

45
YEARS

影响力

会活动



Global Sources 45th Anniversary Cocktail Party
环球资源 45周年答谢晚会



global sources

The First 45 Years

The history of Global Sources and
its contribution to global trade



Global Sources: The First Forty Five Years

global  sources

45
YEARS

[GlobalSources.com](https://www.Globalsources.com)

About us

Global Sources is a leading business-to-business media company and a primary facilitator of trade with Greater China. The core business facilitates trade between Asia and the world using English-language media such as online marketplaces, trade shows, magazines and apps.

More than 1.4 million international buyers, including 95 of the world's top 100 retailers, use these services to obtain product and company information to help them source more profitably from overseas supply markets. These services also provide suppliers with integrated marketing solutions to build corporate image, generate sales leads and win orders from buyers in more than 240 countries and territories.

On August 28, 2017, Global Sources was acquired by Blackstone.

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Preface



Merle A. Hinrich
Executive Chairman

With this 45th anniversary book we set out to celebrate how we have successfully evolved for 45 years.

Changes in the global marketplace have required us to steadily adapt. We have succeeded in an environment which has seen massive change in terms of buying channels, media, technology and sourcing geography. And since we celebrated our 40th year, exponential technological changes have impacted how we live, work, play and do business.

Asian Sources was founded in 1971 as a publishing company serving buyers worldwide who were sourcing consumer products from suppliers in Asia. Today our core business remains focused on connecting global buyers with suppliers throughout Asia.

We have succeeded in part because we adhere to principles that have carried me far in my own lifetime. These are principles I have tried to exemplify for our team: be creative, be nimble, be passionate about your business and execute decisively; hone your sales skills, learn from your mistakes and try again; and last but not most important, focus on your customers' needs.

Knowing our buyer and supplier customers has been critical to our success. I have had the opportunity to meet thousands of manufacturers and exporters, which allowed me to learn the Asian manufacturing industry. I got to know their businesses, and the expectations of their customers, by listening. We had to stay informed, to stay one step ahead and to establish our priorities.

Technological change can seem overwhelming, but I believe the key to managing change is to not manage it. We must get comfortable with being uncomfortable, and we must stay agile. When changes we make do not succeed, we change course and try a different approach.

We are far from perfect. But we have made more right decisions than wrong ones to survive for 45 years.

I want to communicate to our customers, staff and other stakeholders that we have provided a great deal of value to our customers and to the industries we serve. At a higher level, we have also contributed to greater economic prosperity and standards of living. Moreover, I am proud to say that we have operated with integrity, and in a measured and reliable way.

The company is now under the ownership of Blackstone, which will bring Global Sources a new perspective, new expertise and new opportunities. Global Sources has a strong and talented management team and I look forward to watching them build the company's new future.

A handwritten signature in black ink, appearing to read 'Merle A. Hinrich'.

Merle A. Hinrich
Executive Chairman
Hong Kong, August 2017

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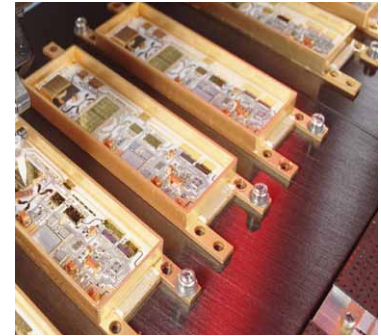
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Asian Sources

Consumer products for Western Markets

FEBRUARY, 1971

A Statement of Purpose

With equal measures of pride, hope and confidence, we hereby introduce the first issue of *Asian Sources*, a monthly magazine that will serve businessmen active in the trade of consumer products made in Asia for export to Western markets.

We realize that we are launching an enterprise at a time when The Trade is suffering from the effects of a down-turn in demand in the prime outlet market, the United States, and from economic uncertainty in general. But we are convinced that conditions for greater than ever growth exist. We have faith in the future largely because we have faith in the capabilities of people on both the source and buying ends of the business.

Thus assured, we are presenting this publication as our contribution to The Trade, and we pledge our best efforts to make *Asian Sources* a stimulant to its stable, long term and profitable growth.

To accomplish this objective, we intend to advance the marketing potential of sources of Asian-made product lines, and the many firms that service the ancillary needs of importers, through compelling, professionally prepared advertising messages. In our editorial content, we intend to eliminate

as much as possible the uncertainty and complexities of international and cross-cultural commerce. We will gather facts, analyze developments and anticipate trends in the Asian supply scene for Western merchandisers responsible for making procurement, distribution and marketing decisions.

