

Editorial Preface

E-Commerce in China: A Personal Perspective

Henry H. Emurian, University of Maryland, Baltimore County, USA

I like to shop on the Internet and I've been doing it for years. During a recent month, for example, I purchased a portable washing machine, an electric shaver, a surge protector, a memory card and spare battery for my digital camera (also purchased online), an assortment of vitamins and herbs, a bed comforter cover, soft drinks, and a sweater drip-dryer. Given such avid online customers as myself, it is little wonder that the Census Bureau of the Department of Commerce estimates that U.S. retail e-commerce sales for the first quarter of 2005 were \$19.8 billion, an increase of 6.4% from the fourth quarter of 2004¹. But not all of my most recent online purchases can count toward a future estimate of e-commerce sales in the U.S. The reason is that my wife² purchased the bed comforter cover, soft drinks, and sweater drip-dryer from online merchants when we were in Shanghai.

When my wife and I visited China in the summer of 2005, I was interested to learn about access to the Internet. As it turned out, the hotels in Shanghai, Hangzhou, and Beijing all provided easy access to the Internet. I used the Ethernet cable provided in the room, plugged it into my laptop, and I was soon reading my e-mail, *The Washington Post*, and *The New York Times* just like I do at home. And CNN was on the cable television, playing in the background just like it often does at home. I then had the idea to purchase something in China on the Internet.

I first had to decide on an online merchant. Although there are now many online merchants in China³, my wife's family and acquaintances suggested that we use China eBay⁴. It is reported that 10 million mainland users are now registered with eBay's China site, formerly called C2C portal EachNet⁵. The online storefront for China eBay is presented only in Chinese; there is no

English language option, and delivery of merchandise is provided only within China. As it became clear to me later, the reason has to do with the requirement that input for a purchase, to include delivery details, must be written in Chinese, and our laptop has the capability of typing Chinese words. At the bottom of the China eBay storefront, there is a link to a business license that is issued by the Chinese government. All the online merchants in China are required to provide access to an official license. This is similar in intent, perhaps, to the TRUSTe seal on America eBay⁶, but the appearance of a license on China eBay and other online merchants in China did impress this potential shopper.

Looking over the China eBay Web site, we decided to purchase a cover for a bed comforter. My wife had previously tried to make an online purchase, using a debit card issued by a Chinese bank, but the transaction would fail. In China, she learned that the debit card must undergo a separate registration process to make it eligible for online purchases. We then visited the bank, and the card was registered. The registration process fixed an RMB upper limit that could be used for online purchases. The process also included the receipt of a password to be used only for online purchases. According to William Chu⁷, this is the typical way that online purchases are now handled in China. There are few online merchants where a purchase with a credit card generates a loan to be repaid in installments by the customer.

Back at the hotel, we went ahead with the purchase of the comforter cover. China eBay has an escrow service ("eBay An Fu Tong") that manages the flow of payments between a buyer and a seller, currently at no additional cost. The payment process for China eBay is described on

its Web site⁸. “Phishing” is an emerging problem in China⁹, and An Fu Tong is an attempt to provide additional security for online customers¹⁰. That layer apparently also guarantees that funds exist to pay an individual seller, or a merchant, for a customer’s online purchase.

The online purchase action, which was completed later in the day on July 8, authorized the China eBay escrow service to create an escrow for potential payment for the comforter cover. Almost immediately, an e-mail response arrived from the escrow service with a reference number for this purchase. The e-mail also reported that the seller had been notified to deliver the comforter cover to the designated address in Shanghai. On July 10, another e-mail was received from the escrow service indicating that the comforter cover had been sent. On July 10, an e-mail was also received from the merchandise seller giving contact information regarding the seller’s employee who was responsible for monitoring the delivery, which was undertaken by a private delivery service. The merchandise was received on July 10. Later on July 10, an e-mail was received from the eBay escrow service that included a link, labeled “Pay to eBay,” to use to verify receipt of the merchandise and to authorize payment. We had initially selected the “fast” delivery option of 1 - 2 days, and the entire transaction was completed in three days: July 8 – July 10.

The comforter cover was delivered quickly, and several e-mail interactions took place with “eBay An Fu Tong” and the seller. With China eBay, however, there was no way to cancel an order once a purchase confirmation had been made, even though the confirmation step precedes selecting a payment option. We learned the hard way what can happen if “confirm” is selected, but a payment option inadvertently is not. My wife was unsettled by several e-mail interactions that took place with “eBay An Fu Tong” to resolve just such a situation. In our opinion, China eBay needs an easily identifiable “Cancel” function even after a customer confirms an intention to purchase a particular product. Part of this problem may be attributable to the auction oriented format of China eBay and to the An Fu Tong layer, but many customers use the site for online retail purchases where product prices are not negotiable. Even for an experi-

enced Chinese user of the Internet, the first e-commerce purchase using China eBay was a bumpy and confusing road to follow.

If most new online shoppers are like my wife, she doesn’t want to spend her time reading pages of details about contracts and site functionality just to buy a comforter cover, whether in China or in America. And neither do I. The several steps involved in bringing an online purchase to completion should be self-explanatory so that a new user feels safe and confident with the entire purchasing process. In fairness, I have the same view about America eBay, from which I purchased my laptop several years ago.

