early years of the new millennium, many large retailers were also reading the China Sourcing Reports.

Global Sources saw an opportunity. After some testing in 2004, Global Sources rolled out an innovative series of Private Sourcing Events for some of the world’s largest retailers. “We approached about 60 of our big retailer users in Hong Kong and Shanghai,” says Brent Barnes, Content & Community Development general manager who started managing the Private Sourcing Events in 2005. “It was an easy sell because no one else was doing this in Asia at the time. We would discuss the product sourcing needs with a given sourcing manager and then provide vendor profiles of our relevant advertisers who matched those needs. Then the buyer would shortlist whom he wanted to meet, and we would arrange one-on-one meetings in the location that made the most sense, usually somewhere in China.”

At first there was trepidation about Global Sources’ ability to match merchandisers’ specific needs. But usually, when a buyer tried out the service, satisfaction was high. Each buyer representative would meet four to six pre-selected suppliers each day. “And in most cases they walked out of the event with at least one hot new lead,” says Brent.

The program scaled rapidly. By 2009, more than 2,000 face-to-face meetings were taking place each year between the world’s largest retailers and selected suppliers. Combined annual sales of participating buyer organizations exceeded US$1 trillion, far larger than the size of many national economies. And though many of Global Sources’ competitors have tried to replicate the program, none have succeeded to this scale.

Brent adds: “Our attention to detail is what makes this work – making sure the buyers have reviewed the vendor profiles and selected their suppliers in advance, making sure the suppliers are properly prepared with samples and presentation materials, and of course, making sure the suppliers are capable to begin with. Only our verified advertisers can join the events, and that alone acts to filter out less serious and less experienced suppliers.”

From design to manufacture to export
As China’s economy flourished, Global Sources raised the bar by offering a broader range of services. In 2000, after protracted negotiations, Global Sources and leading American publisher CMP Media formed a joint venture to serve China’s electronics manufacturers and electronics engineers.

Global Sources’ contribution to the joint venture included Asian Electronics Engineer, renamed as Electronic Engineering Times-Asia, and Electronics News for China, which became Electronics Supply & Manufacturing-China. The two magazines were revitalized with additional content from their CMP sister publications. As a sign of the growing sophistication of the times, websites for Electronic Engineering Times-Asia were created in simplified and traditional Chinese, Korean and English.

By creating this joint venture, Global Sources sought to complement its core business – marketing Asian export products to the world – with services that moved in the opposite direction: marketing foreign components and technology to China’s rapidly growing electronics manufacturing industry.

From 2000 to 2010, Global Sources veteran Mark Saunderson was president of the joint venture, which was dubbed eMedia Asia.

Mark:
By 1995, we had launched a semiconductor show called IIC China, the precursor to all our other trade shows. We were distributing two magazines in China, Asian Electronics Engineer and Electronics News for China, as they were known then. We saw the opportunity to bring the semiconductor vendors much closer to their market.

But because Chinese engineers did not have travel budgets for shows, we had to take the content to our audience. So we’ve always had a multi-city tour with IIC. Today the show has five locations, and many of our customers go with us to all of them.

I remember, at one of the early shows, being in a booth with a crowd 30-deep registering for our magazines, and then seeing engineers who got the magazine sit down and literally go through every single page. It was a motivating experience for a publisher! There was no shadow of doubt that the media was being consumed in earnest.

When I did sales calls in the US at the time, I used to put a map on the table because, for many people,
China enters the WTO

Shenzhen, Shanghai and Chengdu were entirely unfamiliar names. For most of these companies, their largest markets by far were the US and Europe at that point.

On one of those sales trips Mark met with Steve Weitzman, an executive from CMP, a private but well-known US trade publisher that later was to be acquired by United Business Media. Steve was curious about opportunities in China. A year later, he came back to Mark saying that all his research seemed to lead back to Global Sources. Steve suggested the two sides should work together.

Mark recalls, “It was one of those situations where you think: we can collaborate or we can compete.” The result was a 60/40 equity joint venture in favor of Global Sources.

Mark: We knew the pitfalls of China, the difficulties of publishing and selling. But from their perspective, we were freshmen in terms of content and editorial and deep technical expertise. So as part of the JV, we licensed their content as an editorial feed for our products. For them, the immediate advantage was an instant foothold in China for their EE Times brand, which we used as the English name of our publications.

The JV has been healthy and profitable and continues to be so. But managing with a partner has been a learning process. At the beginning, I remember sitting in London for a week, literally working 24 hours a day, going backwards and forwards with our partners and their respective lawyers on the JV draft agreements. It was laborious and painful, but it has held us in good stead.

In 2005, the joint venture partnered with Penton Media, another American publisher, to launch Electronic Design-China, further fleshing out the breadth of the JV’s Chinese-language services for electronics engineers. “Where EE Times-China offers news, opinion and industry analysis centered on product design, Electronic Design-China aimed to give China’s design engineers the breakthrough technology and technical information they needed to complete projects and stay competitive,” says Mark.

China Global Sources Online
Global Sources spent many years building its role as a facilitator of B2B trade in the Greater China region with two distinct segments of service. The first segment is the core business: facilitating trade from Greater China out to the world with English-language media. The second segment facilitates B2B trade in the other direction, or from the world into China, primarily with Chinese language-media. There is also China to China.

China Global Sources Online is the B2B portal created specifically for the China-to-China market. “I think the China domestic demand is holding up quite well. It is not having the implosion that we have seen in the West,” Merle says. “Even before we launched this we had a lot of prior participation from companies such as Acer and Alcoa. Currently, we have about 115,000 verified and unverified suppliers, who are providing about 1.4 million product offerings, and the RFI activity has increased by 300 percent.”

A road not taken
As early as the mid-1990s, Global Sources had considered a China domestic site serving the electronics industry, but had not pursued the idea since prices were extremely low and the market soon became crowded. But in HC International, Global Sources saw an opportunity to kick-start its entry into a wider arena of China-to-China business, via investment.

The ultimate objective was for the two companies to become one. But at first, the focus was on how well the two sides could leverage their respective resources for the benefit of both.

The vision was appealing: to provide a full range of services to China manufacturers – those wishing to export or import and those engaged in purely domestic business.
China enters the WTO

Commenting on why the relationship did not go forward, Craig Pepples says: “HC offered a unique complement to Global Sources. They had print magazines as well as industry-focused websites for the domestic side, and would have provided the missing piece of the China B2B equation. Though a public company listed on the Hong Kong exchange, HC was a Chinese family business at its core. There was a complete cultural difference between the two sides. At HC’s operation in Beijing, the CEO and his nephew and his nephew’s wife were all key decision makers. Fortunately, our deal was structured to include a getting-to-know-you phase, and I was the leader of this pilot team from the Global Sources side.

“It was a great learning experience, and we realized before it was too late that this wouldn’t work. In many ways, HC and Global Sources had much philosophical common ground. HC remains today as an entrepreneurial company that is very cost-conscious and focused on industry verticals. They have always had great inventiveness and imagination. But despite all the commonality, we decided to move on from the relationship.”

The deal was the result of long and careful evaluation by Suzanne Wang, vice president of Corporate Development and Investments. She had joined Global Sources in 2003 with the express purpose of assisting Merle in locating new investment and acquisition opportunities, and she was the main architect of the deal that concluded after midnight one evening in May 2006.

Under terms of the agreement, Global Sources paid approximately US$10 million to acquire a 10 percent stake in HC International. Global Sources also took an option to increase to a 35 percent holding, if HC met certain performance targets within one year. By exercising that option, under Hong Kong law, Global Sources would trigger a public offering to acquire all the outstanding shares of HC.

After the two sides decided to part ways, Global Sources sold its 10 percent back to another HC investor in December 2007. “The project required huge effort on all sides,” says Craig. “But it prepared us well for other partnerships and acquisitions in China that have happened since. Moreover, we were lucky enough to meet Connie Lai, HC’s CFO. She joined us after we finally sold our shares. And now she is CFO for Global Sources.”

A different model

The venture with HC also indirectly resulted in a completely new sales channel for Global Sources. In July 2005, Jackson Lai, chief representative in Beijing, interviewed a young Canadian named Cameron Walker for an executive assistant position.

Cameron remembers: “I got a call about a week later from an American, Brandon Smith. He interviewed me in Chinese by phone from the US. I thought, wow, this is something I want to be part of!”

Early on, Jackson involved Cameron in documenting some of the HC sales process, including an HC team of telephone sales people selling low-priced domestic B2B websites. By late 2006, Jackson had a new project to discuss. Cameron recalls: “He told me to come into his office and said, ‘The company wants to start a telesales team in Shenzhen, and Craig thinks you’re the right person for the job. What do you think?’” Three weeks later, Cameron was in place in Shenzhen trying to learn everything he could. He attended an industry conference in Shanghai the following March.

“Most of it was customer service-oriented: credit card centers, bank centers, mostly call-in instead of call-out,” Cameron says. “But there were a few people who were calling out, and I pulled them aside because I wanted guidance on what we should do. I told them our plan. We wanted 50 people to sell our marketing products over the phone, and by the way, the price is at least 60,000 yuan per contract, or...”
China enters the WTO

about US$8,000-9,000. And these experts just laughed at me. They said you can only sell up to a few hundred dollars over the phone.”

Unfazed, Cameron went on to hire and train a small team of 15 sales people, who signed a few contracts during the summer. But the breakthrough came in November, when 80 contracts were signed, and then the next month, after Global Sources reduced the price of its entry package, the team signed over 100 contracts. “It was crazy,” says Cameron. “We had only 17 sales people. The fax machines were running out of ink!”

By the next October, the Telesales team had relocated to a large call center office in Xi’an, a location selected after a detailed search throughout China. Cameron had moved again and taken with him a few other transplants from the Shenzhen pilot team. One of them, Meely Chang, is now Telesales manager for the traditional export business of Global Sources.

“I remember our first trip to Xi’an for interviews,” Cameron says. “We didn’t have an office, so Meely and I sat in a hotel lobby café with different candidates coming in every half hour. When I moved here in February 2008, the heat wasn’t on in the office, so we were typing on the computer with gloves on, for a month, until it got a little bit warmer. And then the renovation was done, and we moved up to this gleaming 2,000-square-meter office, a whole floor of an office building.

“We started from scratch, trying everything we could think of. Probably we had more failures than successes. But after three years, we have 200 people selling various products over the telephone in Xi’an. So some things have gone very right.”

Meanwhile, the company’s trade show side was also aggressively expanding its own telesales teams with similar success.

As the China Administration and Regulatory Affairs group general manager, Sandy Ng is driven to build a strong middle management in China to ensure successful operations.

together since August to bring this department together,” Cameron says. “It’s another start-up. Global Sources has been around for 40 years, but this particular department is not even three years old. I have been working very hard, and so have Meely and Frank, but it doesn’t really feel like that, because the sense of accomplishment is there. My life in Xi’an does revolve around Global Sources. A lot of my friends are in the office, but it’s exciting being here and seeing this thing grow.”

Cultivating professionalism

The Xi’an operation may be reminiscent of the company’s early developments in China, but Global Sources indeed has come a long way since the early 1990s when Craig began building the first network of offices.

He reflects: “Our center of gravity has shifted. Now two-thirds of the Global Sources worldwide team is in China, and the human resources and labor environment is very specific to the culture there. We had to integrate the expectations of that culture, and the local regulations, into our own corporate culture.

“We can be proud of what we have built. I remember Sarah visiting me in Shanghai and keeping her coat on because the meeting room was so cold. We went through a lot of cheap offices before we bought our own offices that we have today. Sandy Ng has been responsible for many of the acquisitions of property and decorating rented offices during our expansion in China. At some point we had to convey our
China enters the WTO

corporate standard – imprinting elements of that standard to all our workplaces.”

From his famous frozen-bike ride through Tianjin to his freezing office in Shanghai that he called “the rat hole,” Craig has seen the phenomenal growth of the China market. “We have our team of people, who are not old, that we call the ‘China old timers,’” he remarks.

“This group includes Lisa Li, general sales manager for the China Sourcing Fairs in Guangdong; Chen Li Yun, sales manager for the China Sourcing Fairs in Xiamen; Catty Ren, general manager for South China sales; Jenny Lee, general manager for North China sales; Chen Jian, general manager of East China sales; and Anita Qu, corporate marketing manager in Shenzhen. And there are many others.

“They have shared their wisdom with countless trainees, and are dedicated to building a generation of professionals who are bringing the company and its Chinese teams into the 21st century,” Craig says. “In my early days in the Shanghai office, I personally interviewed every job appli-
cant. Flush forward to 2010 and you will see a number of these people have grown up and become part of the fabric of who we are. Nothing could be more satisfying.”

The future

Today, everywhere you turn, China is heralded as the next big global player. There is no question the country is on the rise, but there is a question of how long will it take for this “economic miracle” to reach a plateau.

Although growth over the past 30 years has been tremendous, but to some degree China has been compensating in these three decades for the time it spent in isolation from the world economy in the first part of the twentieth century. Now that China has caught up, what will happen next?

Other countries, especially Brazil, Russia and India, also benefited from the world’s growing appetite for imported goods. By 2010, the balance of economic power has undergone significant changes.

The future

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Other countries, especially Brazil, Russia and India, also benefited from the world’s growing appetite for imported goods. By 2010, the balance of economic power has undergone significant changes.

Instead of dwelling on the problems, the Chinese government and exporters should see this as an opportunity to move to the next level.

By providing more value-added services and focusing on profitable industries, Chinese companies can stay competitive. The suppliers that are ready to take on this challenge will survive. Those that are not will be left behind.

As China’s companies face new challenges and increase their potential for success on the global playing field, Global Sources will continue to do what it has always done: support its suppliers in driving growth, developing new markets, and moving up the value chain by offering the most effective and comprehensive channels to attract high-quality buyers.

This has been the company’s mission for the past 40 years, and it will continue to be in the prosperous 21st century that lies ahead.

At the long service awards held in November 2009, Global Sources Board of Directors and senior management honored team members in South China who have contributed to the company’s four decades of steady development.
“We are a long-time advertiser with Global Sources and currently utilize the 6 Star Package, the highest service ranking. Global Sources’ sales team is very thoughtful and detail-oriented. They visit our company every month, providing professional and quality services, building on the solid foundation of our cooperation.”

Tony Pan
Sales & Marketing Director,
Shuoying Digital Science & Technology (China) Co. Ltd

Shuoying Digital Science & Technology (China) Co. Ltd
Shenzhen, Guangdong Province, China
www.globalsources.com/shuoying.co

Company growth

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Working with Global Sources continuously since 2001
The heat of battle

I have been up against tough competition all my life. I wouldn’t know how to get along without it.

– Walt Disney

If you know your enemies and know yourself, you will not be imperiled in a hundred battles; if you do not know your enemies but do know yourself, you will win one and lose one; if you know neither your enemies nor yourself, you will be imperiled in every single battle.

– Sun Tzu

From the very beginning, Asian Sources, and later Global Sources, was awash in a blustery sea of competition. After Ray Woodside’s death, the new Japanese owners of The Importer were unwilling to trust the judgment of their foreign executives. “So, we responded in the time-honored tradition, going into competition with the well-established title we ourselves had worked to build,” Merle recalls. “We did not intend to duplicate the old publication, trying instead to create more specialized media to serve the increasingly specialized industries of Asia’s new developing markets. As a result, our publications were much less Japan-centric than The Importer had been.”

