

CHAPTER 2



From Hangzhou to New York

“Once you have a dream, it is important to be committed to it and promise yourself that you will realise it. Many first-time entrepreneurs constantly worry that the conditions are not right enough for them to get started. I believe the most important quality of an entrepreneur is the ability to create the conditions. If we wait for the right time and the right opportunity, we will never get things done. Generally, if everybody thinks it is a good opportunity, then it is the right timing. I believe too that that opportunity is not yours alone. When you believe in something, make a commitment to spend 5, 10 or 20 years to get it done. By doing this, you’ll be able to go far and even further.” – Jack Ma

First Brush with The Internet

In 1995, Hangzhou City Hall built the Hangzhou highway to Fuyang in Anhui province. But there was a problem with the investment fund – the investment from the American investor was not forthcoming even after a year of follow-up. Both Hangzhou City Hall and the investor figured something must have been lost in translation.

Then, Hope Translation Agency was thriving. Ma, who had gained a reputation as “the one with the best English skill in Hangzhou” in the political and business circles, was entrusted by Hangzhou City Hall to travel to the United States to resolve the issue. Although the main purpose of his visit wasn’t completely achieved, his decision to visit his friend’s nephew in Seattle before returning to China gave him new perspectives in his future business undertakings.

In September 2015, Ma, together with 14 Chinese entrepreneurs, accompanied Chinese President Xi Jinping on his official visit to the United States. Ma took that opportunity to visit his career mentor, Bill Aho.

On September 26, 2015, Ma shared on his Weibo page about his reunion with Bill Aho: “Twenty years ago, I was here at Seattle during my first and over 20-day business trip to the United States. Through Bill Aho, I had my first contact with computers, the Internet... After returning home (to China), I borrowed 20,000 yuan to start my first Internet company and embarked on the road of entrepreneurship. Twenty years later, I met Bill Aho and his daughter again. Thanks to Bill, thanks to Seattle, thanks to everyone who have helped us in the past 20 years...”

According to reports, Ma became acquainted with Bill Aho when Bill was teaching English in Hangzhou prior to Ma's visit to the US in 1995. Through Bill, Ma befriended Bill's nephew, Stuart Trusty, who was running VBN, one of the earliest Internet service providers in the US then. Stuart introduced Ma to worldwide web (www).

"No Data" on China

In an interview, Ma shared, "I tried the Internet in Seattle in a building called the U.S. Bank. I don't know whether the U.S. Bank is still there. My friend said, 'Jack, this is the Internet.' I asked, 'What is Internet?' He said, 'Search for whatever you want.' At that time, they used Mosaic – very slow. I said, 'I don't use it. I don't want to type' because computers were so expensive in China. If I destroyed it, I couldn't pay. He said, 'Just use it.' So I typed the first word – "beer". I don't know why. Possibly because it's easy to spell." At once Ma saw beer from Germany, the US and Japan but there was no beer from China. He then typed the second word – "China". It showed, "No data"!

Amazed, intrigued and excited, Ma and his friend made a very simple, and what he described as an 'ugly' page for Hope Translation Agency. He listed the fees and contacts. What happened next really shocked him. On the day the website was launched, he received five enquiry emails from three Americans and two Japanese. "We launched it (the website) at 9.40 a.m. At 12:30 p.m., I received a phone call from my friend who said, 'Jack, you have five emails.' I asked, 'What is email?' and he said, 'These are the things that excite people, where are you? This is the first time I see a Chinese website on that (Internet). Can we do something together?', " Ma shared.

Although Ma knew nothing about the Internet, he immediately decided to collaborate with his Seattle friend. Ma's instinct told him that the Internet was going to change the world!

Internet Sceptics

Upon returning to his home from Seattle, Ma invited 24 of his friends – some who were involved in foreign trade business and some his students – and shared with them the Internet business idea. Only one supported his idea but Ma decided to pursue the business anyway.

“My determination was not driven by my confidence on the Internet, but I believe that experience is a type of success. If you try, you can always make a U-turn if it does not work out. But if you never try, it's the same as ‘wasting time to think about a thousand possible ways to succeed at night, but walking on the same track the next morning’.”

In April 1995, the then 31-year-old Ma, with his family's help, collected 20,000 yuan to start China Pages with two other persons, his wife Zhang Ying, and a friend, He Yibing. China Pages (www.chinapages.com) was launched on the Internet the following month. The business idea was simple: to provide information on Chinese companies on China Pages to foreigners who need the services or products.

Then, the Internet was not available in China. Nobody had seen it and it was completely an industry that investors need to ‘believe in based on nothing’. Ma's team had to translate the customer's information into English and couriered it to his partner in Seattle to create the webpage.

It was difficult to convince customers – who would want to pay for something he couldn't see? In fact, many were suspicious of Ma's team and thought what they were promoting was not reliable, and even suspected that China Pages was a scam.

"Our first customer was Hangzhou Lakeview Hotel. The then manager gave me the hotel description in Chinese and English, which I sent to Seattle to develop the website and launch on the Internet. I told the manager that he would only need to pay the fee if he found someone out of the country who saw the webpage. He replied that even if someone saw it, he would still not pay. At that time, many regarded us as scammers as they didn't know anything about the Internet," Ma recalled.

