

# Cyber-Marketing will Become the Mainstream of E-Commerce Development in Future

Xuping Jiang  
Tsinghua University, Beijing  
jiangxp@em.tsinghua.edu.cn

Aiqun Yao  
Agriculture University of China, Beijing

## Abstract

In recent years, similar to what has happened in other parts of the world, electronic commerce (EC) in Mainland China has come through the great developing and changing. E-business is not only a tool for purchasing or buying, but also a marketing media for business. People combine the on-line marketing with off-line sales to develop their business. Cyber-Marketing will become the mainstream of EC development in future.

This paper reviews the development of China's EC, points out the impediments that impact EC developing in China, presents some surveys and statistics of EC in China, and analyses EC development's trends in future.

**Key Words:** Marketing; Electronic Commerce; Cyber-Marketing; Electronic Marketing; Electronic Business.

## 1. Introduction

As the fastest economic Development State in the world, China's EC and Network Economy develop very quickly in recent years. Similar to what has happened in other parts of the world, the EC development in China has experienced the following three phases.

First phase is the concepts importing and technologies developing stage from 1994 to 1997. In this phase, 1G mobile telecommunication system (mobile phone) and EC's concepts officially entered Mainland China. China's network economy began. National information infrastructure construct very quickly. The digital fibre cable and microwave network increased from 400000 km to 820000 km at the end of 1997, its geographic span from large cities to the whole country. The number of telephone users has reached 83.5 million, the number of mobile phone users has reached 13.23 million, the population of using Internet has reached 0.67 million.

Second phase is the quantity development taking off stage from 1997 to 2000. In this phase, China's digital

fibre cable and microwave network increased by 145%, from 820000 km to 1250000 km. The number of telephone users increased by 174%, from 83.5 million to 145.121 million. The ratio of Internet using population increased by 3359%, reached 22.5 million in the end of 2000. And the number of mobile phone users exceeded the United States, China become the largest mobile telecommunication market in the world.

Third phase is the China's EC booming stage since 2001. Although many pure "dot com" companies have closed down, many traditional enterprises begin to develop their on-line business. Business executives have understood the importance of cyber-marketing (on-line marketing). They combine the on-line marketing with off-line sales to develop the substantial business.

## 2. Review of EC in China

According to surveys conducted by some governmental, semi-governmental and non-profit Internet management and service organisation, such as Ministry Information Industry of China, Institute of Telecommunication Science Research, Internet Network Information Centre (CNNIC), there has been great increase in both aspects of the information infrastructure and application market.

### 2.1 NII Constructs and Applications

Table 1: China's NII Constructs from 1996~2000

	2000	1999	1998	1997	1996
Total	1250	1100	1000	820	130
Fiber Cable	286	239	200	150	39
Microwave	129.1	65.2	49.2	47.5	0

Unit: kkm

Source: CHINA E-COMMERCE YEARBOOK [2]

Table 2: Telecommunication investment from 1996~2000

2000	1999	1998	1997	1996
449.4	312	224.7	177.9	133.6

Unit: billion RMB

Source: CHINA E-COMMERCE YEARBOOK [1]

Table 3: Telephone development from 1996~2000

	2000	1999	1998	1997	1996
Telephone users	145.1	108.8	87.35	83.5	61.79
PBX	179	154	135	110	109
Long-distance Cable	3.7	2.3	1.63	1.24	1.038
Long-distance PBX	5.49	5.03	4.83	4.45	-
Telephone using Rate *	20.1	12.61	10.64	8.21	6.33
Telephone using Rate in City*	39	28.3	27.7	26.1	22
Telephone using Rate in countryside *	80%		67.1 %	55.6 %	

Unit: million

Note\*: telephone/100person

Source: CHINA E-COMMERCE YEARBOOK [3]

## 2.2 Internet Access and Development

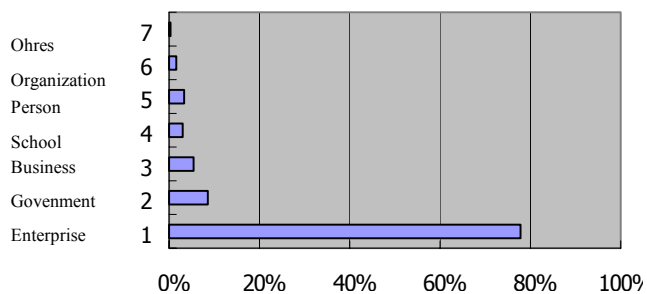
Table 4: Internet development from 1996~2000

	2000	1999	1998	1997	1996
Computer	22.00		11.00		5.00
On-line PC	8.92	3.5	0.75	0.33	0.029
Users	22.5	8.9	2.1	0.67	0.1
DoMain name (CN)	0.122	0.0487	0.0184	0.0041	
Web Site	0.265	0.0151	0.0053	0.0015	
Int. Capability	2799	351	143	25	

Unit: million

Source: CNNIC (<http://www.cnnic.net/>), 2001/3/31

Figure 1: Classify of Web site



## 3. Surveys and Analysis of EC Development

As time goes on, China's E-Commerce development has experienced drastic change since 2001. With the development of E-business, China's business executives understand that E-business is the business, IT must be combined with the traditional business. Substance industry enterprises understand the potentialities of EC, and become the mainstream of EC development, instead of pure "dot com" companies.