Our purpose for being has much broader significance as well. 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 the West. We are firm enough in this conviction to speak out as we see fit against those elements we judge harmful to these relationships and to this cause, no matter what their association with this magazine. Among the already identifiable targets for admonition are protectionism and other restrictions on free market competition, self-serving bureaucracies, and opportunistic or tunnel-visioned businessmen.

But at this juncture, as we begin our mission of serving all those involved in The Trade, negative aspects must be put aside. There is simply too much ahead to be positive about.

Introduction

The story of East-West trade began with the ancient Silk Road's dangerous and sometimes heroic journeys leading to modern, global commerce, where worldwide consumers enjoyed products as diverse as wines from Chile, cars from Korea and personal electronics from China.

Traders help create wealth and choice for consumers, businesses and nations. Indeed, the glue of international prosperity is found in the division of labor, trade and exchange. As trade evolves, civilization follows close behind.

The 45-year history of Global Sources sits within the context of Asia's remarkable growth to become the dominant supplier of the world's consumer goods. This story describes how a dynamic enterprise, its founders, leaders, and many team members helped change the world through innovation, commitment and passion.

Forces and events that shaped Global Sources

Forty-five years is a long history for any company and over the years Global Sources has weathered countless storms with bold and creative initiatives. The following are just a few of the events that shaped the company.

Global Sources recognized China's vast potential early and invested accordingly. Few had predicted how soon and how dominant China would become as the world's largest exporter of consumer goods. Key drivers were the massive increase in the value of the Japanese Yen, China's accession to the World Trade Organization, China's policy for attracting foreign direct investment, developing efficiencies in the international supply chain and the widely recognized work ethic and entrepreneurial capability of the Chinese people.

Global Sources has since had many successes but these two are near the top of the list.

- In 2003, the company entered the trade show business, first in Shanghai, because space in Hong Kong was not available. Only after several years did the company secure key October and April time periods in the newly built AsiaWorld-Expo (AWE) close to Hong Kong's new international airport. Since then, executing brilliantly, the company has become the largest show organizer at AWE, hosting some 16,000 booths annually.
- *Asian Sources Online*, launched in late 1995, was soon on the way to become the first and leading online marketplace for global buyers seeking suppliers in China and across Asia. Its structure, design, pricing and approach to content was widely imitated by the many competitors following in Global Sources' footsteps.

Four big and bold initiatives, any one of which under different circumstances and timing could have greatly increased the scope and scale of the company and paved the way to greater development:

- International trade software was an Asian Sources service way back in the '90s. Later, the company launched internet-based transaction platforms including *Connect* in 2000 and *Global Sources Direct* in 2005. Both turned out to be too early for the market.
- The company established a massive competitive advantage to provide information to electronics engineers throughout Asia including trade shows and multi-lingual magazines and websites. For a variety of reasons, however, the anticipated revenue streams did not materialize.
- The company invested heavily in "global sources," based on the

Introduction

belief that various countries in Latin America, Eastern Europe and Africa would soon become important supply sources. But the vision was not to be; China's hold on the manufacturing market was simply too formidable.

- The company extended its Hong Kong shows to six continents over the span of two years – a massive expansion. But, while successful on the buy side, the shows were unable to meet the company's revenue expectations.

The internet and e-commerce growth substantially changed the company. With its roots in publishing, magazine advertising remained the company's primary revenue stream for many years. But, like other media and newspapers around the world, print advertising has substantially declined. Concurrently, the rise of e-commerce has greatly disrupted traditional distribution channels to the point where retail stores are closing across the world as competition builds from millions of online and Amazon sellers.

Tough competition, however, made the company take stock and led to better services for buyers and suppliers. Alibaba became a huge success in the online space. The Hong Kong Trade Development Council remained a significant competitor throughout the company's entire history and across all media, enjoying government subventions and benefitting from annual subsidies, preferential access to the Hong Kong Convention and Exhibition Center and exemption from Hong Kong's anti-competition law.

As with any enterprise, timing is a major factor. Global Sources spent the better part of a year preparing for its public listing. Unfortunately, the company launched on April 14, 2000, a day which witnessed what was then the

largest single decline in the history of NASDAQ. Another timing coincidence was when the company had invested heavily to launch its trade show business in Shanghai. However, in the months leading up to its first shows in October 2003, no buyers were making travel plans to visit Shanghai because of an outbreak of SARS. Fortunately for the company, however, the epidemic ended in July 2003 and the shows became a huge success.