In August 1995, China Telecom linked up to the Internet and Ma's team was the seventh customer to sign up for the service. To prove that the Internet truly existed, Ma invited the media to his house to 'witness' the Internet. By using dial-up, he managed to connect to the Internet but all was tense because the media, together with their cameras standing by, had to wait 3½ hours just to see half a photo loaded on screen.

Ma said, "It wasn't easy, but we had to prove that we were not cheaters, that the Internet did exist."

Saving China Pages

In 1995, there were few Chinese websites on the Internet, thus China Pages stood out and was successful. For example, Lakeview Hotel was the only Chinese hotel available online during The United Nations' World Conference on Women. The conference was held in Beijing but although Lakeview Hotel was 1,000km away, many conferees stayed at the hotel as it was the only one they found on the Internet.

Ma had proven to his customers in Hangzhou that the Internet truly existed, but it was an uphill task promoting China Pages to the cities and provinces where the Internet was not available yet.

Ma would then remind himself that "the Internet is just like a 3000m long-distance running that would change the future of mankind in the next 30 years; you need to run as fast as a rabbit, but have the patience and tenacity of a turtle".

True enough, in 1996, China Pages experienced an exponential growth with a turnover of 7 million yuan. It was the year when the Internet spread like wildfire. It became the most powerful signal of the new economy. China Pages faced stiff competition from Hangzhou Telecom.

With a registered capital of 300 million yuan, Hangzhou Telecom had excellent social and government resources compared with Ma's China Pages with only 20,000 yuan registered capital and no resources. Hangzhou Telecom leveraged on China Pages' growing reputation and created a website with a similar name, chinesepage.com, to get a slice of the market share.

China Pages was obviously losing out to Hangzhou Telecom. Ma needed something to ensure China Pages continued to thrive. After competing for almost a year, Ma made the decision to collaborate with Hangzhou Telecom, who paid 140 million yuan for 70% of China Pages. Hangzhou Telecom had five seats while Ma's team had two seats on the board.

Before long, Ma decided to leave China Pages due to different business philosophies and ideas. Both sides had loads of disagreements and according to Ma, "Everything we suggested, they turned down. It was like an elephant and an ant."

The Internet became established in China after two years. However in 1997, the long-simmering disagreements between Ma's team and Hangzhou Telecom intensified to the point that Ma decided to leave. The news shocked everyone and even the famous daily, *People's Daily*, wanted to interview with Ma regarding his decision.

Many employees who had been with Ma since the beginning of China Pages wanted to resign together with Ma but Ma advised them to stay on because of the company's good benefits. Some old employees vowed to follow Ma wherever he went and for those who stayed on at China Pages, Ma gave his 21% shares to them.

'Tricked' into Joining Foreign Trade Ministry

In October 1997, when Ma left China Pages, he received an offer from China's Ministry of Foreign Trade and Economic Cooperation (MFTEC) to head the information department (EDI) of the China International Electronic Commerce Centre in Beijing.

With five of his friends from China Pages, they rented a 20-square meter room and worked day and night to set up the official site for MFTEC. One of the sites was the Chinese Government's earliest e-commerce platform, the online commodity market with a net profit that once hit 2.87 million yuan.

Ma was said to have been offered a 30% share of EDI when he and his team joined MFTEC. "Instead, we were only paid a salary of a few thousand yuan a month and that was all," Ma said. But despite being 'conned' into joining the department, during the 15 months' sojourn with MFTEC, Ma and his team painstakingly fulfilled every request made by them.

The trigger point for Ma's departure was the disagreement on the direction of the e-commerce platform. The leaders of MFTEC wanted it to be a platform providing service for established and large enterprises, while Ma believed that the platform should be developed towards providing services for the small and medium enterprises. Ma didn't have the final say and realised he was again trapped in the same situation as in Hangzhou Telecom – he was not given enough freedom and he couldn't realise many of his thoughts and ideas.

Ma once said, "We were performing quite well (with MFTEC), but after a while, we discovered that there were too many restrictions working with the government system (then)."

At the end of 1998, after careful consideration, Ma decided to leave MFTEC despite his dazzling performance at the time when the Internet was booming in China.

He received offers from big players such as Sina and Yahoo with very good remunerations and job titles, but he was itching to run his own company and decided to return to his homeland in Hangzhou to start afresh.

“At that time, I felt it was too tiring doing e-commerce in the government,” Ma said in a 2005 interview. “E-commerce should start with private enterprises.”

Competing with Silicon Valley

Ma gathered his team, told them about his decision, analysed the pros and cons of staying and leaving, and let them make their final decision. “I’ve decided to return to Hangzhou. You all can continue to stay in Beijing. You’ll be earning good money. If you want to change jobs, I can recommend you to big companies such as Sina and Yahoo. As for me, I’ve decided to return to Hangzhou. If you want to follow me back home and start afresh, I can only offer you a monthly salary of 500 yuan and you’ll be working at my house,” Ma told them.

Although his team didn’t fully understand Ma’s reasons for that decision, they trusted him and decided to follow him. In January 1999, Ma and his team, all 18 of them, left Beijing.

On February 2, 1999, at his second-floor apartment at Lakeside Gardens in Hangzhou, which later became the makeshift headquarters, Ma started the famous Alibaba with his 17