The Current Situation of China Online Stock Business and Its Future

1. Status quo of Chinese online stock business;
2. Main factors which influence online stock business;
3. E-commerce theory and strategy of Yestock.

First, I want to talk about the status quo of Chinese online stock business.

Participants of stock market include stock regulators, stock exchanges, brokerages, enlisted companies, information companies, consultancy companies, technology companies, e-commerce companies and communication companies as well as terminal companies and so on. The development of online stock business results in deep influence on the whole stock market.

We can see the effect of online stock business from three aspects:

a) As for investors, they can get fair, equitable, efficient stock quote, information and transaction services. It is obvious that these services can reduce transaction loses resulted from quote delay, information time difference or transaction delay.

b) As for brokerages, e-commerce has an important meaning. On the one hand, it can reduce costs for online stock business since it only needs to invest in software systems and marketing fees to expand. It doesn’t need much more space, funds, personnel or equipments. Through online stock business, brokerages can restructure their internal resources, including human resources, information resources and communication resources. On the other hand, as for the essence of online stock business, it is a pushing strategy to expand business coverage.

For instance, Merrill Lynch in U.S. adopts defensive strategy by not entering into online stock business field one or two years ago. But the other two online brokerages, Charles Schwab and Etrade, get a huge expansion in this field in recent years. Schwab’s equity value once exceeded Merrill. Therefore, online stock business means not only costs saving, but also expanding business coverage to seize larger market.

c) As for stock exchanges, it is very necessary to support the development of online stock business. Now Shanghai stock exchange has signed memo agreement with NASDAQ. In the future, domestic stock exchanges will be compatible with international stock market. So if stock exchanges have plans for developing online stock business, it will be very helpful for them to accede to internal market.
From narrow sense, definition of online stock business is pure online stock exchange on Internet. But from broad sense, online stock business is to reconstruct stock brokerage businesses by applying electronic technologies. Generally speaking, stock business could be divided into primary market business and secondary market business. Primary market is to set up new company, enlist, issue additional shares, issue new shares and other businesses. Stock investors make stock transaction in secondary market. In addition, investment banks, brokerages, investment consultancy companies’ businesses including company restructure, assets coalition, investment consultancy, financing, and wholly operational fund business to avoid risks all belong to stock business.

Long-distance electronic transaction system is the basic product in the beginning of online stock business. Infolink, operator of www.yestock.com, has begun to exploit long-distance electronic transaction system since 1996. At present, it is the biggest system provider in this field. After several years’ development, telephone entrust system and video telephone entrust system have become one of the main transaction means. Online stock transaction possibly appeared in 1997. Currently, about one or two hundred brokerages adopt this transaction means. But most of them are just in probation. Most brokerages’ headquarters have finished their WAN and most brokerages have set up WAN in hardware. Although they have possessed condition to realize uniform online stock business, most of them just adopt internal application. Simultaneously, there is not a clear criterion about domestic e-commerce safety system although Southern CA, Shanghai CA Certificate Center has been trying to solve the problem. Online stock business has involved a lot of industries and departments including banks and electronic paths such as ISPs, audio channels, call channels and so on. They are all willing to unite brokerages to develop online stock business.

The rapid development of online stock business involves assets restructure and value conformity among various industries. Under traditional state-owned system, although brokerages have relative advantages in consultancy resource, research resource and macro economy research, they are deficient in electronic technology application, combination of electronic technology and brokerages and marketing system. Furthermore, they don’t have deep cognition on online stock business and still need more changes in human utility, system reform and conception conversion. How to transit traditional stock exchange to online stock exchange? It is very important for us to consider the situation of technology, information and service.

Second, I would like to talk about the main factors influencing domestic online stock business.

1. Technology environment
It includes fundamental support communication system, application software system and safety system. In fundamental communication, there still are some problems about network band width and dial-in network. As for safety and application system, the technology is very mature. But customization and intellectualization of information system need to be further exploited.

2. Policy Factors
They include the attitude of CSRC and stock exchanges treating online stock business. Their support degree is also very important for the development of online stock business. Regulations on online stock transaction recently promulgated by CSRC will actively accelerate development of the whole online stock business.

3. Customer costs
Another factor is customer costs. Internet access fees are a big burden for most stock investors. This situation needs ISPs, especially local telecommunication bureau to adopt some measures to reduce Internet access fees. Some local telecommunication bureaus specially provide stock investors with online stock transaction through special line or special phone number. This action reduces fees in a sense. Additionally, users need some transfer costs and connect fees if they converse from traditional transaction mode to new-style transaction mode.