How Global Sources has contributed

Behind the scenes, over the past 45 years, Asian Sources and Global Sources have played a key role in making the economic miracles of Asia and China possible. Many metrics are not found in the headlines: the number of jobs added by Global Sources advertisers who found new business by advertising, the retailers who profited from identifying Global Sources suppliers and the consumers who obtained better products for previously unimaginable low prices.

The preceding Statement of Purpose from the cover of the company's first magazine in 1971 still resonates today. It explained that the magazine was launched as a stimulant to the stable, long term and profitable growth of trade between suppliers in Asia and buyers in Western markets. Moreover, it described a broader significance of the company's purpose saying: "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 the West."

Part of the reason for Global Sources surviving and succeeding for 45 years is because many of its senior executives saw a higher purpose than "a job" and bought into aspects of the Statement of Purpose that made their career at Global Sources more meaningful and fulfilling.

“

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 interdependency 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 trade shows, 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, spawns new industries, new operations and new possibilities in many countries.

”

Merle Hinrich





CHAPTER
ONE

**Rising from
the ashes**

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. Hinrich, a man from Hastings, Nebraska, found himself in Tokyo following a vision that would help enable the connection of those links.

The company he has led, first known 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 that the countries of Asia have looked beyond their boundaries to identify markets and grow businesses.

The postwar push

During the late 1940s, Asia was in turmoil. Japan was recovering from a military 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.

Japan's defeat and destruction at



Merle Hinrich arrived in Tokyo in 1965 direct from Thunderbird.

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 startup 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:

We evolved out of post-WWII Japan's market-driven economy. When we began, the Four Tigers were just beginning to emerge. Japan was the primary beneficiary in Asia of the U.S. market, and great significance should be given to MacArthur's initiative that brought American importers to Japan to identify saleable products. In fact, the first American importers were flown over in military aircraft.

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.

MacArthur's insistence that American importers open irrevocable letters of credit meant American procurement in Japan would be limited to companies with the wherewithal to finance purchasing in that way. This was very significant. If an American opened an irrevocable 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.



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



The postwar years in the United States ushered in an era of explosive growth in product choice, with consumer demand driving an increase in imports.

Rising from the ashes

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 U.S. 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 international institutions 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. When I arrive at the terminal in Lincoln, Nebraska, and descend the escalator all these years later, I now see the sign, "Home of 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.



Japan's remarkable economic miracle grew from the ashes of defeat. Shown here is General Douglas MacArthur watching General Yoshijiro Umezu signing the surrender document.

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.

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 U.S. 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 in a vastly different environment 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 establish 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 tiger 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



Taiwan's textile industry traces its origins to 1949, when a number of textile mills relocated to Taiwan from mainland China, particularly Shanghai, at the time of the Nationalist government's withdrawal from the mainland. In the 1960s, these companies started to export after high labor costs in Japan caused the focus of the industry to shift to Hong Kong, Taiwan and South Korea.

would join them. 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 at the center of the 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 magazines published 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 Graduate 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. 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.

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

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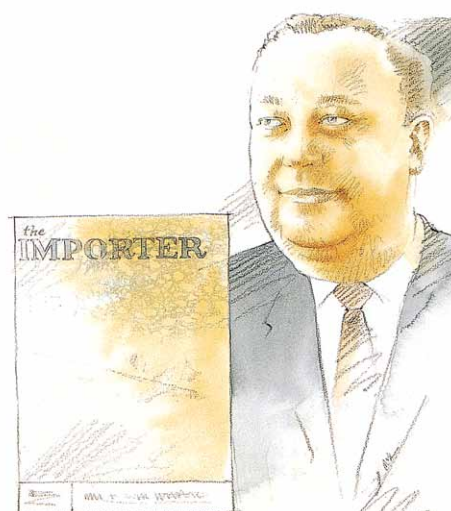
to my father. I had studied French in college at the University of Nebraska. I was fortunate that my parents insisted on taking me and my two sisters on trips all over the United States as well as Mexico and Canada whenever we had a holiday. My mother was a teacher who had given me a window on the world by teaching us geography and history.