Forty years later, Global Sources has itself become the training ground for numerous startups. Almost every large and small media company in Asia has executives on staff who spent at least a few formative years training under the banner of Asian Sources or Global Sources. “We have spawned a great many private and public competitors,” Merle acknowledges.

But at the beginning, the region’s large quasi-government trade bodies posed a far greater threat than did spinoff competitors, who at least start out small. “In the late ‘60s and early ’70s, I made presentations many times to the Hong Kong Trade Development Council on how we could be of assistance to their publishing efforts,” Merle remembers. “But it fell on deaf ears in Hong Kong. In Taiwan, however, we were welcomed by the CETDC (China External Trade Development Council, now known as the Taiwan External Trade Development Council or TAITRA), which has provided us various kinds of sponsorship and assistance over the years.”

Big government

Throughout Asia’s newly industrialized economies, proactive governments created departments to promote outbound trade and in-bound investment. In 1951, Japan established JETRO (Japan External Trade Organization). The Korea Trade Promotion Corporation, or KOTRA, was set up in 1962. Hong Kong had created the TDC in 1966, and Taiwan followed with what is now TAITRA in 1970.

Each of these bodies built a network of overseas offices to gather market information for exporter constituencies back home. Hosting conferences and publishing research were natural subsequent steps. And in most cases, the temptation to branch out into commercial trade show and trade magazine businesses proved impossible to resist, given the potential revenues that would defray government cost budgets. Trade shows in particular provided easy entry for the government bodies, since in many cases they were in charge of exhibition and conference venues.

“We were not able to get into the trade show business before 2003 because no venues were made available to us in viable time slots,” Merle says. “Almost all venues were managed by government-related bodies. Those bodies that also moved into publishing were quite wary of us. The TDC and even the CETDC in Taiwan would not afford us the same level of distribution at their trade shows that they gave to their own publications, or to publications from Europe and the US.”

In Hong Kong, the TDC’s publishing closely followed Asian Sources’ every move, and quickly became a significant competitive challenge. Having joined in 1978, Spenser Au, now deputy CEO, remembers those early days.

Spenser:

We positioned the Asian Sources magazines as presenting regional content for worldwide buyers. Unlike a Hong Kong government body, whose domain and statutory role is to promote Hong Kong products, our role was to promote the whole Asian area, helping buyers compare products, prices and capabilities of different regions.

This gave us one advantage in competing with the Hong Kong TDC.

Every ad that appears in Global Sources trade magazines goes through “the secret service” – a group of experts responsible for gathering detailed unique selling points (USPs) from our clients and ensures that their USPs are effectively reflected in their ads. As stated in an ad campaign from the early 1990s, this group also provides faster and more professional ad design and production service to clients, which generated more buyer interest and more requests for information (RFIs).
The heat of battle

Our second strength was our specialization. We had several titles, Electronics and Electronic Components for example, whereas the TDC produced only one magazine called Hong Kong Enterprise, which still exists today. But it had all types of products in one magazine.

The TDC was well aware of our advantage. While they could not change Hong Kong Enterprise, because it was already well-known, they began to launch specialized magazines. The first one was called Hong Kong Housewares. It was a shock for our operation.

Our sales team became galvanized with purpose. First we talked to our advertisers to ascertain whether or not they were using the new publication. We asked the sales team to check every one of our Hong Kong customers. We explained to them the differences between Hong Kong Housewares and our Asian Sources Home Products. There was a long list of differences.

As soon as the TDC’s new publication hit the streets, we got our copies and raced back to the office. Our whole sales team looked at each advertiser, identifying whether it was a hot prospect or not. We tore out the ads and distributed them to our account executives, and we called on each of those advertisers within a week. It was a tense time for us. But we turned our negative concerns into positive action.

We looked at the products in the magazine. We looked at their circulation strategy, and it appeared they merely distributed their household magazine to buyers at their shows. That was a big difference, because our circulation strategy was focused on quality readership with a component of paid subscription.

As sales manager of Asian Sources Home Products, Jackson Lai was our sales team leader at the time. He kept the team on track aggressively. And our sales team’s efforts were rewarded, as many clients with Hong Kong Housewares ended up moving to advertise in Asian Sources magazines. We gave Hong Kong Housewares a great deal of pressure.

Our strategy had worked. Within about 18 months, Hong Kong Housewares ceased. That was our victory.

In Merle’s view, the TDC’s strong commercial publishing and trade show businesses curtailed Hong Kong’s private enterprise in these sectors. But he was unsuccessful in airing this opinion. Several vigorous letters to editors on the subject did not make it into print in Hong Kong’s mainstream media. “I became persona non grata,” Merle remarks wryly, “not because I was wrong, but because the media were probably afraid they would lose the TDC’s show advertising budget if they printed my letters.”

TAITRA, the TDC’s counterpart in Taiwan, was less involved in publishing, and as a result that market teemed with private publishing operations of all stripes and colors. Some were highly creative. One firm set out to compete on the basis of quick delivery to readers overseas, shipping publications by air while the Asian Sources titles shipped by sea. “They printed on tissue paper to reduce shipment costs,” Merle recalls, “but the publication ultimately failed because of poor-quality photo reproduction. Product image quality is always critical for international buyers.”

Confusing options
Publishers and government bodies were not the only competition for Asian Sources. To some degree, suppliers also compared trade magazine advertising...
The heat of battle

with corporate identity or brand promotion services offered by various consultants and advertising agencies.

“Advertising agencies would approach our clients under efforts to persuade them to switch to a brand promotion strategy using TV or other mass media in outlet markets such as the US or Germany,” Merle reflects. “A lot of money would be spent, but for the most part these efforts were not reaching the right audience of direct importers.”

Since these agencies specialized in creative design for mass consumer markets, their recommendations were often at odds with the principles of effective business-to-business advertising design espoused by Merle and his team. “Teaching our prospective advertisers what works and what doesn’t work in business advertising continues to be a challenge today,” Merle remarks.

Even without the influence of such agencies, many suppliers hoped to reach outlet markets more directly. Some chose to join overseas exhibitions at great expense, only to realize later that those shows attract a mixed audience of buyers who imported and buyers who only sourced locally. “We had to contend with a lot of confusion about promotion strategies, confusion about how to promote, who the right audience was, as well as when to promote – in short, the importance of consistent and continuous exposure in the market,” Merle explains.

Prohibition and inertia
Many larger retailers were very clear about the power of promotion, however, and as a result prohibited key suppliers from any external advertising in the hope of keeping them captive. This posed yet another obstacle for the Asian Sources sales team.

In newer markets such as mainland China, and even in the early days of the Four Tiger economies, the Asian Sources sales team also fought against suppliers’ own sense of inertia. Advertising successfully is hard work. Converting incoming buyer leads into orders also takes time and effort. That work became even harder since many suppliers, especially in mainland China, evolved from a production background, not a marketing background.

Changing patterns of regional trade also created pressure. “As we moved from Japan into Korea and Hong Kong, advertisers would cancel ads when they saw similar products appearing from more competitive supply bases in new countries,” says Merle. “This meant we were cannibalizing our old markets by moving into new markets, yet we had no alternative but to follow the trade.”

The big brother in Taiwan
In the 1980s, business in Taiwan was booming and competitive publishers were legion. For local Taiwan competitors, Asian Sources was differentiated not only by its professional, Western background but also by its very strong products. Asian Sources Computer Products contained almost 1,000 pages of advertising each month and was known as the bible for the trade. The company’s sales team would tell clients, “If you don’t know Asian Sources, you are not in the trade because all the active exporters and manufacturers in Taiwan use Asian Sources.” In the computer product arena and the electronics sector, Asian Sources was the leading trade media.

As Spenser recalls: “Our Taiwan sales team was very strong. Asian Sources was far ahead in the Taiwan market, and not affected by the price wars raging among the local competition. Asian Sources was acknowledged by its competitors as the ‘big brother.’” But before long, some Asian Sources employees would try out the business for themselves.
The heat of battle

The first knockoffs
In the mid-1980s, Johnson Leung, a rising star on the Asian Sources sales team, decided to resign and try his hand at trading, together with a couple of other team members. But the endeavor proved harder than it had looked from the outside.

"Within six months of his departure from Asian Sources, Johnson was back in the publishing business with two titles, one in the finished electronics sector called MBE and the other serving components called MBO," Spenser remembers.

"Johnson's circulation strategy was built around heavy distribution at trade shows, and his magazine folio size was extra large to give more play to suppliers' design whims. It's as if this was his chance to indulge in every salesman's wish about what they think trade publishing should be," Spenser adds.

The salesmen were keen on using extra show distribution as a point of urgency to close advertising contracts. But they were not enthusiastic about Asian Sources' advertising design standards that set it apart from the competition. Similarly, they were not excited by Asian Sources' insistence on consistent, consecutive advertising insertions. "Of course, advertising design standards were hardly a key priority, but to his credit MBE and MBO lasted about 10 years," says Spenser.

Johnson was not the only competitor to spin off from Asian Sources. In the late 1980s, another enterprising ex-colleague tried his hand at a series of publications called Trade Sources. This operation spent heavily to prepare for an initial public offering during the heady days of the dot com boom in Hong Kong, but ultimately the offer failed.

"These look-alikes faded away for various reasons," says Spenser. "Most relied on cutthroat pricing and deals, and did not focus on making export advertisers successful by providing value to buyers. Running a media business is not straightforward. You need a background in both the buy side and the sell side. You also need passion and a sense of mission."

Copying at Internet speed
When Asian Sources first began designing for the Internet in the mid-1990s, the early Web browsers were themselves designed around the user inputting a Web address directly. Search engines had yet to steal the limelight.

The first B2B Web applications were simple listings of supplier websites and related information. “There had to be a critical mass of content before the Web would work for trade,” says Merle. “But the real barrier was inertia. Suppliers and buyers were happy with the fax machine as that was cheap and simple to use.”

The Internet did not really take off until Google and Yahoo created pervasive and comprehensive Web-search tools that served as the starting point for most users browsing the Web.

“Search engines compete with us to a certain degree,” Merle continues. “The pay-per-click model of ranked listings is somewhat competitive, but that model only really succeeds for the top 15 or 20 suppliers in a given search result. As mass media, search engines are also far less targeted than pure business-to-business platforms.”

In 2007, China exporters faced enormous challenges, including increased material and labor costs, an appreciating renminbi, elevated awareness of social responsibility and higher quality standards. Under the theme of “Are you ready?” the company communicated the benefits of advertising to Global Sources’ quality buyers through its multiple channels. Working with quality buyers proved to be the right strategy to meet the challenges China exporters faced in 2007 and remains as valid today.
The heat of battle

When Asian Sources became the first online catalog that was searchable by product, Merle had created a paradigm that would be adopted by others, including the TDC. “Aside from keyword search results on a single page, we wanted to give buyers the ability to inquire easily to all relevant suppliers of a given product type. To do this, we needed a product ontology or hierarchy that let buyers drill down level by level to find products of interest. Rightly or wrongly, our direct competitors all copied this type of search structure.”

As the dot com bubble expanded, online competitors proliferated. Only some remain today, however, including Alibaba, Made in China, Global Market and the TDC.

Although successful today, Alibaba had a difficult birth. After burning through cash from initial rounds of funding, at the eleventh hour founder Jack Ma rallied several major investors to ensure Alibaba’s eventual growth. In 2004, he raised US$82 million from Japan’s Softbank in the largest private equity commitment ever in the mainland China Internet sector. Masayoshi Son, president and CEO of Softbank, commented at the time, “Alibaba has the potential to become another extraordinary success like Yahoo.”

As an early backer of Yahoo and Yahoo Japan, Masayoshi Son also secured technology support for Jack Ma, and the new funding allowed Alibaba to aggressively expand Taobao, a mainland China domestic consumer-to-consumer auction site launched in May 2003. Taobao has since become the most popular online marketplace for Chinese retailers and individuals and is nicknamed the Chinese eBay.

In January 2005, the company launched new sales packages under the theme of “Soaring Dragon.” This was a further shift towards using more Chinese design elements in marketing communications. The dragon is said to bring good fortune and has many characteristics in common with the company itself. Within six months of the launch, more than 680 contracts had been signed – a 55 percent increase compared to the same period in 2004.

Capitalist tool

Alibaba’s concept from the beginning was a populist one, very different from Global Sources’ aim to connect capable exporters with the world’s best buyers. The Alibaba concept was simple: create a website for small to medium-sized export businesses hoping to sell products to the world and to China at a low price, and create a China-to-China consumer marketplace of products, building volume from small orders.

In its bid to support both Taobao and its new B2B site, Alibaba began to build its brand in China with huge advertising campaigns, sparing no expense. The highway overpasses of Shanghai were lined every few meters with flags waving the Alibaba logo. Alibaba also built an extensive sales network in China that soon reached most cities, starting not from the major centers like Beijing and Shanghai but from second-tier cities.

Spenser:

In mainland China, there had not been much serious competition, but Alibaba presented a different kind from what we had experienced with the TDC in Hong Kong and with players in Taiwan. This local player in the mainland was different because of the Web.

If Alibaba had started back in the 1970s, they would have had to develop circulation. They would have needed to know where the buyers were to build
The heat of battle

In the early days of launching its website, Global Sources had many concerns, one of which was sustaining the quality of product information. The company also needed to price the new Web services in a way that would not cannibalize its print revenue.

For many years, Global Sources’ position had been not to reduce advertising rates as doing so would likely bring in less-capable exporters, diluting the quality of the supplier community. Competitors with little to lose chose the opposite approach, offering online services at much lower price points. Their strategy was to compensate for the lower quality of their suppliers with the sheer quantity of information available online.

Quality or quantity?

For a long time, Global Source’s lowest rate had remained at 80,000 yuan per year. This gave the company access to a certain group of suppliers, screening out the bottom end. But when Alibaba set its price point at 50,000 yuan, it could attract Global Sources’ suppliers and also a different group of suppliers who were unable to afford the rates of Global Sources. Because Alibaba also accommodated a large quantity of suppliers, it became attractive to buyers as well, even though they knew suppliers there might be less qualified than the smaller selection available from Global Sources.

Some Global Sources’ suppliers also started contemplating whether they should pay the higher rates. As a result, the company finally made the dramatic decision to reduce the price of its entry package to 40,000 yuan in 2007.

Then, in the wake of the 2008 financial crisis, Alibaba dropped its rates further to about 20,000 yuan. Alibaba did not present this as a price cut, saying instead that government subsidies were paying for one-third of the original price. Alibaba itself would pay another third and the exporter would only need to pay the remaining third. The response was massive, swelling the base of Alibaba’s export customers, which as of early 2010 numbered more than 100,000.

Spenser recalls that challenge: “In our planning discussions, we asked ourselves, ‘How far do we want to take this price war? What is our bottom line?’ We decided not to go below Alibaba because that would be too low and would end up taking us into another business entirely. We moved our prices for our entry level package back up to 40,888 yuan.”