## 3.1 The Number of On-line Buyers isn't Increase

According to a survey conducted by CNNIC in July 2001, although the both number of Internet user and B2C web site have huge increase, the number of on-line buyer is nearly not on the increase.

Table 5: The Rate of people browser EC website (%)

	2000. 6	2000. 12	2001. 6
Always	72. 46	69. 07	73. 9
Sometimes	27. 54	30. 93	26. 1

Table 6: The rate of people bought something in Internet last year(%)

	1999. 12	2000. 6	2000. 12	2001. 6
Yes	8. 79	16. 28	31. 67	31. 9
No	91. 21	83. 72	68. 33	68. 1

Table 7: Satisfaction (%)

	2000. 12	2001. 06
Very good	1. 76	1. 8
Good	25. 96	27. 8
Ok	51. 24	50. 6
Bad	17. 17	16. 3
Very bad	3. 87	3. 5

Table 8: Most important problems (%)

	2000. 6	2000. 12	2001. 6
Secureraty	31. 76	31. 2	33. 4
Payment	13. 34	12. 59	11. 5
Quality、Service and Credit	28. 33	32. 03	33
Distribution	10. 14	9. 86	8. 7
Prise	7. 74	7. 39	6. 6
Information	7. 28	5. 91	6
Others	1. 41	1. 02	0. 8

Source: CHINA E-COMMERCE YEARBOOK [7]

## 3.2 Primary Obstacles

The primary obstacles impacting business to consumer (B2C) EC development in China are following 4 aspects. First is that the number of both people and stores are very great, B2C on-line sale can't show its advantages. Second is that both credit system and on-line payment system have been not established. Third is that the third part distribution (or physical distribution, logistics, supply chain) system is undeveloped. At last, there are not proper laws to protect it.

### 3.3 Enterprise Users and Scope are Increasing

According to the survey conducted by Information Centre of State Economy and Trade Committee (SETC) in 2001, the ratio that enterprise can access Internet is nearly 100%, and most large enterprises have business web sites and used the web sites to display their products and marketing strategies. [6]

According to another survey conducted by CCID Consulting, the EC scopes have reached 95.5 billion RMB in China in 2001. Thereof, 1% is from B2C and 99% from business to business (B2B). And there are much more enterprises using business web site to promote their products, provide the before or after sale services, create the customer relationship management system, and show enterprise's marketing strategies. [5]

### 3.4 E-Marketing

According to a questionnaire conducted by (SETC) in 2001, most of the managers are fairly optimistically thinking that E-marketing will develop very quickly in China. Nearly two-third of them predict that E-marketing would take off in China in the next two years and that combination of the on-line marketing and off-line sales will be the most promising one. These managers also feel that E-marketing is more suitable for China's business situations versus on-line sales. EC's major impacts on business seem to change idea, promoting products, on-line service, marketing expansion. [6].

### 3.5 The Driving Forces

The driving forces of recent EC market growth are expected to be the competitive compressive stress. Due to China acceding to World Trade Organization (WTO) and the trends of economy globalization, traditional enterprises have to use the Internet to develop their markets and business.

### 3.6 Current Advertising and Communication Media

The Respondents were asked about their firms' current advertising and communication channels and how satisfied they are with those channels in order to assess the potential of the Internet as a new medium for advertising and communication. About the thirty-nine firms reported their advertising mediums. Printed media is the most popular advertising media. Thereof, magazines are used by 23 firms and newspapers are used by 21 firms; billboards and TVs are used by 12 and 10 firms respectively. Most of the firms have not been very

satisfied with their advertisements because of a lack of promotion effectiveness (11), followed by high cost of advertisement (10) and limited contents of advertisements. Most of them think that Internet should have great potential to promote products and marketing strategies in the future. [9]

## 4. Conclusion

Based on survey results, some recent reports and the analysis in this paper, the summary of the e-commerce development in China are following:

### 4.1 China's B2C Market Can't Have Large Growth in Recent Years

Because the restrictive conditions that were depicted above can not be changed in recent years, the B2C market in China will not have large growth in recent years.

### 4.2 On-line Marketing Will Become the Mainstream of EC Development in China

With the growth of Internet population, more and more enterprises will use business web sites to show the marketing strategies, extend their market scope, provide their service and promote their products. The Enterprises will combine Internet and traditional trade way and create the most suitable way of developing China's EC.

Using Internet, mobile telecommunication and relative technologies to develop marketing will become the Mainstream of EC Development in Mainland China.

## References

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