There were many coincidences that came together when I met Ray Woodside. Both of us were Thunderbird graduates 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 Hinrich and his boss Ray Woodside were among the few people who believed Asia was on the brink of a trade revolution that would transform the world economy. Under the recruitment and tutelage of Woodside, a 23-year-old Hinrich arrived in Tokyo in 1965 with US\$25 in his pocket, a suitcase in one hand and his degree from Thunderbird 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,



Ray Woodside pioneered trade publishing in Asia with *Oriental America* and *The Importer*.



Cultural ties brought Joe Bendy and wife Celine to Japan in 1964.

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 I 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, visiting suppliers 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, Merle and Joe began to discuss ways to improve the concept of the magazine to better meet the needs of Western markets and the emerging supply markets. 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



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

Rising from the ashes

suffered a fatal heart attack.

His death on Nov. 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 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 were 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.

Ray and I had both recognized industry specialization was necessary to move forward. We had to specialize our media because the 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. I knew one of the family members, a Buddhist priest who sold ads for the company, lived in Nagoya, and owned a pachinko parlor.

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 pachinko parlor 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



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!



The 1950s were a time of gradual recovery for Japan. Economic recovery was aided in particular by the special procurement boom arising from the outbreak of the Korean War in 1950. This led to Japan's entry into a period of rapid economic growth in the 1960s. In 1962 the population of Tokyo broke the 10 million mark.

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. His advertisers were loyal to him because he was buying novelty products from them to use as the prizes for the pachinko business. 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, and I was the business head, Joe Bendy was the editorial head and Chuck Jenkins was the production head. And then we had some people on circulation. I soon realized 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.

However, the owners were not prepared to entrust the company to myself and a foreign management team. When I went to the bank, I found they had cancelled my signature rights. 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

Rising from the ashes



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

the customers. By the time all this took place in 1970, 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 fast.

Since we could not continue our careers and our vision under the umbrella of The Importer, we decided to create a separate magazine title and establish a separate organization in Hong Kong.

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 and decided that Hong Kong, rather than Tokyo, would be 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. Aware of how importers alluded to the Asian countries as 'source' markets, and how they constantly referred to sourcing and sources, Joe advocated *Asian Sources*. Eventually, Merle concurred.

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 that 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 explained. "I was determined to structure this new company in such a way that there would still be a company without Merle A. Hinrich."

***Asian Sources* is born**

Joe and Merle built their business venture from the ground up. They had no products, no advertising base, no readership, no revenue, and 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.

For the first issue, Joe considered various art options. But deadlines were pressing and there was 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. (*See Statement of Purpose at the beginning of this book and on the next page.*)

Many observers regarded this as a



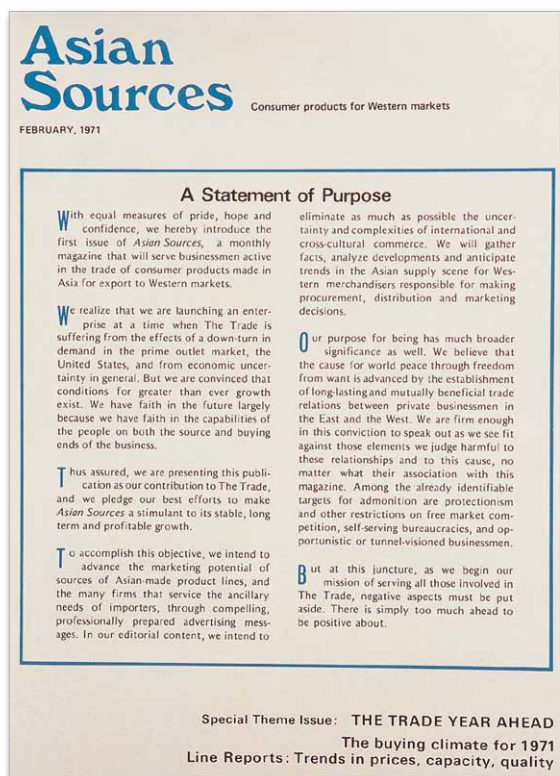
Some of the early members gather at a Hong Kong tea house. From left to right: Dick Folta, Merle Hinrich, Joe Bendy, Sandy Walker and Charles Jenkins.

Rising from the ashes

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."



The first edition of *Asian Sources* magazine, published in February 1971.

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 with 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.

The Statement of Purpose on the cover has stood the test of time and its vision is as appropriate today as it was on 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



Menu of the Gay Tops Dining Room together with the signatures of the founding members of Asian Sources.

Report examined global trade trends, Trade Scene looked at microeconomic developments in key source areas, and Regional Survey dealt with trade issues like labor costs that were common to all source areas.