Recommitting to quality: GSOL 2.0

While the price war raged in the front lines, big moves were under way in the Global Sources back office as well. After months of preparation, October 2007 saw the
launch of Global Sources Online 2.0, or GSOL 2.0. The new version of the website was built around four major points of differentiation: specialization by industry, comprehensive search results, verified suppliers, and supplier rankings.

Specialization referred to the depth of industry information in each of the website’s vertical portals. An additional search result tab gave buyers a comprehensive list of “unverified suppliers,” an exhaustive directory of product images collected from all over the World Wide Web. Global Sources’ paying supplier customers were distinguished as “verified suppliers,” since they were contacted intensively by the company’s sales representatives and client service officers. Third-party credit check reports and supplier capability assessments were also provided on verified suppliers.

In addition, Global Sources’ suppliers were given rankings of from one to six stars according to the extent of product and company content they provided. Product images from higher-ranking suppliers were displayed first in search results. This system allowed suppliers to start differentiating themselves based on the depth of their company profiles, not merely by purchasing a higher search position.

The timeliness of this launch was uncanny. Alibaba and other lower-end players were adopting a search engine model of dropping prices to accumulate more and more suppliers. At the same time, the total number of China exporters was growing exponentially, and some of the new entrants were less than experienced. The turning point came in August 2007 when Mattel, maker of Hot Wheels and Barbie, announced the recall of nearly 1 million toys found to be covered in poisonous lead paint. The products all came from a contract manufacturer in Guangdong. This was the largest of several such incidents that year. Factories in China had previously been tagged as the source of poisonous pet food sold in stores in the United States, dangerous car tires, and lead paint on the popular Thomas & Friends wooden toys.

 Buyers became desperate to identify quality suppliers. Within a few months after GSOL 2.0 launched, Global Sources’ competitors tried to follow suit with various approaches to third-party verification and confirmation, but none had the rigor of the Global Sources system. Moreover, none of them applied the finest filter of all: a high advertising price point that only the more serious suppliers could afford.

Merle:
Our site is not about the electronic Web media. It is about the quality of our content offered in a context to fit the buyer’s specific needs. I am as sure of this now as I was the first year we launched the site. But many competitors do not take responsibility for the quality of their content. They accept whatever the advertiser wishes to post, even in some cases when the content is in violation of copyright or other intellectual property rights. But if the database does nothing more than aggregate all the erroneous information or wishful thinking of a supplier, its own viability is questionable. What has happened to the digital revolution? There is such a fascination with the quantity of content and the speed of delivery that most people seem to have forgotten about verification and accuracy and completeness.

When we launched our site on the Internet, we were the first to offer a searchable database. We designed a product-centric database so that the first thing the international buyer sees is a range of products.

Import buying power is highly concentrated. US Customs data indicates that about 20% of importers, or approximately 60,000 companies, purchase 75% of finished products imported into the US each year. Similar unequal distributions are found in other developed markets. Global Sources aims to recruit large and influential buyers into its buying community, the Private Sourcing Events being one example of this approach.

The combination of online marketplaces, magazines, trade shows and Private Sourcing Events addresses exporters’ three primary objectives: lead generation, brand differentiation, and winning orders. While online marketplaces generate large volumes of inquiries, it is hard to guarantee their quality. By including magazines, trade shows and Private Sourcing Events in its offerings, Global Sources helps suppliers qualify sales leads more directly and facilitates their conversion into actual sales.
The heat of battle

Doing this dictates a structure built on deep understanding of the merchandiser. Merchandisers depend on product attributes to define a unique and ultimately profitable product. In the Internet age, keyword searching on product attributes is successful only if they are included in the product description to begin with.

“This sounds simple but it’s not,” says Merle. “Not everyone tells the truth. Not everyone is committed to keeping the information fresh. But having been in the publishing business for so long, we knew the key was to make a quality presentation of the detail. Many suppliers thought all they needed in an ad was their company name, their logo and a price. They didn’t appreciate that buyers can only make their decision based on a great deal of additional information.”

In 2010, the direction that started with GSOL 2.0 is being enhanced by clearer integration among all the Global Sources media channels: print, online and trade shows. Special magazine Show Issues have been created to reach buyers attending the company’s China Sourcing Fairs. Product galleries at the shows feature new releases from five and six-star suppliers that are not yet show exhibitors.

Combating piracy
The Internet upset the balance of B2B media offerings by providing massive amounts of new content. The falling price of advertising further lowered the bar in terms of supplier quality, but buyers still require content to be qualified and that acts as a counterbalance.

Craig recounts a story from 2009: “The head of China purchasing for a major European retailer called in representatives from a competitor and from Global Sources. He brought them to his office in Shanghai and interrogated them saying, ‘What are you doing to control counterfeit labeled products on your site?’ The competitor’s representative replied, ‘We are working to correct this problem.’ The Global Sources representative said, ‘We always try to take down problematic products that are brought to our attention.’ The buyer then turned to his computer and did searches for ‘Polo Ralph Lauren’ on both sites. The Global Sources site showed a number of results, including suppliers who were proud to have worked for Polo Ralph Lauren. The competitor’s site showed 300 pages of results, mostly for ‘Polo Ralph Lauren’ products made in China. The buyer angrily turned back to the competitor’s rep saying, ‘It looks like you still have a lot of work left to do.’

Qualifying buyers
To maintain its position at the high-end of the industry, Global Sources has taken steps not only to verify suppliers but also to define the types of buyers that it serves.

Merle:
If the buyer pays to get on a transcontinental plane to Hong Kong, this indicates a serious commitment to trade. I was prepared to risk moving into trade shows because I saw if you have no way to qualify the supply side, you should find a way to qualify the buy side. Shows do provide a natural filtering of buyers, one that every supplier visiting a show can understand. This is also what we do with the Private Sourcing Events.

There is no qualifier for online media on either the buyer or supplier sides. The buyer’s decision to purchase is not resolved by the online media any more than it was by print, because the buyer must look at the product, touch it, feel it, before he can make sure he can resell it at a profit. That means the buyer must inspect a sample of the product and visit the supplier directly to get a more complete overview of both product and supplier.

We are now approaching an inflection point. There is a realization on the part of buyers that content online is full of holes. Some in the US and Europe point to large low-cost B2B sites as the biggest source of counterfeit products being imported into their countries.

Lower-cost competitors do not feel they need to take ‘responsibility for quality. It’s not part of their ethos. Their view is ‘buyer beware.’ When our competitors took the approach of offering online-only service at low prices, they knew that because of search engines, there would be a huge volume of traffic and by extension, a huge volume of response to suppliers. Suppliers in China were perhaps less sophisticated at the time, so they evaluated only on the basis of quantity without thinking about the quality of what they received. And this was sustained for some years.

In any case, over the past 40 years, Global Sources has provided quality, depth and variety of content, and immediacy.

Competing in the market is not about media. It’s about fulfilling the needs of our buyer customers. By doing so we can fulfill the marketing need of our supplier customers. Both customer groups are critical and equally important to us.

Our relevancy to trade and our financial success depends on our ability to understand and meet our customers’ needs. And these needs will continue to be very dynamic.
“We have averaged 15 percent annual business growth in past years because of Global Sources, which opened the door to international sales as a great marketing tool for us. We can easily catch the development trends to keep our products active in meeting customer needs. Global Sources is indispensable.”

Black Hung
Vice President, Taiwan Carol Electronics Co. Ltd

Company growth

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Working with Global Sources continuously since 1981
On reaching this country, [the Carthaginians] unload their goods . . . tidily along the beach, and then, returning to their boats, they raise a smoke. Seeing the smoke, the natives come down to the beach, place on the ground a certain quantity of gold in exchange for the goods, and go off again to a distance. The Carthaginians then come ashore and take a look at the gold; and if they think it represents a fair price for their wares, they collect it and go away . . . There is perfect honesty on both sides; the Carthaginians never touch the gold until it equals in value what they have offered for sale, and the natives never touch the goods until the gold is taken away.

– Herodotus, quoted in A Splendid Exchange by William Bernstein

After resigning from her position as CEO in 1999, Sarah joined the Global Sources Board of Directors. She did not stay out of the fray for long.

Sarah:
As a new convert to the Internet, I spent lots of time sitting at home surfing the Web, looking at what was happening in our industry. And I got very interested in B2B online auctions. As a director, I kept writing to Merle to ask, “What are you doing about auctions? You really should hurry up with auctions.” In the end, he said to me, “Well, if you’re so keen on it, why don’t you come to Hong Kong for a couple of months to figure it out and make a proper recommendation?” And that I did.

We ultimately decided not to proceed with auctions, but the idea came up for moving into trade shows in a big way, and I was asked to help make sure the show division was successful. Bill Janeri, who was in charge of shows then, came up with the name China Sourcing Fairs and that has certainly stood the test of time.

Our first show opened in Shanghai in 2003 with just a few hundred booths and revenue of US$1.3 million. This year, our revenue will be close to US$60 million, so it has grown very well. And we are looking forward to pass US$100 million in the not-too-distant future.

The Shanghai show succeeded for several reasons. First, with the shift of interest toward China, buyer travel patterns were changing. China was still relatively new to many of them. And, Sarah adds: “Global Sources had excellent relationships with our buyers through our magazines and websites, which we leveraged. We told buyers, ‘Now we’re in the shows business. Please come to our shows as well.’ And they came.”

Even so, the scale of the investment was significant. And the sleepless night before the first show has become legendary. Several executives from the show division ran into each other while pacing up and down hotel corridors that night, worrying, “What if the buyers don’t come?”

With the success of the first show, Sarah and the team became very aggressive. In the second year, the Electronics & Components show was held in both spring and fall in Shanghai, and the Gifts & Home Products show was launched
as well, and revenue passed US$10 million. Things were just beginning to get interesting.

Sarah:
Around this time, we heard that Hong Kong was planning a new exhibition center. And we quickly started speaking to the management of that center. We were in fact invited by Invest Hong Kong to move our trade shows from Shanghai to Hong Kong. We tendered for space at the new venue, AsiaWorld-Expo, and our bid was successful.

So in 2006, we moved the shows from Shanghai to Hong Kong and began operating on a much, much larger scale. This was the largest single commitment made by the company up to that point, the biggest contract we had ever signed. I remember that Merle and I were sitting in the boardroom upstairs in Vita Tower with quivering hands. The first lease at AsiaWorld-Expo was valued at more than US$10 million, which was big money for us. And we knew that was only part of it. We would also have to spend money on quickly building up our sales team and our marketing program.

We started from scratch. Merle said to me, “You can have one person.” And I picked Tommy Wong, who now is my successor as I am retiring. We had no sales people. So Tommy and I scratched our heads and thought, “God, what are we going to do?” Finally I said to Tommy, “All sales people who’ve left Global Sources in the past, maybe they’d like to come back? Why don’t you call them?” So Tommy called everybody who used to be in the company, and that’s how we started the team. Now we have 430 field and telephone sales representatives! And many from our first groups of sales people have now become managers.

We did a huge visitor marketing program for the Hong Kong shows. We put Global Sources on the map in this town as never before. There was outdoor advertising all over Hong Kong. We advertised in the Airport Express train running from the airport to downtown. We advertised on the taxis for the first time, which we’re still doing. Everybody knew our shows were coming.

Asia catches a cold
But the summer before the first Shanghai show, the survival of the whole business hung in the balance. A near-pandemic outbreak of a new flu mutation was paralyzing much of Asia. In the early months of 2003, the virus known as SARS spread from Guangdong to infect 8,096 people in 37 countries. In the
end, only 12 confirmed deaths from the disease were recorded, but during the spring and summer of 2003, panic and uncertainty gripped the region, as health officials in various countries implemented strict quarantines at border crossings. Travelers found with a fever faced quarantines of up to 10 days in length.

In Hong Kong, Taiwan and mainland China, hospitals and even apartment buildings with known SARS cases were completely sealed off. And throughout Asia, people on the streets wore surgical masks to keep the disease at bay.

The economic impact was immense. Tourist and business travel plunged. In late April 2003, economists at Morgan Stanley estimated China’s economy was shrinking at an annual rate of 2 percent in the second quarter.

Global Sources took a strong, proactive stance. Unable to travel easily, buyers around the world made heavy use of Global Sources Online, with RFIs on the site spiking by up to 50 percent more than usual in the month of April. In early May, Spenser Au sent a series of e-mails to exporters throughout Asia offering a US$500 rebate on Global Sources advertising packages to encourage their active online promotion. A few weeks later, other B2B online services followed suit with various special offers.

By late summer, the SARS outbreak began to subside. Merle remembers: “The biggest challenge during the SARS epidemic was managing the fear and uncertainty of suppliers, buyers and team members. The virus emphasized the importance of online and print channels as an alternative, but the value of face-to-face negotiation was also undermined by its absence.” The pent-up demand for face-to-face meetings may have contributed to the enthusiastic buyer attendance at the first China Sourcing Fair in Shanghai that fall.

Serious about quality
In preparing for the right product segmentation at the shows, Sarah spent a lot of time looking at Global Sources magazine ads. She noticed that many basic standards for quality advertising design had fallen by the wayside. In late 2002, Livia Yip was appointed to create a new customer service team to reinstate the basic requirements for quality business-to-business print advertising design.

Sarah remained heavily involved as Livia’s advisor.

At the time, all advertising copy and material preparation was centralized in Manila, although online advertising data was collected by data specialists in the sales representative offices and submitted to production teams in Manila. Long distance communication about advertising copy was fraught with difficulty.

Craig remembers overhearing phone conversations in China between sales secretaries on the phone to their production counterparts in Manila: “There was a problem with accents on both sides. ‘Please speak English!’ the Chinese secretaries would say. ‘I am speaking English,’ the Manila copywriters would reply.”

The decision was made to relocate print ad copy and materials preparation to five customer service centers in Asia, nearer to the front line, where trained copywriters would conduct strong quality control before sending out for final production to Manila.

This meant customer service officers would speak to clients directly, a shocking development for many account executives used to being the sole point of contact. Friction between production and sales is a part of life in publishing, but the new paradigm would bring this to a point of crisis.

Livia recalls one particular meeting with Sarah and the new customer service team in Taiwan in 2002. “The account executives (AEs) were not pleased about client service officers (CSOs) calling clients directly with strong feedback on how to improve effectiveness of headlines, layout and copy. The sales people were dismissive of the CSO skill set. I remember a briefing for Sarah with all the CSOs, most of whom burst into tears while telling what the AEs had said to them.

“Sarah was quick to arrange a training session for the sales managers. First, she walked them through a simple checklist of standards for effective advertising. Then she proceeded to pick up the magazines to read the ad headlines aloud. ‘Do you think this is a unique selling point?’ she asked. Then she would rip out the ad and throw it on the floor, saying, ‘I never want to see an ad like this again.’

“It went on and on, page after page, and the managers just watched with mouths open. From then on, the AEs began to cooperate with the CSOs!”

Within a matter of months, every single ad in every Global Sources trade magazine was meeting the highest standards, with unique selling points in a benefit-oriented...
Globalization at last

Under the leadership of Sarah Benecke and Tommy Wong, the trade shows have rapidly expanded their global reach. Shows are now being scheduled for Hong Kong, Dubai, Mumbai, Singapore, Johannesburg, Shanghai and Miami (in 2011).