4. Developing trend of brokerages
Developing trend of brokerages also influences expansion of online stock business. In recent years’ trend, there are some factors influencing brokerages. First, regional factors. Stock investors from different areas have different investment taste. Second is price. Last year, some domestic brokerages began price competition through giving free computer when they developed their video consign business. With the development of online stock business, more active price competitions will become a sensitive factor. Third is unblocked degree of transaction mode and transaction path because different users have different demands about transaction modes. Forth, the quality of quote information and deeper consultancy services are another focus in competition.

Company brand is very important too. By now, some big brokerages are very attractive to some stock investors. Additionally, it is very important for brokerages to supply other particular services besides regular services. From current trend, brokerages are enforcing electronic network appliances to supply safer, timely, stable quote information and transaction service. At the same time, brokerages are strengthening their research strength. Establishing stock research center not only can enhance traditional service, but also can be used to supply stock investors with brokerages business.

It is delightful that many brokerages have begun to realize the importance of

Presentation by Johnson Wang
marketing since last year. They begin to expand their businesses through advertisement and other marketing methods. Brokerages have different customer communities that have different demands and different investment intention, which are changing constantly. Because the essence of brokerage is a kind of retail business, setting a good marketing concept is a very important breakthrough for stock business. For example, we can only see same stock commentaries. In future, brokerages should supply customized information service to satisfy demands of different stock investors. Furthermore, brokerage headquarters can also influence brokerage business. Many former policies to expand business coverage are decided by sales department. Now brokerage headquarters need to make a uniform policy. For example, stock supermarket provided by Shenyin Wanguo Co. is a multiple operation concept which is uniformly planned by headquarters to instruct departments’ work by administrative and market measures.

At last, I will combine some www.yestock.com’s successful examples to talk about Yestock online stock business theory and Yestock online stock business strategy.

First, may I have the pleasure to simply introduce Shenzhen Infolink Information Technology Co., which is the main operator of www.yestock.com. After Infolink’s establishment in 1996, it has been concentrating on research of online stock business and exploitation of online stock business application software.

We provide more than 30 kinds of products surrounding online stock business based on Internet, Intranet and Extranet. Additionally, we can also supply all-around online stock business application solution. By now, more than 500 brokerages and about 200 thousand stock investors are using Infolink’s software products. Infolink has become one of the biggest online stock business software providers in China.

In 1999, Infolink invested several teens million of Yuan to startup www.yestock.com, the most perfect online stock exchange in China. www.yestock.com, introduced in August, 1999, has over 500 thousand unique visitors per day, more than 6 million page viewers and more than 400 thousand registered users. Users transacting on the website through various electronic paths have exceeded 30 thousand per day. Now it is one of the hottest financial websites in China.

www.yestock.com firstly provide and realize the business mode to connect wireless pager network, cable television network, PDA, intelligentized telephone, Web TV and other appliances to construct a multi-electronic-path e-commerce platform and unite brokerages to provide investors with brokerage service and all-around stock investment service.

In the Internet reform surge, our strategy is to become an internationalized online stock business company. At present, we have established communication centers in
Shenzhen, Beijing, Shanghai, Guangzhou, Wuhan, Tianjin, Xi’an, Dalian, Nanjing, Xiamen and Haerbin. And we will establish communication centers in Hong Kong and North America to construct stock e-commerce platform. In another word, stock investors in Hong Kong and North America, including Australia, and domestic stock investors will have the opportunity to make multi-country stock investment. In the practice, we have concluded some Yestock e-commerce theories:

a. Mult-demand instruction

First, different users have different demands. Compared with medium and small investors, large investors, investment institutions have different demands. Therefore their investment conceptions are different. There are also sizable differences between them in investment tools, consultancy instruction, products function and their utility degree. Second, the same user will have different demand under different environments. Under different environments, users can use computers, mobile phones, telephones, Web TVs, PDAs and other electronic terminals to surfe Internet, cable television network, GSM network, Cable telephone network and wireless pager network to query real-time quote through www.yestock.com.

b. Restructure and push of value chain

All industries, including traditional industries and telecommunication industry are under capital restructuring and value re-shape. The core system of e-commerce is the customer data resources on the background of e-commerce, user’s major costs in e-commerce occur at background, costs at foreground are very low. During the process of strategic alliance, ISPs and terminal companies can cooperate in order to reduce costs and share consequent profits at background.

c. Virtual biosphere

The introduction of Internet and e-commerce results in unbalance on value chain original biosphere. The target of Yestock is to establish a multi-level and participatable virtual biosphere that not only limited to secondary market.

We set e-commerce strategies on the basis of above theory system.

a. Create new business model

As above mentioned, e-commerce involves securities regulators, stock exchanges, brokerages, listed companies, consultancies, banks, software companies, hardware companies, computer dealers, customer service companies etc. It’s yestock’s strategic wisdom to view those organizations as a securities biosphere, therefore to make comprehensive evaluation and planning on links and operations of the entire biosphere instead of doing e-commerce only to stock investors.