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 commonplace. 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, 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.

Trade Media made careful use of company resources. While willing to reinvest in technological innovations that would improve its competitive edge, the company avoided spending on extras like office decoration and non-essential support staff.

As exciting as they may seem now, the first months of the company were rough. Money was tight. In the fourth month of operations, all salaries were cut by 10 percent. Moreover, it became clear that some staff were beginning to lose their commitment.

Six months after the launch, two top Hong Kong sales representatives and a

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 Hinrich and John Stickler greet guests of the Korean office presented by Kim Hyun-Ki.

Korean account executive decided to leave the company. Several clients also left and went back to the competition. The already thin *Asian Sources* magazine was beginning to look weak and emaciated. To make things even worse, in early 1972, Sonny Stradmoor decided to relocate to London, leaving Merle and Dean Wilson as the only experienced sales managers for the magazine.

This was a time of hardship all around. No banks or well-heeled individuals saw fit to invest in the seemingly shaky enterprise. According to Merle: "If the company had not survived, I would have spent the rest of my life paying off my debts."

Pressed for cash for basic living expenses, Merle and Joe started one of the company's first barter arrangements with Lindy's restaurant in Tsim Sha Tsui. In exchange for meals, they gave the restaurant advertising space in *Asian*

Sources.

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

Getting to the front of the class

Asian Sources was in direct, intense 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* magazine. 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 explained.

Asian Sources sales people found themselves selling marketing concepts as well as advertising. As John recalled: “An advertiser would buy the US\$100 advertisement just to get me out of his office. 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 GDP 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 developmental stage, a fledgling publication was trying to put the region on the map for Western buyers.



New technologies and techniques, such as containerization, were to transform the economics of trade.

Rising from the ashes

An East to West partnership

From the start, the company was built on an East-West partnership. Most Asian salespeople, 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 succeed.

Sales, then and now, are the result of a 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.”

Dean ultimately joined Asian Sources and became a strong sales leader. In fact, his team 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



The business relationship between Merle Hinrich and Dean Wilson began after an unlikely first encounter at a Taiwan bowling alley in 1966.



Samson Wu (front row, fourth from left), was a key player in *Asian Sources Electronics*' sales success.

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. 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. Moreover, these companies felt they did not need to advertise.

Small and medium-sized companies were at a disadvantage to the chaebol, 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 John Stickler: “We played a key role in Korea's development between 1971 and 1976. *Asian Sources* is a marketing medium that helps 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.

Rising from the ashes



The company's key players in the early days were Joe Bendy, Dean Wilson, Merle Hinrich and Mie Ikegame.

As Kim Hyun-Ki, who had worked for S/K Associates since 1967, recalls: “With that issue, we were able to double the advertising from Korea in *Asian Sources* to 36 pages. From that time on, export companies began to see how much better *Asian Sources* was than *The Importer*.” 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 of Korean Industries as a top official in the Korean government. In 1988, he returned to Global Sources as the 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 for marketing, ad creation and a pioneer

in developing the computerized Sales Prospecting System in Korea before finally leaving the company in 1990. Today's leader in Korea is Jung Sung Sook, who had been Ms. Lee's assistant.

The Tokyo story

In Japan, Merle asked Mie Ikegame 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. 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.



Diminutive sales dynamo Mie Ikegame (far right), with Merle Hinrich and Sumio Ishige, established *Asian Sources* in Japan. As well as the competition, she overcame male chauvinism.

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.

Fundamental philosophy

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

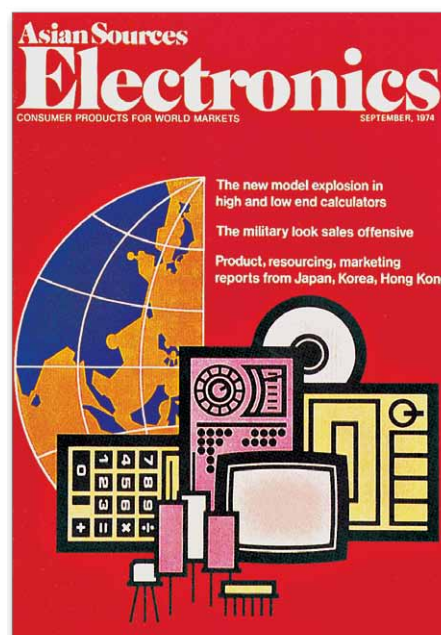
communicated advertising messages attracted the right type of buyers and the resulting orders eventually led to handsome returns on the advertising investment.