Global Sources' trade show growth strategy is multifaceted. It involves bringing existing shows to new locations, launching shows for brand new categories, increasing the frequency of shows, and partnering with third-party events in new geographies.

After Shanghai and Hong Kong, the next move was to open shows in China's developing markets around the world, starting from Dubai and India in 2007 and 2008, respectively. Singapore and Johannesburg, South Africa, would be next.

To some extent, this brings to fruition the company's long-standing global design. Earlier attempts to expand through regional magazine editions had been unsuccessful, and the dot com era licensing partnerships in Mexico, Turkey, Indonesia and elsewhere ultimately failed with the market crash of 2001. The difference this time lies in China's preeminence as factory to the world.

Following the financial crisis in 2008, Chinese exporters are keen to diversify markets. And even before the crisis, China's exports to developing countries were growing far more rapidly than its exports to traditional markets in Europe and North America.

With the Fairs, Global Sources has a perfect entry into brand-new developing markets, even if the product content is primarily from China at first. But by gathering firsthand information from the Fairs in those markets, new opportunities arise. One example: the India Sourcing Fairs in Hong Kong and Dubai featuring home products and garments from India.

But developing markets can be surprising. Sarah recalls the time when impatient crowds of buyers broke down the doors at the first China Sourcing Fair in India, and flocks of pigeons flew into the venue. “We had to wear caps,” she says drily. The Fairs there have been tremendously successful all the same.

Today's Hong Kong China Sourcing Fairs include specialized shows for Electronics & Components, Security Products, Baby & Children's Products, Home Products, Gifts & Premiums, Fashion Accessories, Underwear & Swimwear, and Garments & Textiles as well as the India Sourcing Fairs.

All these shows carefully segment products to maximize buyer convenience. And the show operations team exhaustively researches the latest technology and services to meet or exceed buyer expectations.

Within the show venue, custom Private Sourcing Events are held for the world's major retailers, allowing buyer sourcing teams to meet privately with pre-selected suppliers in a single day, saving a great deal of time.

Over the past year, China Sourcing Fairs have seen participation from more than 200 sourcing teams from very large buying organizations, including Staples, Tescos, Canadian Tire, Carrefour, Marks & Spencer, Woolworths Australia and El Corte Inglés. These events created more than 1,000 one-on-one selling opportunities for Global Sources suppliers.

Building on success

The shows provide a unique community of buyers who prove their interest by traveling to the show. Global Sources then surrounds those buyers with useful information to help improve their efficiency. The evolving print magazines now also serve as a show guide and an exhibitor directory. The magazine content is replicated in digital editions that take buyers directly to suppliers' websites on Global Sources Online.

The company's flagship GSOL site also continues to make strategic progress, and integrates with the shows by highlighting those suppliers who are also exhibitors. It has also set the standard for supplier verification, enabling buyers to source with more confidence by being able to distinguish between verified and unverified suppliers.

As an indication of the value being delivered, inquiries from buyers to suppliers through Global Sources Online reached
more than 136 million in 2009, an increase of 156 percent from the previous year. In 2009, Private Sourcing Events were held for 283 sourcing teams, created 1,878 quality selling opportunities for suppliers. In all, over 80 percent more events are scheduled for 2010.

**Transactional B2B**

But Global Sources has yet to find a scalable method for volume buyers to complete payment and make shipping arrangements online. This is not from lack of trying. The years with EDI order processing software gave the company insight into challenges and opportunities back in the early 1990s. In 2005, with one eye on Alibaba’s Taobao business-to-consumer (B2C) auctions, which were limited to China domestic business at the time, Global Sources launched a bold initiative – Global Sources Direct. This new venture partnered with the world’s largest online auction company, eBay, enabling Global Sources’ suppliers to sell direct to eBay Powersellers worldwide.

With Global Sources Direct, Global Sources sold wholesale product lots on consignment for manufacturers in China. The great challenge was to find the right products with the right price point before shrinking margins made the expensive shipment costs untenable. Moreover, most Global Sources exporter clients did not necessarily wish to engage in the smaller orders that were required by this business.

Global Sources Direct stepped beyond the company’s traditional area of simple matchmaking. The service addressed the needs of a wide variety of buyers, including experienced importers and low-volume buyers that typically had not imported in the past. And by purchasing air-shipped small lots online, large-volume buyers could also quickly validate the market for new models.

The value-add for Global Sources Direct was to enable suppliers to sell smaller lots of standard items to a large number of overseas customers. Suppliers could then realize higher per-unit margins than they normally received. The company worked on developing relationships with suppliers to market and automate the workflow. But the problem was scale and margin. In late 2008, the company elected to close the door and focus on its core competence.

**The new total solution**

Global Sources has evolved to become a total solution across online, print and face-to-face channels. This new total solution provides an enhanced three-pronged approach for buyers. Firstly, they can look online for a comprehensive...
Displaying verified and unverified suppliers using keyword search, category browsing and advanced searches on the database. Verified suppliers have been visited on-site at least three times by Global Sources to make sure they are real, export-ready companies. Unverified suppliers do not participate in Global Sources’ quality-control process and the company cannot guarantee the accuracy of their information.

Secondly, buyers can request monthly sourcing e-Magazines and Product Alerts delivered by e-mail and create a customized Product Alert homepage. They can send inquiries directly to suppliers through the online portal quickly and easily. The website provides supplier catalogs, white papers and assessment reports that buyers can easily download to their own computers. From the print side, buyers have access to over 80 sourcing reports for specialized categories and regions. These are available in print and digital versions, with regular updates provided as part of the subscription service. The reports provide in-depth profiles of verified Global Sources suppliers and specifications for specific export products.

Thirdly, the face-to-face factor is still as important today as it was when the trade shows were first started. With the Fairs now being held in seven cities around the world, suppliers and buyers can meet each other in the booths or at private meetings. Attendees can also engage up to 12 verified shortlisted suppliers in a private conference room.

Private Sourcing Events provide a chance for leading buyers to meet with handpicked suppliers from the Global Sources advertising community at the shows. These events are free for large-volume buyers and have benefited both suppliers and buyers. Custom Private Sourcing Events are also tailored for a specific buyer, such as Samsung or Canadian Tire.

Recession and recovery
Global Sources’ business is tied closely to the health of Asia’s exports. When shipments suffer, exporter customers reduce their advertising and marketing expenditures. Following the worldwide financial crisis in late 2008, the year 2009 saw the biggest global trade declines in decades, with China’s exports falling by almost 16 percent. The picture is much brighter now. The country’s exports began to recover in December 2009 and have returned to strong growth in the first half of 2010.

While developed countries such as the United States and parts of Europe remain the key markets for export, emerging markets in Asia, Africa and Latin America are attracting more attention from China suppliers with their potential for substantial growth.

Merch:
We are at the threshold of a new era in global trade. Every day we are witnessing significant changes in the sourcing and marketing functions that are core to our services. Our business is impacted by a chain of interrelationships: consumer shopping behavior determines retail results, driving changes in buyers’ sourcing behavior, which then impacts exporters’ marketing strategies. With consumers in the developed markets, one of the strongest trends is the “value” shopper.

On the retail front, there have been some bankruptcies and consolidation, and the survivors have aggressively cut inventories and costs. Buyers are now reviewing their supply base and revising their supplier selection criteria. There is a major focus on the financial strength and viability of suppliers. In addition, buyers now seek suppliers who can meet their new requirements, which often include smaller production runs and more frequent shipments.

For export manufacturers, it will not be business as usual. They face challenges and risks, including an over-reliance on current customers, markets and strategies – and a lack of competitive differentiation. Many exporters have already been implementing new strategies, including upgrading production and testing equipment, investing in product development to produce more differentiated products, and becoming more “green” with their manufacturing and packaging. In addition, there is greater recognition today about the importance of increasing exports to
Face to face

developing markets.

To be successful over the coming decade, incremental changes are unlikely to be enough. Exporters need to make bold moves to get closer to markets and customers, and to establish sustainable new competitive advantages.

The future in China

Global Sources continues to see attractive growth opportunities in China, which at this point is considered the factory for the world’s consumer goods. New product development, the rapid expansion of trade shows, online marketplaces and magazines more integrated with the shows to create cross-selling opportunities, and China Global Sources Online for China’s domestic B2B market are all key elements of the company’s strategy for growth and anticipating buyers’ and suppliers’ needs.

Merle:

Global Sources delivered strong profitability to our shareholders for 2009 in what has been described as the most challenging economic environment of a generation. Today, we are poised to build our business in what appears to be an improving global trade environment with a very strong balance sheet, enhanced operating efficiencies, extensive sales representation and a highly experienced management team.

We have various new initiatives under way that extend the integration between our online, print and trade show media. These are expected to enhance the value proposition to buyers and suppliers, while also creating greater sales effectiveness and cross-selling opportunities. In addition, we are building a broader and stronger foundation for the future of our trade show business. We recently acquired an interest in the China International Optoelectronics Expo, and we have scheduled several new trade shows encompassing new markets and new categories.

The April 2010 China Sourcing Fairs were very successful and this is contributing to other lines of Global Sources’ business. These Fairs generated US$16.4 million, up from US$12 million for last year’s spring shows. All three shows in October are expected to be bigger than those held in April. The Fairs clearly demonstrate the impact that the integrated marketing services we can bring for buyer and supplier customers.

The combination of online magazines and trade shows facilitates all stages of the buying process, from awareness right through to negotiation and the purchase decision.

Merle:

The integrated marketing services we are providing today have really come of age. China is no longer the world’s cheapest production base. China suppliers must now work harder to justify the added value they provide beyond mere price. As a result, I think our audience of suppliers, both online and in print, finally realizes how important it is to have an active presence at our shows to present their products and meet buyers face to face.

On the buy side, I think there’s a reason we have been able to increase the number of RFIs: when they attend our shows, buyers have the opportunity to really see the quality of suppliers we are giving them. China is a huge country with literally thousands and thousands of suppliers, and it’s a major task for our buying community to work through who is qualified and who is not.

At Global Sources, we spend a lot of time meeting with every single supplier to make sure their products are available or are being made to the stated quality standards.

The world is a very big market and China will be a dominant supplier of products for many years to come. In addition, China’s domestic market remains a highly attractive long-term growth market for us. Global Sources is well-positioned to serve the new and changing needs of our community, and particularly we have a strong leadership position serving the medium to large-sized buyers and suppliers.

We have been and will continue to be very aggressive in the developing world. We had a much larger participation from Brazil, Russia and the Middle East at our recent trade shows. Our China Sourcing Fair in Mumbai was also a major success. We will continue to expand our geographic range for the shows.

We believe we have all the assets and experience we need to manage the company through our own transition and the economic recovery. Moreover, we view this as an opportunity to get leaner and stronger and closer to our customers, and to return our services to the new needs of our customers.

Global Sources believes that a diversity of people with different ideas and cultures is essential to its long-term success. One great example is the company’s Shenzhen Client Service Center, a multicultural team comprising native-English speakers and skilled client service officers from various provinces within China.
“Our relationship with Global Sources has been brilliant! We are able to promote our products on the website, in the magazines and at the trade shows. Global Sources can serve you as a B2B supplier and a marketing consultant. It is invaluable for building up our marketing strategy.”

Yama Ribbons & Bows Co. Ltd
Xiamen, Fujian Province, China
www.globalsources.com/yamaribbon.co

Tony Yao
President,
Yama Ribbons & Bows Co. Ltd

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Working with Global Sources continuously since 2005
Transition

First say to yourself what you would be, and then do what you have to do.

– Epictetus

Whenever you see a successful business, someone once made a courageous decision.

– Peter F. Drucker

Merle:

In my mind there are three levels to getting it right: you need the person to embody the corporation’s culture and personality; you need the person to have an appreciation of the time and energy required; and the person has to have the right skills.

He or she has to have it right with themselves and their family, because this is a total commitment. The CEO’s job is not an eight-to-five job. Regardless of the size of the organization, the CEO must be the organization, must reflect it and be part of it intuitively. Everyone in the organization must see this and depend upon it and trust it.

We have processes and consultants to facilitate the individuals, all in senior positions, who must ask themselves difficult questions: do you really want to do this? Seriously, do you know what sacrifices this requires? Does your spouse know it, and by the way, how well do you know your spouse? How well do you know yourself? What brings happiness to you? Why are you doing this? You can’t be in conflict with any other element in your life. Until you deal with all that, it is impossible to accept the responsibilities that are going to be put to you.

The next level is making sure there is team support and respect and that the people within the organization are prepared to follow, be engaged and be supportive of that individual. At the bottom part of that pyramid, in my mind, there has to be clarity within the entire organization. The CEO in particular has to have clarity about the real objectives of the company. What makes this company what it is, what it needs to be, could be and should be?

Driving the vision

Merle Hinrichs is recognized by his team and by outside observers as a visionary. He has moved Global Sources from his early vision as a vital trade tool to the high-profile status of an enabler of global trade. He has led the organization from its beginnings as a private business into an arena where revenue streams and earnings must be justified on a regular basis to shareholders, financial analysts and regulatory authorities.

The periods of transition and transformation that faced the organization over the years have not always gone as planned. But the innate flexibility of the company and the ability of team members to execute strategic initiatives in the interests of their customers are stronger than ever.

Now after 40 years, Merle will retire as CEO and serve as executive chairman of the Board of Directors.

In October 2009, Global Sources announced the appointment of Spenser Au as deputy chief executive officer. Spenser joined the Global Sources team more than 30 years ago as an account executive for Asian Sources Electronics magazine. He subsequently held various positions, progressing from sales manager to regional sales manager, associate publisher, publisher and, for the last 10 years, president of Asian Sales. Spenser spent most of his career in Hong Kong, apart
Transition

from a posting to the Philippines from 1997 to 1999, and he has a deep knowledge of Greater China and all the other markets where the company operates.

“Spenser is widely respected for his sales experience, analytical, planning and execution skills, commitment to clients and team members, and interpersonal skills,” says Merle. “He personifies all that we value and hold important at Global Sources, including our commitment to providing the highest quality of services to our buyer and supplier communities and to maximizing shareholder value.”

Merle adds: “Spenser’s appointment comes with the full support of Global Sources’ senior management team and its Board of Directors.”

Spenser comments: “In my 32 years at Asian Sources, which then became Global Sources, I have found myself in a career and an industry that I love. I can see clearly how we have helped companies to grow and be successful. That’s very important to me and part of my passion for working here. It’s what keeps me fired up and ready to keep doing my job. This company has kept changing in order to cope with new developments, and I can see clearly how I can contribute to our operations and goals. My deep involvement with customers and with team members in the front line has given me insight into what our buyers and suppliers are looking for, and how their needs are changing.”

Digital transformation

Available on an unparalleled scale, information is a fact of business life in the 21st century. In an environment where the volume of data grows rapidly, the success of any business or individual rests on accessing information that is both understandable and usable. While useful information has been at the core of Global Sources’ business environment for all of the past 40 years, the difference today is that the organization delivers it to the buyer and supplier communities via online and face-to-face channels as well as through print.

The almost instantaneous delivery of digital data is transforming the way companies do business. In the digital world, as the saying goes, information has replaced inventory. The personal computer industry is a great example of how this is happening ever more frequently all around the globe.