But there is good news on the horizon. The headline for an article by Liu Baijia¹¹ on page 10 of *China Daily* (July 12, 2005) states: “eBay makes online buying easier.” PayPal, a wholly-owned subsidiary of eBay, has partnered with China Pay¹², the online payment arm of China UnionPay. The planned introduction of this service in September, 2005 should streamline the payment process. Cited in the article are the words of James Zheng, chief operating officer of eBay Eachnet, “It is just like a tiger getting a pair of wings.” That tiger, unfortunately, didn’t arrive in time for our purchase, so we decided to try other online merchants.

For a second online purchase in China, we decided to order soft drinks from Lian Hua OK¹³. One morning, we placed an online order for several cola drinks, and we selected “cash on delivery” for payment. Delivery was available within a 3-hour window on the same day. As promised, the cola drinks were delivered to the Shanghai address within that time frame. This made for a swift and satisfying online experience, which obviously benefited from not using an online payment option in this case. Customers can also order online and have goods waiting at the store to be picked up.

For a third online purchase, we chose to order a sweater drip-dryer from Dangdang.com¹⁴. This purchase process was similar to what we had experienced with e-commerce in America. One morning, we selected the item on the Dangdang.com Web site, and the process was similar to a shopping cart situation with which we are familiar. The only difference was in the use of the debit card for payment. From the payment options displayed at the checkout, we selected to

use the debit card, which had previously been registered for online purchases. Automatically, the process moved the transaction to the bank that issued the card. The total amount of the purchase, to include the delivery fee, was displayed, and the customer had to enter the card number and password to authorize the bank to make payment to Dangdang.com. We selected standard delivery, and the sweater drip-dryer was delivered to the designated Shanghai address on the following day.

Oure-commerce experiences in China were satisfying, although the payment process for China eBay was a challenge. The speed of all three deliveries was remarkably fast. According to Jiacheng He¹⁵, “In April 1997, XinHua Bookstore of Hangzhou city opened the first online bookstore in China. With only 400 Web site hits in the first year, the bookstore eventually closed its door with no sales at all.” Contrast that with the more than 40% of the estimated 94 million Internet users in China reporting making an online purchase during 2004¹⁶. Our comforter cover, cola, and sweater drip-dryer purchases may make only a modest contribution to the projection by Analysys International of RMB620 billion (\$76.6 billion) for all China e-commerce transactions in 2005¹⁷.

Back at home, I’m wishing that I could purchase online from China and have the goods delivered to Baltimore. With the exception of the requirement to use a registered debit card in China, there was hardly any difference between purchasing online in China and purchasing online in America. With optimism that the challenges facing the growing interdependencies of the economies of China and the U.S. will be managed to the equal advantage of both countries¹⁸, realizing that opportunity may only be a matter of time. Until then, the bed comforter cover, which we carried back with us from Shanghai, is a daily reminder of the vibrancy and promise of e-commerce in China. Finally, as the global economy continues to grow and as the foundational information technology becomes ever more widespread, there is every reason to anticipate that individual online shoppers will someday reach across national boundaries to participate in a global e-commerce network to the benefit of all countries and all people.

Endnotes

- ¹ U.S. Census Bureau News, May 20, 2005. <http://www.census.gov/mrts/www/data/html/05Q1.html>.
- ² I am indebted to Qiyin Emurian, who was born in Shanghai, for her participation in the preparation and writing of this editorial. I am also indebted to her brother, Qixiao Lin, for his guidance in helping us with the many details involved in our online purchases in Shanghai.
- ³ Examples: Dangdang.com, elong.com, joyo.com, Taobao.com, zon100.com, 6688.com, and 8848.com.
- ⁴ <http://www.ebay.com.cn/>
- ⁵ China Daily (7/29/2005), HK Edition. http://www.chinadaily.com.cn/english/doc/2005-07/29/content_464450.htm
- ⁶ <http://www.ebay.com/>
- ⁷ William Chu, personal communication.
- ⁸ <http://pages.ebay.com.cn/help/community/escrow.html>
- ⁹ Carol Tang, personal communication.
- ¹⁰ This is similar to Escrow.com, which is recommended by America eBay for purchases over \$500.00. <http://pages.ebay.com/help/community/escrow.html>
- ¹¹ China Daily (7/12/2005). http://www.chinadaily.com.cn/english/doc/2005-07/12/content_459310.htm
- ¹² <http://www.chinapay.com/>
- ¹³ <http://www.lhok.com>
- ¹⁴ <http://www.dangdang.com/>
- ¹⁵ http://www.oycf.org/Perspectives/8_103100/ecommerce.htm
- ¹⁶ 15th Statistical Survey Report on the Internet Development in China (January 2005), China Internet Network Information Center (CNNIC). <http://www.cnnic.cn/download/2005/2005012701.pdf>
- ¹⁷ http://www.eetimes.com/press_releases/?newsDate=2004/12/20
- ¹⁸ <http://www.washingtonpost.com/wpdyn/content/article/2005/07/10/AR2005071000999.html>