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



Designer Fred Bechlen created a bold graphic style for the early magazine covers.

Rising from the ashes

Effective advertising and ad standards

According to Merle: “It is unique in the world of publishing for a publisher to be willing to turn away business to maintain the quality of its advertisements.

“At Trade Media, however, we take responsibility for the look and results of our magazines. Our objective is to carry advertisements that very clearly and quickly convey the advertiser’s message.

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. An effective business-to-business ad would have an attractive, easy to read layout with copy offering a solution to a specific need and 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, providing long term benefits to both *Asian Sources* and its customers.

For advertisers, the goal was to maintain a selective, quality readership, and to help advertisers communicate details of their products and services as effectively as possible. Maintaining the advertising standards the company had adopted, however, was easier said than done. Rejecting a paid advertisement because of insufficient information is hard enough to do in good times. But when the company was struggling for survival, turning down business was painful.

However, over the years, *Asian Sources* rejected hundreds and hundreds of ads. The company was unwilling to simply take the money from a supplier if it thought the ad would not work effectively for the supplier, or communicate effectively to

the buyer. In most cases management went out with the Account Executive to try and convince the supplier to improve the ad. They succeeded in many, but not all, cases. Sometimes the company lost revenue and had an unhappy Account Executive as a result. On the other hand, in most cases, both the client and the Account Executive were strongly impressed with the company’s professionalism and commitment to the client’s best interests. That positive impression would pay off many times over in the subsequent years.



From the beginning, *Asian Sources* was dedicated to helping advertisers maximize reader response using effective advertisements.

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. Taiwan was also a primary example of surviving by shifting production to lower cost supply markets.

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 Hinrich's 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 area the first 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 developed and exported by Japan were migrating to 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*



Johnson Leung and Martin Richman were key contributors to the early success and rapid growth of *Asian Sources Electronics*.

Rising from the ashes

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 product-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 style of the cover was sustained for each magazine that would be published 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. 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 also talented and quickly became very successful. They both 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*



Asian Sources Electronics became the established reference for the import/export industry, keeping the world's importers informed of the latest electronics products to hit the market.



The first sales meeting was attended by all of the company's key salespeople at that time, including Dean Wilson, Martin Richman, Johnson Leung, Mie Ikegame and Bob Million.

Sources Electronics, as the leading import and export trade magazine, grew with it.

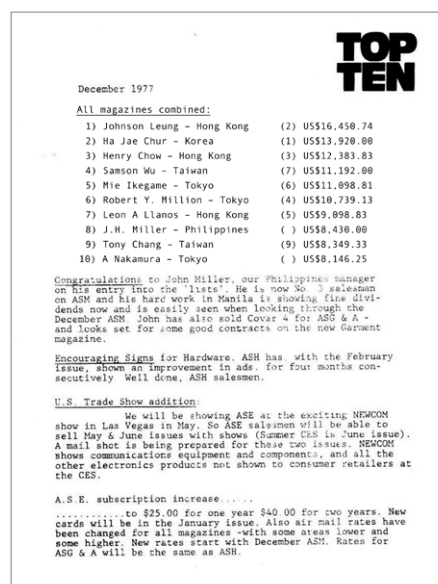
Mass-produced, pocket-sized calculators came of age. Two-way citizens band radios were on the brink of a sales boom. Clock radios were the latest must-have product. The first generation of interactive video games had been launched. U.S.-based General Instruments produced millions of integrated circuits for new and colorful 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, the *Asian Sources Electronics* team faced the enviable challenge of producing a whopping 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."

The specialized magazine strategy of *Asian Sources* was off to a good start.



A 1977 newsletter recognized top sellers with monthly billings ranging from US\$8,000 to US\$16,000.





CHAPTER TWO

Riding the wave

Riding the wave

History is the witness testifying to the passing of time. It illumines reality, revitalizes memory, provides guidance for daily life and brings us tidings of antiquity.