In Asia, as in the United States, a major PC manufacturer’s hardware suppliers locate their factories close to the client’s own factory. Through an online link with the client, a supplier knows exactly when the factory is running short of a particular part and will deliver the part before an order is made.

The supplier’s delivery trucks, in fact, park outside the warehouse, ready to onload the parts as soon as the line of information swings into action. This eliminates the manufacturer’s need to store extra parts at the factory, and assembly only takes place to order.

Not only does the PC vendor deliver better service to the end customer, but smart supply chain management also makes this possible at a lower cost. This is the way of the future. Information is replacing inventory in the same way it may eventually replace design.

Merle Hinrichs’ vision in this respect is quite personal. “I hate shopping and I look forward to the day when I can switch on my computer, log onto a supplier, input my measurements, my style preference, whether I want one pocket or two, and my color preferences. And I will have delivered to me a suit or any article of clothing that meets my personal requirements,” he says.

From the manufacturer’s viewpoint, this means aggregating information
At the moment, the world is witnessing the beginnings of deep supply chain management. This cycle will evolve rapidly. As a neutral marketplace, Global Sources keeps its eye on its vision – a vision of efficient and profitable global trade.

“Neutral enabler”

Today Global Sources is, more than ever before, a multichannel trade enabler, serving a diverse range of growth markets, from the Asian export sectors for electronics, garments, hardware, gifts and home products to the high-tech and branded imports into Asia. Merle sums it up: “Our objective is to be the preferred partner of buyers by providing the most reliable, relevant and accurate sourcing information. This, in turn, attracts the most valuable buyer community for suppliers’ advertising and trade show investments.”

The demands of the future mean that people have to work in a multifunctional manner. The teams at Global Sources contribute skills that are used across the company horizontally. Their overriding commitment is to operate in the interests of trade, to look at the buyers’ motivations and to proactively assist as a neutral marketplace.

Global Sources has worked hard at maintaining its neutrality at a time when the demands of e-commerce make it increasingly difficult to hold an impartial position.

According to Merle, the answer to this dilemma lies in specialization. “We cannot afford to be a half inch deep and a mile wide. We have to be a half inch wide and a mile deep,” he says.

“Our community is expecting much more today than it ever did before,” he adds. “You have to remember that data is not knowledge and knowledge is not wisdom. We must offer information in a context, be it print, online or face to face, that will enhance or support the need for knowledge.”

In short, the continuing priority is to make available to buyers and suppliers alike reliable information at the right time and in a format that facilitates better decision-making.

Being the benchmark

Global Sources’ evolving matrix of supply and demand data provides vital and timely market intelligence to its community of buyers and suppliers.

Using real-time data, Global Sources Online matches supply information from tens of thousands of suppliers with the sourcing preferences of nearly a million global buyers. This helps both suppliers and buyers spot key trends early in the product life cycle. The impact in terms of efficiency and competitiveness for the company’s customers is tremendous.

Plus, it provides exclusive market intelligence that drives the company’s series of China Sourcing Reports. With an online community of buyers exceeding 967,000 as of June 2010, market researchers are able to identify new hot products, and editors commission reports based on this data.

At the root of all this, however, is the question of credibility. When operating in an increasingly competitive environment, there are inevitably claims and announcements by other companies that contain little substance.

COO Craig Pepples is very aware of the dangers presented by many of these companies, not just to Global Sources but to the concept of independent, neutral marketplaces. “We are not a flamboyant organization. We are seen as subdued. But what we say we can deliver, we deliver. The marketplace is very aware of us. We are the benchmark,” he says.

Dynamic and flexible

Eddie Heng, Global Sources’ former chief financial officer, looks at the future from a geographic, rather than a service perspective. “Our revenue continues to grow rapidly out of China, and we must take advantage of all the opportunities there. But we also need to nurture
Transition

In May 2010, the Global Sources team totaled almost 3,200 people in more than 60 locations around the world. Yet, despite this geographic spread, they operate as a cohesive team with a clear focus on developing and delivering the tools required for today’s global marketplace. They do this from locations as diverse as the products they deliver.

Human Resources Vice President

Philip Chatting comments that working for the organization is perceived by many as not just a job but a cause that even today is guided by the principles outlined in the mission statement from the cover of the first Asian Sources magazine. “Usually one can take a mission statement with a grain of salt, but there is an element of truth in the fact that we are not just in business to make a profit,” he says. “We are doing something that raises the living standards in countries in which we operate. We see ourselves as a co-partner in national economies.”

Learning, change and growth

Just as the tools of its business have changed, so too have the skill needs of the organization. Rob Nelson, former vice president of Electronic Commerce Services, recalls that first transition to electronic commerce and remembers the difficulties people faced keeping pace with the changing technology. “One Internet year, it was often said, is equivalent to seven normal years. People found their job descriptions changing every three or four months. They were constantly under pressure, putting in long hours and undergoing retraining,” he says.

Sales people also found the changes during that transition from print to electronic publishing difficult. Spenser Au estimates the company lost 15 percent of its sales people in 1995 to 1996 simply because they were unable to adapt to the demands of the electronic era. “Change was too painful for them,” he says. “Internally, we had a big mindshift. Those who couldn’t make it left the organization. The new blood we brought in were people with a good computer background who were excited by the new potential.”

In the days of its “traditional” business, the organization had ready access not only to a pool of local staff in Hong Kong but also to a constant stream of young people whose first language was English. They fitted the skill needs for copywriters, proofreaders and junior editorial staff. When the organization made the transition into electronic commerce, its skill needs changed considerably. Editorial strengths are still critical, but a new breed of writers has been introduced to meet the different demands of the Web.

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This subtle change in skill requirements can be seen across the board in human resources. As Philip notes: “There are very few people in our organization now who are of modest skill levels. Positions have become high-tech oriented – more than 150 people are employed in the information technology area alone.”

Multicultural team

Philip has attended many team member seminars held in various offices over the years. “We had 40 people at one recent seminar and I looked around the room and counted 12 different nationalities,” he says. “We have always been a cosmopolitan organization, but today that is even more pronounced. It feels like the United Nations.”

Dr. John Walsh, who remains a trusted consultant to Global Sources today, comments: “Merle’s great contribution to the organization over all these years has been his ability to pick people to do what needs to be done at any particular time.”

Philip Chatting, vice president of Corporate Human Resources in Hong Kong

“Developing these markets at the right time will be a challenge,” he adds. “So, too, will be the ability to develop the right type of new services. Therefore, we need services that bring in revenue quickly without spending too much time on development.”

Deputy COO Peter Zapf also sees the way forward: “We are certainly adding significant new elements to the business. I think we will have a huge business, but we will have to establish a number of alliances and partnerships to reach the necessary speed.”

A global team

There is a plaque hanging in Merle Hinrichs office in Hong Kong that reads, “Immersion, Incubation, Illumination.” These are considered important steps in the process of exploratory learning and discovery.

It is the modus operandi for both the business and the multicultural team that runs it. The business ideas are researched intensively then incubated. The results become products and services that answer the needs of global merchandise.

Mentor programs have given newer team members the opportunity to learn from more experienced colleagues – and vice versa.

Dr. John Walsh has been an important contributor to Global Sources’ training and planning programs for over 25 years.
Merle is very good at seeing who will fit that bill.”

And what Merle, Philip and all who recruit on behalf of Global Sources look for in people is a desire to learn and understand what customers require and to visualize just how the company can best meet those requirements.

Valuing frontline experience
In the early days, it was recognized that the best place to start people was as an account executive in sales. In this frontline role, they would learn exactly how business needed to be done in the field. From sales, many people then moved into other disciplines within the organization, as well as up the corporate ladder. The theory is a very basic one: if you are going to move on through to senior management, you have to understand all aspects of the operation.

The need to fully understand the requirements of customers continues today. Craig Pepples went through this learning process from the seat of his bicycle during his early years in China.

“We get MBAs who come straight out of graduate school and they say to us, ‘I want to go into strategic development or business development.’ But what we say to them is, ‘We want you to go and visit clients, accompany the sales people and listen to what clients say.’”

Dr. Walsh also describes this as “the perfect training background for someone to run a company.”

Craig sums it up by adding: “We have a culture of learning at the grassroots level, of always taking on new challenges and preparing a successor before making the transition to a new role. As a result, we have a strong tradition of mentoring within the company. One of the reasons I have stayed here for so many years is that I am always learning something new and have never been bored.”

20-35-40 and beyond
When the team had come together to celebrate Trade Media’s 20th year in publishing in 1991, it was operating with greater cohesion. The global party had kicked off in Hong Kong with dinner for more than 1,000 guests, also bringing together Joe Bendy, Fred Bechlen, John Walsh and others who had played important roles in maintaining the company’s competitive edge. Other celebrations had taken place in Amsterdam, Chicago, Manila, Singapore, Kuala Lumpur, Bangkok, Taipei and Tokyo. A new mission statement was also unveiled, redefining the organization’s guiding principles.

The successful leadership transition program that was established gave publishers and other top managers the opportunity to learn that they could rely more on each other. Each looked at the leadership qualities needed for the organization to move forward and evaluated his or her own strengths, weaknesses and level of commitment. This process concluded with each person stating frankly who they felt was best suited for the position of chief executive officer. Their choice at that time: Sarah Benecke.

Sarah led the organization for nearly six eventful years. Today she remains an active and knowledgeable director of Global Sources.

New leadership
Merle used the 20th anniversary to talk to team members about the organization’s future under the new leadership. The restructuring had laid the groundwork for another generation to carry out the aims of the organization, and Merle passed the baton to the board of publishers in the interim. But, for the longer term, plans were already in place to select the future chief executive officer from one of the publishers.

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Sarah led the organization for nearly six eventful years. Today she remains an active and knowledgeable director of Global Sources.

Overseen by American management consultants John DeFoore and Marion Sue DeFoore, the succession process offered an interesting perspective on how the company emphasizes development of its managers as a team of individuals. Merle had known and worked with John and Marion Sue on a personal basis for a number of years. When he brought them into the company as consultants to assist the succession process, he promptly
Transition

knew in his mind just who his successor would be.

As Philip Chatting notes: “The training program, in fact, gave senior managers the opportunity to make the same choice Merle had already made, but for their own reasons. It also ensured that the rest of us, as a team and as individuals, were firmly behind the choice.”

It was a succession strategy that had many benefits. It enabled Sarah to come in as someone with whom other executives felt comfortable. There were no preliminary power struggles or job security concerns because the commitment of her colleagues had been made during the election process.

Marking 35 years

November 2005 saw the Board of Directors gather at the company’s opening of its state-of-the-art, 9,000-square-meter China headquarters in Shenzhen. Twenty-nine team members were presented with long service awards by Merle. Sarah followed this by presenting Merle with a cake, celebrating his 35-year-plus contribution to facilitating global trade.

The team today

Human resources within the company continues to emphasize individual development as well as team building. “The team is composed of individuals. Once an individual is aware of the strengths and weaknesses of others on his or her team, the team itself becomes more effective,” Craig says.

Hong Kong management consultant John Patterson has led team-building exercises in mainland China, Hong Kong, Singapore, Manila and Korea. The mainland exercises in 2004 and 2005 were classic examples of ensuring that people understood what is required to be a successful leader of Global Sources.

As Philip recalls, “It gave everyone an opportunity to reflect on who they are, what they are, and what they need to do in the company to be a valuable player.”

Many team members in China want to do something not just for themselves and their families but also for the country. If any single company can help with that aspiration, it must surely be Global Sources. And so, these job character studies continue through the ranks, and soon it becomes clear to all how everyone’s role fits into the larger puzzle. At the same time, many of these exercises relate to time and circumstances within the city or country where the team is located.

Unlimited growth potential

Today, as the examples of Spenser, Sarah and others show, Global Sources remains an organization that allows the best people to retain themselves. There are indeed many examples at various levels.

Jarvis Wang was an accountant before he joined the organization as a sales manager in Taiwan for the Technical Electronics Group. “Selling for Asian Sources stretched me right from the start,” he says. “But I soon realized that I could make good money if I worked hard.”

In 1992, Jarvis’s role mushroomed to encompass all of the Technical Electronics Group magazines, enabling him to learn about the mainland China market.

Tim Hill arrived in Hong Kong as an assistant copywriter in 1992, fresh from Britain’s Royal Artillery where he had served as a captain during the first Gulf War. Following that, he has worked as a copywriter, marketing executive, sales executive and chief representative – first for India, then Europe, and from 1999 to 2005 in Singapore.

“The organization has offered me the chance to work in different countries and take on some extreme challenges. Through that, it has given me the opportunity to learn
about the business and the environments in which it operates,” Tim says.

Catty Ren, general manager in China, joined as an account executive and has contributed to business growth. For her, the rewards of the job come on three levels – personal, corporate and national. “The growth of Global Sources mirrors the growth of China. I am benefiting with a rewarding job, but I am also helping my country in its drive to expand international trading links,” she remarks.

Management training programs have been established at offices around the world to promote further education in specific fields and international exposure to management skills.

Today, Global Sources network, through its sales representative companies, has over 1,000 account executives operating around the world.

Removing cultural barriers
Operating across different national boundaries and cultures has its own challenges. Manila-based Armando Mojica, who formerly ran Interactive Media and is now general manager, works closely with team members in Asia and all over the world. “The challenge is really about understanding cultural barriers that are often put in place unintentionally,” he says. “Dealing easily and successfully with a Filipino team, a mainland Chinese team and a Singaporean team does not happen overnight. People communicate differently – you may send an e-mail but you can take from it a different message than is intended.

“I try to ensure that we talk as much as possible, that we understand the challenges we are facing. The common language of the specific project is really what brings us together.”

Armando makes it sounds simple, but innovative training programs focusing on teamwork and trust have been implemented to ensure that each team, in each office, in each city across the globe shares a common goal – that of translating business requirements into a product or service.

People have different expectations of the organization. This was reflected to a degree by the range of reactions in various locations to the shares benefit program made available to all team members as part of the public listing process in 2000.

“Dealing easily and successfully with a Filipino team, a mainland Chinese team and a Singaporean team does not rank as highly as it does in some other countries. "I was very lucky in that I interviewed with Jackson Lai in Beijing. He mentored me and immediately gave me important work to do,” Cameron recalls.

“For the first four to six months,” Cameron adds, “I would go and do the work and he would show me what I did wrong and I would redo it. He had actually just started as the GM for North China, so he had only been there for a couple of weeks when I went in and interviewed for the position of executive assistant, which is essentially a sales management trainee. I know he didn’t have any spare time on his hands, but he took time to go over everything with me.”
Transition

A very special team

After 40 years at the helm, Merle has seen people come and go. But he still regards the organization as a “special company with a special team.”

So what are the characteristics that mark a Global Sources team member? Merle says there are four.

The first characteristic is the ability to work across national boundaries. As Merle explains: “It doesn’t matter whether we are in China or Korea, we are going to understand that country. No one coming into any country in which we operate who says they are going to focus on a Chinese management style or a British or American style is going to succeed. We are international and we carry the nuances of that.”