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As aforementioned, Infolink was a software company, our original business model was to serve investors indirectly by selling software to securities companies while having frequent connections with other organizations in the biosphere, such as communication companies. That old business model was changed when we introduced “Yestock---China securities e-commerce network”. We changed from pushing securities companies to do e-commerce at background to assisting securities companies to do e-commerce at foreground, to provide value-added services to ultimate users (investors). Our original corporate clients have been turned into cooperation partners in order to jointly develop the market and share results. For example, we introduced “mobile stock trading” in January under cooperation with Jiannan trust (Shenzhen) department and China Unicom. We successfully developed over 800 customers with opening amount of 58 million Yuan within 10 days.

Since e-commerce means not only services but more importantly development, therefore, Yestock is not only a service or transaction platform but also a development platform. Because Yestock is in the forefront of new business models and in the center of the securities biosphere, therefore, Yestock attracts a lot of user groups. In an era of network economy, the winner is the guy who attracts the most user groups.

b. to develop multi-channel e-commerce suitable for Chinese environment
What Yestock is doing is a completely new e-commerce, which no longer limits to e-commerce on internet, instead it is a multi-channel e-commerce platform on the basis of internet and connection to fixed telephone networks, GSM networks, cable TV networks and wireless paging networks. On this e-commerce platform, we provide customers with comprehensive market analysis, customized information and intellectualized services. At present, Yestock customers have access to internet, fixed telephone networks, GSM networks, cable TV network and wireless paging network by using Yestock networks via computers, mobiles, telephones, WEB TVs and PDAs to find real-time stock information, receive transaction results, check transaction history, and complete all related stock trading procedures. What we are doing has not been done by any securities company in China or even overseas. We hope we can make Yestock a model for China’s securities e-commerce.

Yestock’s services include:

To provide efficient and real-time market information services; to provide global stock information and experts’ recommendations; to provide investment services as professional brokers; to provide customized subscribed information and stock analysis; to provide special transaction platforms for stock transactions on various electronic channels and special transfer platforms for real-time account transfers on various electronic equipment.

Furthermore, Yestock also provides customized investment services; provide virtual electronic brokers or virtual investment funds; organize virtual stock investment club
where investors could meet experts; organize various competition activities to provide winners with considerable rewards; organize multi-channel road-show for listed companies.

There is no network similar to Yestock even in fully developed e-commerce nations, such as U.S., where Internet is matured and penetrations of computer and computer knowledge are higher than those of China. Since online e-commerce has considerable market, Americans no longer consider other electronic channels. In China, however, Internet is in developing stage, and most users are in young age, whose purchasing or investing power can not represent majority. Therefore, present online e-commerce is insignificant, which needs to be developed. At the same time, there are 40 million mobile phone users and hundreds of millions of cable TV users in China, those users, particularly mobile phone users, are the majority with significant purchasing and investing power. Why not develop e-commerce with such a good user group?

It’s known that requirement for timely information is very high in stock market, though Internet enable users to receive information at any place in the world, it won’t be able to provide information when you are in motion. For example, when you’re out-door, you don’t have computer and telephone, how can you receive information when your stocks suddenly drops or stocks you wish to buy are soaring? What can you do once you received information? With Yestock, your mobile phone or pager will send you alarm at the price you set and complete transaction with your mobile or two-way pager. Internet has advantages in information volume and interactivities, but has limitations in mobility, mobile phones can not support a amount of information. The attractiveness of Yestock is that it integrates both Internet and mobile phones in order to realize convenience of e-commerce.

c. professional e-commerce covering all areas of securities market
In addition to satisfy customers’ demand for brokerages services on secondary market, the target of Yestock is not limited to secondary market, it covers all areas of securities market, for example, help listed companies in road-show for issuance, promotion of new products; in the area of consultancy, it will promote customized smart brokers services to provide investors with interactive and personalized services. also provide services such as online sales of stock analysis, stock-related books, professional stock machines

d. Positively develop business, establish and complete e-commerce sales system.
Yestock provides 24-hour unsuspended stock market information services to cover global financial activities. Yestock established transaction communication centers in 12 major cities across China. There are over 50 brokerages under cooperation, it’s estimated to exceed 300 brokerages by the end of this year. Yestock has reached agreements with telecom companies in 15 provinces, mobile communication companies in 40 cities, audio information stations in 15 major provinces and cities, cable TV networks in over 20 provinces, two-way networks in Guangzhou and
Fushan and Chinamotion paging company, meanwhile, Yestock also formed strategic partnerships with dozens of major ICPs such as china.com and 21cn.