– Cicero, *Pro Publio Sestio*

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

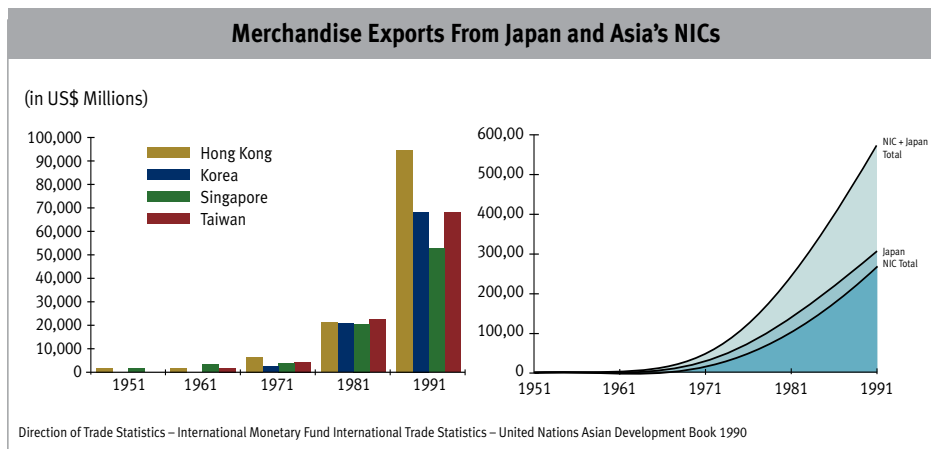
Over its first 45 years, Asian Sources, and later Global Sources, acted upon the shifts in trade across Asia. The Four Tigers saw enormous development in the 1960s and 1970s, starting with Taiwan's

first export processing zone set up in 1965 in Kaohsiung. With the opening of more zones, the island's average annual growth in exports for 1967-79 would be a robust 61 percent.

Merle remembers: "When I first went to Taiwan in 1964, the only Cadillac that drove the streets was Chiang Kai-shek's car. I can recall standing on the curb as the Cadillac and its entourage passed by, virtually the only other traffic being ox carts. A number of influential Shanghainese industrialists, who had fled the Chinese mainland together with the Kuomintang forces, had emerged as



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



Japan led the Newly Industrialized Countries (NICs) in Asia's postwar export boom.

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. Supporting this export explosion was the widespread commercial success of containerization and palletized airfreight, large aircraft and express package services. Publications within the *Asian Sources* brand would come to include *Computer Products*, *Electronics*, *Electronic Components*, *Garments & Accessories*, *Gifts & Home Products*, *Hardwares*, *Telecom Products*, *Toys & Sporting Goods* and *Timepieces*.

Seismic changes in the structure of international retailing powered the rapid growth of Asian supply. As Merle remembers: “In the 1950s, every small town in the United States had a handful of ‘mom and pop’ specialty retailers. There would be a complement of grocery stores and two or three drugstores. There was huge fragmentation in the United States. And serving these outlets was a much larger number of distributors and salesmen traveling from store to store to sell their products. Importing only really started to grow after the war in the ‘50s and ‘60s.”

Wal-Mart was a central player in the rise of American imports. Founded in

Riding the wave



Keeping the *Asian Sources* name for brand continuity, the company began launching industry-specific magazines to meet demand for specialized information. The spinoffs put Greater China suppliers in touch with international buyers seeking their types of products, and buyers would rely on the publications for their sourcing decisions.

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 low for consumers.

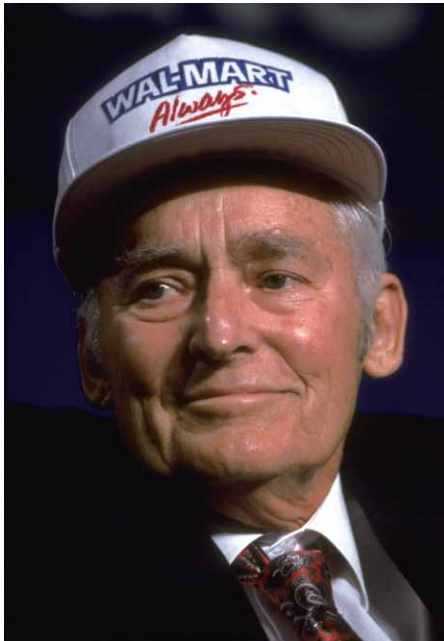
This period saw the rise of shopping

malls throughout Middle America. Each mall had anchor retailer tenants, such as Macy's, J.C. Penney, Sears and Kmart, all with shelves to fill. Putting that demand together allowed purchasing to become increasingly focused and specialized.

To keep prices low, the malls also moved away from city centers. Lower rents in the suburbs allowed "big box retailers" like Wal-Mart to flourish. Guarantees of "best price" attracted curious consumers to the new malls and in the end completely changed the pattern of consumption in



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.