Trust is also vital to success. In an organization that is so dispersed, each team member must have total trust in his or her colleagues. “We don't always have offices next door to each other,” says Merle. “That's why we do a lot of training in teamwork and trust. In most companies this is important, but in this company it is critical. I must believe that I can trust any of my senior management to be out there making commitments on behalf of the company, or alternatively telling me, 'I'm not totally comfortable with this and I’m going to check it out.”

The final two characteristics are flexibility and respect – in terms of the working environment, working hours and colleagues. Every one of the company’s managers is flexible and prepared to go the extra mile. There is no one who does not respect the talents and commitment of his or her colleagues. That is what makes Global Sources a very special company and a very special team.

Positioned for the future

Clearly, the company looks forward to continuous growth and change.

Spenser: There is a gap between Global Sources and the market today. I believe we can narrow the gap. There are great opportunities for Global Sources to keep growing. We are growing, but not fast enough, because we have been a very careful company, a very step-by-step company. I believe we can move faster. I feel passionately about the potential of Global Sources.

I've been working in the trade for such a long time, working for Global Sources or Asian Sources, and I've witnessed and been involved in helping our suppliers grow into big, successful enterprises. That's a great achievement that I hold in my heart.

I come from sales, so making money was a priority for me. At one point in my life, I couldn't even imagine working for a company for over 10 years, or even five years. A sales person is an opportunistic person in character, and having more money is his goal.

But for me, it has become much more than just making money. Sometimes you see a company making money and then starting to slow down. But Global Sources is not this kind of company. We all love our jobs and love to work. Over the last 40 years, we have overcome all kinds of obstacles and resistance.

When I first started, our customers didn't even see the benefits of advertising, they didn't even own computers, they didn't even have e-mail. I am confident Global Sources will move forward and continue to be a leader and innovator in global trade.

There are many reasons why Global Source's future looks bright. With attractive growth opportunities in China, the world’s consumer goods factory, and new growth horizons to other developing countries, the geography is exciting and complex. New product developments are constantly in the pipeline. Online marketplaces and magazines are becoming increasingly integrated with trade shows, providing sales efficiencies. The sheer number of trade shows is growing exponentially, having gone from 30 in 2009 to 57 in 2010. For China's domestic B2B market, China Global Sources Online and other trade shows for China are expanding in line with the country's growth.

The year of the Flying Tiger

China is expected to remain the leading supply market for much of the world’s consumer goods. Despite shrinking exports in 2009, China increased its market share of global trade, and is anticipated to retain its leadership position as the world’s largest exporter.
for quite some time. China has unique flexibility in being able to move low-margin, low-technology production inland to areas with lower costs. From Global Sources’ vantage point, China is expected to climb steadily up the value chain to produce higher-quality and higher-end products.

While the economic environment has improved, the strength and sustainability of the current rebound remains uncertain. Several months of healthy exports from China do not necessarily make a trend. Moreover, there are a variety of ongoing macroeconomic risks, including high unemployment in key developed markets, concerns about increased protectionism, and the fact that much of the current demand is supported by government stimulus programs.

Today and going forward, Global Sources offers a high-quality, fully verified supplier base, leadership in serving China’s electronics industry, a strong balance sheet and a 40-year track record of profitability. The company’s strong brands, extensive sales infrastructure and experienced management team are well positioned to grow and thrive as the market recovers.

40 years and forward
Global Sources is now at its most important turning point. Merle Hinrichs and his team have realized the vision and built a company that will grow and change long after its founder has passed the mantle on to his successors. With the perspective of 40 years, there is wisdom and there is also a feeling of continuous learning.

Questions remain about what the future holds in terms of geography, media and people. Will China continue to be the factory of the world? How will China develop its domestic market? Will Global Sources continue to appreciate that its success is derived from fitting media to user needs? The speed of delivering astronomical amounts of content should not outweigh the importance of quality. So, how to add value, not only quantity and speed?

As media changes, the required skill sets change. How will the company maintain its competitive advantage and continue to train, nurture and care for its people? As Arie de Geus says in his book A Living Company, “The ability to learn faster than your competitors may be the only sustainable competitive advantage.”

Learning is tomorrow’s capital, he believes, and learning means being prepared to accept continuous change. He identifies four key characteristics of long-lived companies. One-hundred-year-old companies respond rapidly to a changing external environment. They are value-based with a strong sense of identity. They are curious and open to learning. And they are fiscally conservative.

Global Sources’ values today are as strong as they were in the mission statement on the cover of Asian Sources in 1971. Merle Hinrichs’ contributions and belief in education both within the company and beyond its doors bode well for Global Sources’ ability to grow and change. From Merle’s roll-up-your-sleeves attitude when printing the first magazines to the risk-taking on new technology and the first database punch cards, the company has come a long way despite its frugal, no-frills days of hotel room offices. With common goals of peace and prosperity, the cohesive global team is testimony to an enterprise that believes a company must be fundamentally humane to prosper. Merle Hinrichs’ legacy may well prove long lasting.
On education – a portrait

Shaanxi Strongway Industry Co., Ltd
Xi’an, Shaanxi Province, China
www.globalsources.com/strongway.co

<table>
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<tr>
<th>Year</th>
<th>Company growth</th>
<th>Export percentage</th>
<th>Sales volume (US$m)</th>
<th>Number of staff</th>
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Working with Global Sources continuously since 2001

Gladstone Liu
General Manager, Shaanxi Strongway Industry Co. Ltd

“Global Sources has been a pleasant experience for us. It has enabled us to connect with many volume buyers from Europe and the US. Even during the 2008-2009 economic crisis, Global Sources offered discounts that allowed us to maintain effectiveness with lower cost in the market. I am impressed.”
On education – a portrait

At fifteen my heart was set on learning; at thirty I stood firm; at forty I had no more doubts; at fifty I knew the mandate of heaven; at sixty my ear was obedient; at seventy I could follow my heart’s desire without transgressing the norm.

– Confucius

The wise stand out, because they see themselves as part of the Whole. They shine, because they don’t want to impress. They achieve great things, because they don’t look for recognition. Their wisdom is contained in what they are, not their opinions. They refuse to argue, so no one argues with them.

– Lao Tzu

I am passionate about success and want us to succeed. I was not driven by money when I started this business, and I am not possessed by money now. But I know the resources necessary to operate a business, and we have demonstrated clearly that this company is a company where profit is important.

I am passionate about consistent performance in order to survive in a very competitive market. I am passionate about the products we provide. I dearly love going out to talk with our advertisers. It’s an absolute pleasure for me to work in the field with our customers. I cannot tell you what a pleasure it is to come to work in the morning and to enjoy the people that I spend the rest of the day with.

Passion

Driving business innovation, leveraging technology, and advancing education opportunities are the guiding principles of Merle Hinrichs’ approach to developing international commerce and philanthropy. Under Merle’s leadership, the company was the first to use the Internet for international trade, launching Asia’s first B2B online marketplace in 1996. The Economist magazine recognized him at that time as “Asia’s e-commerce King.”

Merle graduated from the University of Nebraska with a Bachelor of Arts degree in Business Administration and Mathematics, and from the Thunderbird School of Global Management with a master’s degree in International Trade. In 1996, the University of Nebraska awarded Merle an honorary doctorate and in 2010 he received another honorary degree, this time from his graduate school, Thunderbird. The school’s president, Ángel Cabrera, presented the honorary Doctor of International Law to Merle during the graduation ceremony in Glendale, Arizona. Merle, who is a class of 1965 alumnus, has been a Thunderbird Board of Trustees member since 1991.

In its 62-year history, Thunderbird has bestowed just 37 honorary degrees. This rare acknowledgement has been awarded to such international figures as Supreme Court Justice Sandra Day O’Connor, Douglas Daft, former chairman and CEO of Coca-Cola, Arizona Senator Barry Goldwater, Vaclav Havel, first president of the Czech Republic, US Ambassador to Finland Barbara Barrett and Steve Forbes, chairman and CEO of Forbes and editor in chief of Forbes magazine.

“The those who have been awarded an honorary degree from Thunderbird have been selected because they exemplify the ethos of Thunderbird – an abiding respect and understanding of other cultures, high ethical standards, and a belief that business can be a powerful force for creating sustainable prosperity,” says Cabrera.
On education – a portrait

Merle, in his degree acceptance speech to the graduating class:

Given all of today’s changes, there is one constant – the ongoing need to learn. To learn you must become a good listener. And the art of listening or observing depends on your ability to know yourself, your filters or preconceived ideas that retard effective learning. It is vital for you to ask yourself why you think the way you think. Learning to ask questions is a critical component of success – and also of a successful marriage. And frequently, it is not the answer you receive that is important, but rather the answer you do not receive.

This may sound clichéd, but it is important as you start your new career to follow your passion. I am totally convinced that to be really good at anything, you have to love what you do. If you are passionate, it’s easier to be committed and the sacrifices that you need to make will not be sacrifices at all, but will be done with joy, excitement and anticipation.

The mission accomplished

COO Craig Pepples, who has worked at Global Sources for 24 years, acknowledges that Merle’s passion has been infused into the culture of the company.

Craig:

Merle has pushed each of us to excel, to exceed our own expectations. Each of us feels the mission of the company and feels we are part of a greater goal: to improve our own lives and the lives of those we serve in the business community. Merle’s voice has guided each of us and guided the company, and now the voice of the company is a part of us.

A sense of mission is distributed throughout this organization and rests not only on Merle’s shoulders. Of course, an organization takes on the color and shape of its leader, so the company has obvious imprints from Merle. But over a 30-year period or 20-year period, people are also self-selecting to receive this imprint. They become part of the program, and this is what I also feel and enjoy in the JOA process as we sit through those planning sessions.

There are times when I can hear the voice of the company, not necessarily only Merle’s voice. It is sometimes the company speaking through Sarah or Spenser or someone else. What I mean is, the company must respond to market needs to come up with a solution. The company is almost a living organism processing information, which brings me to the great drama of this moment: Merle’s retirement. It moves me deeply.

Merle is committed to making a transition and leaving behind a company that is self-sustaining. Doing that successfully makes him not just a successful businessman but also a great man. This is what separates the wheat from the chaff. When a company can pass through the founder-led transition to a professional management team, it
On education – a portrait

Enters an elite class of companies that outlast a single generation. This is a team effort. You know there is a leader, and there must be a leader. But the leader does not exist without followers, and there must be a pattern facilitating the exchange of all this information: what is the market doing? And what do the customers need? And what are the people in the company doing and feeling? And how do we need to change? So that’s the mission right now.

Our company culture of moving upward from within, of giving each person a chance to push themselves, comes from Merle. Merle sees the spark, this entrepreneurial thing that he can see in somebody – a possibility, and he takes a risk. Sometimes it works out, sometimes it doesn't, but it indicates a philosophy. And for a certain kind of person, including me, it's just wonderful, because you remake yourself every few years.

Various themes emerge and repeat themselves when Global Sources' veterans are asked why they have stayed with the company so long and how they feel about working with Merle.

Sarah: In the early years of my career here, two things kept me interested and inspired and motivated: one was constant change. I was able, more or less, to create my own job, many times. I never got bored. I always worked on my succession very seriously, encouraged by Merle.

Once I got a successor in place, I'd put my hand up and say, “Alright, time for the next thing.” And I did. I’ve stayed for 24 years because I’m always learning new things. Not because I need to increase my value in the market with skill, but because the work is engaging. This is something I really admire in Merle and in many others, including Spenser and Sarah. You can see the amount of engagement they have in what they’re doing, and it creates a special, very positive energy.

Craig: I might not have been as forthcoming as Sarah to raise my hand, but Merle would say, “It’s time to do this, and I think you’re it, so give it a whirl!” And I did. I’ve stayed for 24 years because Merle understands what motivates people. He can operate across different nationalities and different cultures exceptionally well. We joke with him that he must have been Chinese in his previous life because he is sometimes more Chinese than the Chinese in his thinking. He has been a major influence in my life for more than 30 years.

Eddie: For me, even though Global Sources is a public company, the working environment is like a family and I have felt comfortable working here. And then at the same time, I don’t have interference from Merle or from Sarah or from Craig. They have left me very much on my own.

Every company has its own culture, and here we have people who are invested in what they’re doing, personally invested in learning and changing, and making change.

When I first started here, I wasn’t interviewed by Merle. The first time I saw him I said, “Who’s that?” But I also remember staring out the window thinking and when I turned around there he was, and I felt embarrassed. He said to me with both a touch of kindness and sarcasm, “Getting it all together?”

And here I am today planning and strategizing because he saw that potential in me.

The company’s management team is made up of highly experienced individuals. Seen here celebrating Merle’s birthday in 2009 are (from left to right) James Strachan, Alinda Ng, Spenser Au, Merle, Craig Popples, Suzanne Wang, Adrian Sim, Philip Chatting and Mark Saunderson.

Merle (third from right) with the DHL/SCMP Enterprise trophy in 2000. Global Sources is the only company to be recognized in the DHL/SCMP Hong Kong Business Awards three times.
to do my work, and all I need to do is report the results and highlight issues and recommendations. I’ve never had stress about what they would think or like. I just did what was right, and that was it. My mind was free to execute what I wanted to do. For me, going to work is like another day, another challenge, another excitement. Nothing is old and mundane.

Spenser:
I did not know Merle when I first joined in 1978. At first, I only had a few chances to see him at sales meetings. I don’t know if Merle really knew me at the time, but I admired him and was motivated by his vision, his kind of thinking, the services we offered and how our media was different from our competition’s.

Merle really is a great leader, and he has always carried us through with his clarity. Sometimes when we have competition, we get confused. But he always gives us a very clear picture: what is our positioning? What are the differentiators compared with competitors?

When I was an AE, I never imagined I could be CEO of this company. It was completely beyond my expectations. But as I moved along in the company, I started to feel the blood of Global Sources in my veins, and felt I could contribute a lot, not just in sales. I moved into a publishing role in 1989. Then I became the GM under Sarah to learn publishing. Then I became an associate publisher and then publisher in the ’90s. I treasure every different role and experience I have had here.

I have been asked by many people, “How can you work for the same company for over 32 years?” I also ask myself this question. The company offered me many interesting, exciting changes throughout my career life at Global Sources. But what I treasure most is that the things I did were meaningful. I have seen many of our customers move from being small suppliers, when we served them back in the old days, to become very large operations today. It is a great honor to see you are part of the economy’s growth. That drives me to continue working for this company.

Merle, on giving back:
A good percentage of my schooling was supported by scholarships and national programs. Without that support, I simply could not have afforded a university degree or a graduate degree. I appreciate the help I have received, and I feel the responsibility to give something back. For me, this means participating in society in a certain way, which has enriched my own life further. I feel contributing to education is my responsibility, and I would be remiss if I were not engaged in participating and supporting my community and my team in that way.

Businesses are in fact among the largest educators in the world. And for business, yes, it is self-serving. But it is a very important contribution because individual employees are being taught skills specific to a need, and are then reimbursed for being able to fulfill that need in new positions.

Commitment to China
As part of its commitment to China, in Shanghai the company has donated the Global Sources Information Centre electronic library at the China Europe International Business School (CEIBS), which ranks among the top MBA programs in the world.

But even as early as the 1980s, Global Sources had started providing business and management information to China. Today, Chief Executive China extends best-practice international management expertise to more than one million senior managers in China who read the magazine or use its complementary website each month.

Global Sources and CEIBS, the foremost international business school in Asia, provide China’s senior management with the skills they need to compete.
Craig: Chief Executive China acts as an educational channel bringing prospective clients the philosophical underpinnings of Global Sources. This includes, for instance, management by results, a discipline which, if practiced, will naturally lead to using other services of ours. Getting this right involves a lot of moving pieces. We must fit the market need in terms of management information for China, while at the same time serving Global Sources’ needs, and of course serving the publication’s advertisers’ needs.

But the magazine’s readership is a beautiful map of how China has changed. With the website, we can track our users’ interests and favorite topics: how they should handle HR issues, which becomes more urgent now in the wake of labor shortages and wage disputes. New topics come to the fore – leadership, strategy, succession – because many of these issues are critical for Global Sources exporters.

A theme emerges when looking back to the early days of Asian Sources, when the company helped customers buy their first computers, and trained them to check e-mail: what the company learns, it tries to teach to others. The next steps in strategy, leadership and succession are part of a process relevant not only to Global Sources, but also to others in the markets served by Global Sources. And the company feels a responsibility to share what it is learning.

Marketing and journalism excellence
In 2002, in association with CEIBS in Shanghai, Merle conceived, designed and developed a one-of-a-kind Excellence in Export Marketing program, an executive-level, intensive, three-day course offered free of charge to premium Global Sources advertisers.

Formalized in 2005, Global Sources’ Professional Export Development Program has since provided shorter one-day courses to more than 10,000 China exporters, enabling them to better meet the strict quality and business requirements expected of international buyers in global markets.

Global Sources has also made significant efforts to promote the advancement of journalism standards in China. In one example, the company donated the Global Sources Hall at the influential Tsinghua University’s School of Journalism and Communication in Beijing.

Supporting Hong Kong
Beginning in humble bartered offices in Kowloon, Merle and Global Sources have also given back significantly to Hong Kong. Today the company’s renewed 10-year commitment to the AsiaWorld-Expo center demonstrates a strong belief that Hong Kong’s dynamism and spirit are alive and well.

Merle has long been an active member of his adopted home community, giving support, knowledge and time to building Hong Kong’s business culture of success. He is co-founder and former chairman of The Society of Hong Kong Publishers, an active member of the Pacific Basin Economic Council, and a board member of the Economic Strategy Institute in Washington, D.C., where he advises on Asia-related issues. He is also an Investment Promotion Ambassador with Invest Hong Kong.

Hong Kong Baptist University
As an advisor at Hong Kong Baptist University, Merle has promoted innovative theoretical and applied academic curricula and internships for students from around the world.

Noel Siu, associate professor at the university’s Department of Marketing, comments: “Global Sources is unique in its commitment to developing talent for the business world. Many companies offer scholarships to outstanding university students, but many of them just send the check and that’s all. However, right from the beginning, Global Sources people are involved together with the university faculty in the recruitment process we are going through now.”

Launched in 1992, Chief Executive China Online has over 913,000 active registered users. In 2008, Chief Executive China invited well-known lecturer Peter Senge from the Massachusetts Institute of Technology to host the first “Chief Executive China Guru Conference Series” and share his practical experience.
On education – a portrait

The Kearny Alliance

Merle hosted the Kearny Alliance scholars at the China Sourcing Fair in Hong Kong, giving them an overview of Global Sources’ key competitive advantages in preparation for their work as interns and new team members.

Thunderbird IBIC

At Thunderbird, the Merle A. Hinrichs International Business Information Centre (IBIC) opened in 1994 as more than a traditional library, electronically linking resources on-site with materials from other libraries around the world. The automated library supports student and faculty research by giving access to information in books, journals, periodicals, foreign-language films and documentaries, and newspapers in 10 languages. It also subscribes to numerous databases and other resources. The center took the concept of a library into the Information Age.

The Kearny Alliance

Merle is an active supporter of the Kearny Alliance, an internationally focused foundation with offices in Scottsdale, Arizona. With a mission of “Aid through Trade,” the Alliance concentrates on trade-related educational initiatives. It helps developing countries strengthen their export and business skills, creating jobs and alleviating poverty in areas such as Indonesia, Cambodia, Laos and Afghanistan. The Kearny Alliance’s core program is the Export Service Centre based in Denpasar, Indonesia.

Kearny Alliance Program Director Alexander Boome, a former Global Sources executive, comments on the early days of the foundation: “The Kearny Alliance started in 1986 at a grassroots level with a center for job creation for small to medium-size enterprises, our first Export Service Centre (ESC). But it was only after the 2002 bombing in Bali, when the tourists disappeared and there was no available livelihood or income for the handicraft artisans, that the ESC really started to grow.

“We believe trade produces a dividend that knits countries together in times of peace, both through commercial exchange and through personal interaction. Kearny focuses on three parallel elements of society: social, economic and environmental. In the social sphere, Kearny’s programs support education and literacy through primary education, higher education, skill development, technology and cultural exchange.

In the education sphere, Kearny programs create a skilled, educated labor base with employment opportunities and income generation. Kearny Alliance Scholars come from diverse backgrounds in China, Vietnam, Cambodia and Myanmar. Upon graduation, some are given the opportunity to apply their new skills by working at Global Sources, while others return to their home countries to work.

Graduates are working today in trade-related projects in Manila, Phnom Penh, Hanoi, Ho Chi Minh City, Denpasar, Singapore, Hong Kong, Shenzhen, Guangzhou and Ningbo. The Kearny Alliance also offers matching funds for the Hong Kong and China Thunderbird Alumni Association, which to date has supported four scholars to study at Thunderbird.

Jean Shen is one Kearny Alliance Scholar who earned her B.A. in English Journalism at Hong Kong Baptist University before being accepted to Thunderbird. She is currently manager of Private Sourcing Events at Global Sources in Shenzhen. Jean notes: “The opportunity that the Kearny Alliance and the Thunderbird alumni offer has had a huge impact on me. The scholarship gave me the opportunity to learn in such a diverse environment, and then to use that knowledge to help communities thrive in the global business environment.”

Sustainable development

The Kearny Alliance is a keen proponent of sustainable development through other internships to Master-level students studying international business.

Joshua Magden comments about his efforts in East Timor: “My Kearny internship gave me a lot of insight into what sustainable development really means, and what does and does not work in terms of aid. I worked on a feasibility study for a job creation program in East Timor. But Western countries sometimes only consider solutions that make sense from a Western perspective. The United Nations and other development organizations have poured millions
On education – a portrait

In 2007, Global Sources formed a partnership with Peking University's China Center for Economic Research to offer world-class export education courses for China’s executives. Part of the university's Beijing International MBA (BiMBA) program, the courses are designed to strengthen the competitiveness of China’s exporters by teaching them how to better manage buyer relationships.

of dollars into East Timor and yet unemployment in the capital there remains at nearly 90 percent.

“What is needed is a holistic approach to complex issues in East Timor. Solutions must be crafted in conjunction with the community and must allow people the dignity and pride of helping themselves. Instead of handing out money, Kearny offers services, training and development – but it is up to the individual to use his or her entrepreneurial skills.”

The Kearny Alliance has also helped to provide a better learning environment for secondary school students at Muang Va, Paklay, in Laos. The Alliance’s initial partnership with Child’s Dream is intended to lay the foundation for future collaboration in trade-related vocational training to create jobs in poor communities.

Merle:

A shared vision was instrumental for all of us in the early years of this company. We felt we were working for something greater than ourselves, and sincerely believed in the importance of our cause. By working with companies who sought to build their businesses, we could create jobs, income, better standards of living, and better education generally. This would also create a greater inter-dependency between countries and certainly increase the level of understanding and knowledge.

It is difficult to precisely measure our success, but I do know we have helped thousands and thousands of companies increase their business, grow their sales connections, improve their product design, and also build skills by working with buyers who needed assistance to manufacture new products.

I have no doubt Global Sources and all of our publications and websites have contributed substantially to the economic growth of Asia and, indeed, to the economic growth of Western countries as well. I say that because the opportunity for consumers to pay less for the products they purchase gives them money to invest elsewhere. That, in turn, spaws new industries, new operations, and new possibilities in many countries.

The mission ahead

We must remain strongly customer-focused. We have two customers, the buyer and the seller. And we have to serve the buyer in order to serve the seller, and in that order. This is easy to say. It’s not always easy to fulfill, especially when we are operating in so many different locations.

Our people must see themselves as a team, and work together as a team. They must have a sense of belonging. They must have a sense of the mission. And of course, they must be incentivized.

Then we must ask everyone in the company: what are the objectives? What are we trying to do in the next year or two, and more importantly, what are we trying to do in the next six months? To the extent possible, everyone should agree on the answers. And the senior management team must understand what they are doing for this company, why they are sacrificing in order to work for the company as hard as they do.

Again, this sounds simple. But a lot more is at stake here than just agreeing to a mission. They have to agree with their families. They have to look at their own motivations, their own priorities, and decide to the fullest extent possible this is where they want to be.

Consumers are becoming more and more participative and engaged in deciding what they want in their lives. Historically consumers have been given the designs, functions and features that someone else thought appropriate for them. But we are seeing increased customization in today's consumer world. I have no doubt we will see a lot more, at all levels and in all industries.

Products will become much more intelligent than they have ever been before. People concerned about information privacy will realize that by providing personal information, they will in fact enrich their lives, giving themselves alternatives they never dreamed of before – for example, in health and other services critical to their well-being.

By serving our customers, we wish to participate in this evolution of responsiveness, making sure we do this in the most efficient, ethical and appropriate way possible. I am delighted we have found a niche to support this growth, to help economies, to help people striving to improve their own lives and well-being.

We have been blessed to live in a time of exceptional change in our society and economy. There’s no doubt the future holds even more for Global Sources, provided it sustains its position, services and leadership.
Index

A
A Living Company 171
A Splendid Exchange 138
Aberdeen 43
Acer 6, 44, 59, 111
Afghanistan 184
Africa 149
Agentrics 83, 108
Airport Express 130, 140
Akman, Annette 174
Alcoa 111
Alibaba 128, 129, 130, 132, 146
American School of International Management 7
American School of International Assurance 67
American of School International Management 7
American Sources 80
Amsterdam 37, 42, 163
Apple Computer 101
ASEAN 50
Asian Sources 2, 7, 9, 10, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 25, 28, 29, 31, 32, 33, 35, 36, 37, 38, 40, 41, 42, 44, 45, 46, 47, 50, 56, 57, 58, 60, 62, 65, 67, 69, 73, 75, 76, 77, 78, 79, 80, 81, 82, 95, 98, 100, 120, 121, 123, 124, 126, 127, 128, 156, 160, 165, 168, 169, 176, 178, 179, 180, 187
Australia 44, 52, 145
Australian School of International Assurance 67
Asian Sources CD-ROM 73
Asian Sources Security Products 76
Asian Sources Telecom Products 29
Asian Sources Timespieces 29, 39, 44, 63, 94
Asian Sources Toys & Sporting Goods 29, 46
Asian Supplier Sourcing Program 83
AsiaWorld-Expo 140, 183
ASM eTrade 65, 66, 101
AT&T 76
Au, Muy 155
Australia 44, 52, 145

B
Bali 184
Bangkok 163
Barbie 132
Barnes, Brent 108, 109
Barrett, Barbara 175
Bechlen, Fred 22, 23, 36, 163
Beck, Michelle 85, 86, 88
Beijing 53, 64, 103, 104, 112, 113, 114, 129, 167, 183
Beijing International MBA (BiMBA) 186
Bell, Dexter 47
Bendy, Celine 8, 12
Bendy, Joe 8, 9, 10, 11, 12, 13, 14, 16, 23, 32, 34, 35, 37, 45, 61, 163
Benecke, Sarah 44, 45, 49, 50, 57, 60, 62, 73, 74, 75, 77, 80, 87, 88, 91, 94, 115, 139, 140, 142, 143, 144, 155, 163, 164, 165, 170, 176, 178, 179, 180
Berlin Wall 56
Bernstein, William 138
Black Box 74
Blackberry 101
Blair, Tony 171

C
Cabrera, Angel 175
Cadillac 28
California 17
Cambodia 184, 185
Canada 7, 52
Canadian Tire 145, 148
Canton Fair 40
Cargill 7
Carrefour 145
Catherall 56
Causeway Bay 43
Chaebo 19
Chai, Frank 114, 115
Chalmers, Roderick 91
Chan, Frances 32
Chen, K. W. 52
Chang, Emerson 89
Chang, Mee 114, 115
Chatting, Philip 88, 160, 161, 162, 164, 170, 178
Chen, Jian 116
Chen, Li Yun 116
Chen, Jian 116
Chen, Li Yun 116
Cheng, Penny 89, 181
Chengdu 110
Child's Dream 28
Chicago 8, 37, 42, 47, 74, 80, 163
Chief Executive China 47, 60, 181, 182
Chief Executive Reception 183
Child’s Dream 186
Chile 62
China Administration and Regulatory Affairs 115
China Business Group 57
China Emporium 40
China Europe International Business School (CEIBS) 181, 182
China External Trade Development Council (CETDC) 120, 121
China Global Sources Online 111, 114, 150, 169
China International Optoelectronic Exposition (CIOE) 143, 150
China Newsletter Electronics 48, 49, 50, 57
China Sources 40, 41, 42, 49, 80, 82
China Souring Fair 116, 130, 134, 138, 139, 140, 142, 143, 144, 145, 150, 151, 163, 184
China Sourcing Fair: Baby & Children’s Products 145
China Sourcing Fair: Electronics & Components 139, 145
China Sourcing Fair: Garments & Textiles 145
China Sourcing Fair: Gifts & Home Products 139
China Sourcing Fair: Home Products 139, 145
China Sourcing Fair: Security Products 145
China Sourcing Fair: Underwear & Swimwear 145
Index

China Sourcing Report 48, 106, 107, 108, 159
China Trader 49
Chinese New Year 67, 170
Ching, Anthony 88
Chou, Huan 20
Chrysler 8
Church Street 47, 81
Churchill, Winston 2
Cicero 28
Client Service Center 95, 125, 151
Clinton, Bill 103
CMP Media 109, 110
Coca-Cola 175
Cold War 56
Communists 98
Community Development 68, 85, 86, 108, 109
Components Zone 143
Computer & Consumer Electronics Group 57
Computer Sources 47, 51, 58, 59, 63
Confucius 174
Connect 66
Consumer Products Group 57, 62, 79
Containerization 17, 29, 99
Content Development 87, 107
Corporate Development and Investments 112, 113
Corporate Human Resources 160
Corporate Marketing 58, 116, 125
Cramer, Douwe 84, 88
Cultural Revolution 17, 100
Custom Private Sourcing Event 148
Czech Republic 175

D
Da Silva, Beate 32
Daewoo 19
Daft, Douglas 175
Dagert, Tina 37
David House 31, 32, 34, 43
Day, Ric 9, 23, 31, 32, 34, 39, 42, 46, 52, 53, 57
De Guis, Arie 171
DeFoore, John 163
DeFoore, Marion Sue 163
Deng, Xiaoping 46, 48, 98, 100, 101, 102
Denpasar 184, 185
DHL/SCMP 179
Disney, Walt 120
Doric Capital 91
Dot com 74, 83, 86, 89, 91, 127, 128, 144
Drucker, Peter F. 154
DSC Consultants 65
Dubai 62, 143, 144

E
East Asian Publishing Company 7
East Timor 185, 186
eBay 128, 146
eBay PowerSellers 146
e-commerce 69, 73, 79, 159, 175
Economic Strategy Institute 183
Egypt 62
El Corte Inglés 145
Electronic Commerce Services 160
Electronic data interchange (EDI) 65
Electronic data processing (EDP) 38, 51, 67
Electronic Design-China 111
Electronic Engineering Times-Asia (EE Times-Asia) 109, 110
Electronics and Timepieces Group 63, 79
Electronics Business Unit 78
Electronics News for China 47, 49, 50, 94, 109
Electronics Supply & Manufacturing-China 109, 110

G
Garretson, Tammi 45
Gay Tops Dining Room 15
GDP 6
Globalization 29, 101, 144
Gold Website 79
Goldman Sachs 90
Goldwater, Barry 175
Gomez, Kevin 45
Google 127, 131
Gopinath, Rajendar 45
Guangdong 68, 75, 80, 83, 86, 95, 106, 142, 145, 159, 167
Guangdong Online 2.0 (GSOL 2.0) 131, 132, 133, 134
Globalization 29, 101, 144
General Instruments 25
Geneva 39
Georgiou, Bill 67, 68
Germany 7, 98, 99, 102, 124
Gillan, David 94
Global Market 128
Global Sources Direct 146, 147
Global Sources Exhibitions 138, 140
Global Sources Hall 183
Global Sources Ltd 90, 91
Global Sources Online 68, 75, 80, 83, 86, 95, 106, 142, 145, 159, 167
Global Sources Online 2.0 (GSOL 2.0) 131, 132, 133, 134
Globalization 29, 101, 144
Gold Website 79
Goldman Sachs 90
Goldwater, Barry 175
Gomez, Kevin 45
Google 127, 131
Gopinath, Rajendar 45
Guangdong 64, 66, 116, 132, 140, 141
Guangzhou 41, 64, 107, 185
Gulf War 165
Guo, Fansheng 112
Gwyne, Peter 45

H
Hanoi 185
Hanrahan, Chris 47
Havel, Vaclav 175
Index

Hay, Mike 57, 62
HC International 111, 112, 113
Heng, Eddie 88, 89, 90, 91, 159, 164, 179
Heroes campaign 131
Hewlett-Packard 3000 (HP 3000) 38
Hill, Tim 165
Hilton, Cheong-Leen 43
Hot Wheels 132
Huang, David 89
Humes, Bruce 47, 48, 59
Hyundai 19
Hinrichs, Merle A. 2, 3, 4, 7, 8, 9, 10, 12, 13, 14, 15, 16, 18, 19, 20, 21, 23, 28, 29, 30, 31, 32, 34, 37, 38, 40, 41, 44, 45, 46, 49, 50, 52, 56, 57, 58, 60, 61, 62, 64, 65, 69, 72, 73, 74, 75, 80, 81, 82, 87, 88, 89, 90, 91, 92, 93, 100, 104, 111, 112, 120, 121, 123, 124, 127, 128, 133, 134, 138, 140, 142, 149, 150, 154, 155, 156, 158, 159, 160, 161, 162, 163, 164, 168, 170, 171, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 186
Hinrichs, Miriam 154, 155, 164, 171, 174
Ho Chi Minh City 185
Holmbraker, Bernie 64, 78
Hong Kong Baptist University 183, 185
Hong Kong Business Summit Dinner 171
Hong Kong Enterprise 122
Hong Kong Housewares 122, 123
Hong Kong International Airport 130
Hong Kong Island 32
Hong Kong Jockey Club 43
Hong Kong Sources 80, 82
Hong Kong Station 130
Hong Kong Telecom 67
Hong Kong Urban Council 43
I
IBM 32, 38
HIC China (IIC) 109, 143
Ikegame, Mie 20, 36
Importing from China 47
Importing from Hong Kong 47
Importing from Singapore 47
Importing from Taiwan 47
India 42, 80, 99, 107, 116, 117, 144, 145, 165
India Sourcing Fair 144, 145
Indonesia 22, 42, 83, 144, 184
Information Services Department 51, 84
Interactive Media 166
International Business Information Centre (IBIC) 181, 184
Invest Hong Kong 140, 171, 183
IPO 88, 90
Ishige, Sumio 20
iSystems 68
J
J.C. Penney 30
Janeri, Bill 138
Japan 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 17, 20, 23, 29, 40, 42, 68, 99, 102, 104, 117, 120, 124, 128
Japan External Trade Organization (JETRO) 120
Jenkins, Charles (Chuck) 11, 13, 14
JOA 176
Johannesburg 143, 144
Jones, David 91
Journal of Commerce 37
K
Kaohsiung 18, 28
Kawasaki 6
Kearny Alliance 184, 185, 186
Kim, Hyun-Ki 16, 19, 20
King, Ruth 52
Kmart 30
Knight Ridder 74
Korea 2, 6, 7, 12, 16, 19, 20, 23, 24, 28, 29, 42, 68, 79, 99, 107, 124, 164, 168
Korea Herald 35
Korea Trade Promotion Corporation (KOTRA) 120
Korean War 4, 8, 11
Kowloon 14, 32, 183
Koyich, Ron 170
Kreuter, Katherine 52
Kuala Lumpur 163
Ko, Tian-Tung 6, 29
L
Lai, Connie 113
Lai, Jackson 113, 123, 167
Lai, Pian 45
Leung, Johnson 23, 24, 41, 51, 126
Leung, Marcus 41
Lewisian Turning Point 117
Li & Fung 101
Li, Lisa 116
Light emitting diodes (LEDs) 39
Liquid crystal displays (LCDs) 39
Lockhart Road 32
London 111
Lucky-Goldstar (LG) 19
M
Ma, Anthony 35
Ma, Jack 128, 130
Macao 46
Macy’s 30
Made in China 128
Mageden, Joshua 185
Malaysia 22, 42
Management Board 89
Manila 57, 58, 60, 142, 143, 163, 164, 166, 185
Mao, Zedong 40, 98, 100
Market Report 15
Marks & Spencer 145
Masayoshi Son 128
Massachusetts Institute of Technology (MIT) 72, 182
Mattel 132
Maugham, Somerset 44
MBA 126
MBO 126
Media Services International 42
Mexico 7, 62, 83, 144
Miami 144
Million, Bob 36
Ministry of Post and Telecommunications 78
Mitac 44, 59
Mojiaca, Armando 166
Morgan Stanley 142
Index

Most Favored Nation (MFN) 102, 103, 104, 106
Mottram, Paul 81, 88
Muang Va, Paklay 186
Mumbai 143, 144, 151
Myanmar 185

N
Nagoya 8, 10, 11
NASDAQ 89, 90, 91, 92, 174
NASDAQ Global Select Market 93
NASDAQ MarketSite 92
NASDAQ National Market 93
Nath, Ashok 60
Nationalist 7
Nebraska 2, 4, 7, 8, 175
Nelson, Rob 79, 88, 160
Nepal 62
Netherlands 37
Netscape 74
New York 90
New Zealand 50
Newly Industrialized Countries (NICs) 6
Newstand Group 57
Ng, Alinda 178
Ng, Sandy 115
Ningbo 107, 185
Nixon, Richard 17
Nock, Michael 91, 92

O
O’Connor, Sandra Day 175
Open Door Policy 46, 48, 99, 100, 101, 131
Operations Board 88
Oracle 66, 67, 68
Oriental America 8, 10
Osaka 8
Outlook 107

P
Pachinko 10, 11
Pacific Basin Economic Council 176, 183
Pacific Growth Securities 92
Pakistan 62, 104
PalmPilot 101
Park, Jung-Woong 19
Patterson, John 164, 165
Peck, Abe 45
Peking University 186
Peninsula Hotel 32
Penton Media 111
Pepples, Craig 48, 49, 50, 57, 64, 73, 88, 89, 102 103, 112, 113, 115, 116, 134, 143, 159, 162, 164, 170, 176, 178, 179, 182
Personal digital assistant (PDA) 101
Philippines 22, 42, 58, 85, 156, 167
Philips 59
Pinatubo 60
Pioneer 23
Polo Ralph Lauren 134
Pong 25
President Foods 6
Private Buyer Catalog 84, 107
Private Supplier Catalog 84
Pro Publico Sestio 28
Product Alert 76, 148
Professional Export Development Program 183
Project A 126
Publishing Board 57, 89
PubPlus 51, 67, 68

Q
Qu, Anita 116
QVC 30

R
Rabbins, Mike 82
Radio-frequency identification (RFID) 101, 102
Reed 59
Regional Survey 15
Ren, Catty 64, 116, 166
Renminbi (yuan) 127, 113, 130, 131
Request for information (RFI) 65, 66, 84, 111, 121, 142, 151
Reuters 74
Richman, Martin 13, 23, 24, 37
Rip Off the Lid 59
Russell, David 56
Russia 116, 151

S
S/K Associates 19
Sales Prospecting System (SPS) 20, 51
Sam’s Club 31
Samsung 19, 148
San Francisco 7, 91
Sansui 23
Sanyo 23
SAP 66
SARS 140, 141, 142
Saunders, Mark 78, 88, 109, 110, 111, 164, 170, 178
Schmookler, Alexis 37
Scotsdale 184
Scotsdale 184
Sears 30
Sears Tower 80
Securities and Exchange Commission 90
Seitz, Bill 90
Senge, Peter 182
Seoul 15, 19, 35, 36
Shanghai 6, 7, 8, 41, 48, 64, 107, 108, 110, 113, 115, 116, 129, 134, 139, 140, 142, 143, 144, 181, 182
Shanghai Advertising Corporation 41
Shanghai New International Expo Centre 139
Shantou 46
Shen, Jean 185
Shenzhen 41, 46, 64, 74, 85, 102, 107, 110, 113, 114, 116, 148, 151, 164, 185
Show Issue 134, 145
Sim, Adrian 178
Simpson, Andrew 122
Singapore 2, 6, 12, 24, 29, 42, 79, 82, 85, 99, 101, 143, 144, 163, 164, 165, 166, 185
Singapore Hotel 16
Sino-British Joint Declaration 43
Siu, Noel 183
Smith, Brandon 111, 113
Smith, Chris 50
Snegowski, Don 50
Snyder, Bob 59
So, Camellia 155
Soaring Dragon 129
Softbank 128
Sony 23
South Africa 62, 80, 82, 144
South African Sources 82
Southeast Asia 12, 50
Special economic zones (SEZs) 29, 64, 101, 102
Sri Lanka 42
Staples 145
Statement of Purpose 14
Statue Square 53
Steiner, Jeffrey 90
Stickler, John 16, 17, 19, 20
Strachan, James 38, 46, 51, 57, 59, 90, 174, 178
Sun Tzu 120
Supplier Survey 107
Supplier/Buyer Finder Service 38
Supply chain management (SCM) 30, 100, 156
Supreme Court Justice 175
Index

Susie Wong Town 32
Swietering, Michele 37

Taipei 15, 18, 28, 35, 36, 77, 163
Taiwan 2, 6, 7, 8, 11, 12, 17, 18, 23, 24, 28, 29, 34, 35, 40, 42, 46, 47, 50, 52, 63, 75, 78, 79, 80, 98, 99, 101, 102, 107, 120, 121, 123, 124, 129, 139, 142, 143, 158, 165, 167, 181
Taiwan External Trade Development Council (TAITRA) 98, 120
Taiwan Sources 80, 82
Tam, Daniel 24, 168
Tam, Ellen 168
Taobao 128, 129, 146
Tatung 44
Technical Electronics Group 50, 57, 165
Teja, Ed 50
Tesco 145
Thailand 22, 42, 82
The Daily Buyer's Report 31
The Economist 175
The Economist 175
The Emigrant 52, 53
The Export Market Review 31, 34
The Importer 8, 9, 10, 16, 18, 19, 45, 120
The Society of Hong Kong Publishers 183
Thomas & Friends 133
Thunderbird 7, 8, 175, 177, 184, 185
Tiananmen Square 53, 101
Tianjin 103, 116
Tidal Wave 165
Time 57, 62
Tokyo 2, 3, 7, 8, 9, 11, 12, 15, 17, 18, 20, 23, 36, 38, 163
Total Solution 66, 75, 131, 147
Trade Development Council (TDC) 46, 120, 121, 122, 123, 128, 129
Trade Management Systems 67
Trade Media Holdings Ltd 90
Trade Media 43, 162
Trade Scene 15
Trade Sources 127
Traveler 62
Tsang, Donald 183
Tsim Sha Tsui 130
Tsinghua University 183
Tsui, Carlye 38, 42, 51
Tsui, Tom 45
Tupperware 20
Turkey 62, 80, 83, 144
UCCnet 83, 84
Unique selling point (USP) 121, 143
Unisys 67
United Arab Emirates 62
United Business Media (UBM) 110
United Nations 9, 185
United States 2, 3, 5, 6, 7, 9, 17, 25, 30, 37, 42, 52, 79, 89, 102, 103, 132, 149, 156
University of Nebraska 7
Unix 67
US 7th Fleet 32
US Customs 132
US Department of Defense 72, 102
US Generally Accepted Accounting Principles (US GAAP) 90

Verbatim 59
Verified supplier 94, 111, 131, 132, 145, 148, 170
Vertical Sales 142
Vietnam 17, 62, 106, 107, 185
Vita Tower 42, 43, 140

W
Wadas, Greg 35, 47
Walker, Cameron 113, 114, 115, 167
Walker, Sandy 13
Wall Street 92
Wal-Mart 30, 31, 102
Walsh, John 161, 162, 163
Walton, Sam 30, 31
Wanchai 32, 33, 43, 130
Wang, Jarvis 89, 165
Wang, Suzanne 112, 113, 178
Washington, D.C. 90, 103, 183
Watkins, James 91
Weitzman, Steve 110
Wight, Phil 8
Wild, Bert 42
Wilson, Dean 18, 19
Wilson, Doug 59
Wong Chuk Hang 43
Wong, Eric 25, 58
Wong, Tommy 140, 144, 170
Woodside, Ray 7, 8, 9, 10, 11, 13, 18, 45, 120
Woolworths Australia 145
Wordright Enterprises 37, 42, 47, 81
World Economy & Trade 49, 57, 60
World Executive's Digest 60
World Trade Organization (WTO) 102, 104, 106
World War II (WWII) 3, 30, 31, 98, 99
WorldWide Retail Exchange 83
Wu, Oscar 35, 36, 64, 89
Wu, Samson 19, 64
Wu, Sandy 35
Wu, Wendy 35
Wu, Yi 176
Wu Hua, Tan 88

X
Xi'an 107, 114, 115, 167
Xiamen 46, 107, 116
Xiong, Jinghua 41

Y
Yahoo 127, 128, 130
Yahoo Japan 128
Yakaza 10
Yen 12, 104
Yeu, Daniel 167
Yip, Livia 142, 143
Yiu, Theresa 42, 51, 67, 77, 88

Z
Zapf, Peter 68, 84, 86, 160
Zhong, Shan 180
Zhuhai 46
Ziff-Davis 59