Sam Walton, the founder of Wal-Mart and Sam's Club.

America. As prices were pushed lower and lower, the discount retailers like Kmart and Wal-Mart had little choice but to expand direct imports from lower cost overseas suppliers.

“This displacement of people, capital, investment and tax bases was massive,” Merle recounts. “The paradigm of real estate value shifted. This was a major transformation that began after World War II and has continued to the present day. The retailers are driven by bringing greater and greater value and product selection to the consumer. And here I am only speaking of the American market, but similar shifts also took place in other developed markets.”

Media played a role as well. To pull consumers to the new shopping areas, newspaper ads, coupons, and radio and television shows advertised the new products and new shopping areas. Later, flourishing mail order catalog businesses and even television channels, such as QVC, were dedicated solely to retailing direct to the home.

A vast new infrastructure of warehouses and truck transport powered the front end of this retailing revolution. The new supply chain leveraged technologies such as barcoding, which had been invented to manage logistical supplies during World War II.

“We contributed to and played into all that,” Merle says. “We watched constantly to discover the new channels. Some importers became extremely upset when they found we serviced retailers, because those retailers were their customers. But we took the view that our responsibility was to provide any buyer looking to import with the best possible information to identify new products and designs to source.”

First acquisition

In May 1972, Asian Sources made its first 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, which would come in handy.

At that point Ric was considering leaving Hong Kong for North America, but he changed his mind and decided to stay after speaking with his new employer. As Ric recalls: “Merle wove a fascinating picture of a company with an enormous, almost unlimited potential for the future, of a magazine which would not only sell amazing quantities of advertising, but which would also help promote international trade and understanding.”

Although Ric had tempting job offers in North America, he decided to stay and help Merle achieve his vision. “It was Merle who finally tipped the balance. His conviction in the company and its future was too compelling.”



By adopting supply chain management, factories can benefit from quick turnaround and accurate data, which results in more satisfied customers.

Riding the wave



Ric Day (right) joined the company with the acquisition of *The Daily Buyer's Report* in 1972.

“Merle wove a fascinating picture of a company with an enormous, almost unlimited potential for the future, of a magazine which would not only sell amazing quantities of advertising, but which would also help promote international trade and understanding.”

Ric Day

Acquiring the newsletter, 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.

Moving to Wanchai

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

In May of 1972 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 Navy’s 7th Fleet. It was also known as Suzie 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 publishing operation, putting out quality publications for readers around the world.”

Computerized circulation

Committed to using the latest technology to

Riding the wave



The early circulation list consisted of boxes of index cards.

improve information access and customer service, in 1972 Asian Sources became one of the first publishing companies 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. The list at the time consisted of several shoe boxes 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, one by one.

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 how technology could benefit the business.

Those shoe boxes of index cards, which became coded punched cards and then computer printouts, were the seeds of today's Global Sources database that contains the contact information for millions of 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, advertising in the printed media was the only 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 functional and departmental boundaries.

The four-page newsletter would have two-color printing on both sides of the page. The printing press in David House, however, could print only one color at a time. This meant each copy of the publication required 16 turns of the press. The initial 1,000 copies printed, in addition to an inventory of stationery with the new logo, required 80,000 turns. That alone required 20 hours of nonstop printing. Add in the time needed to clean the press and reset for the next side, and it ended up being a 36-hour job. The commitment to quality left even management with no choice but to roll up their sleeves and get things done.

As Ric recalled: "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."

Asian Sources Hardwares

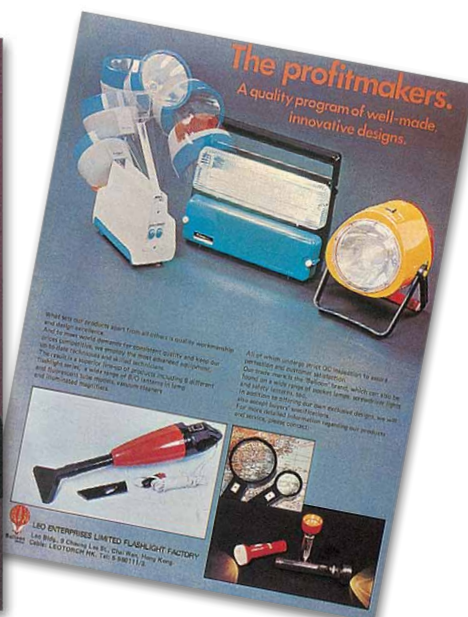
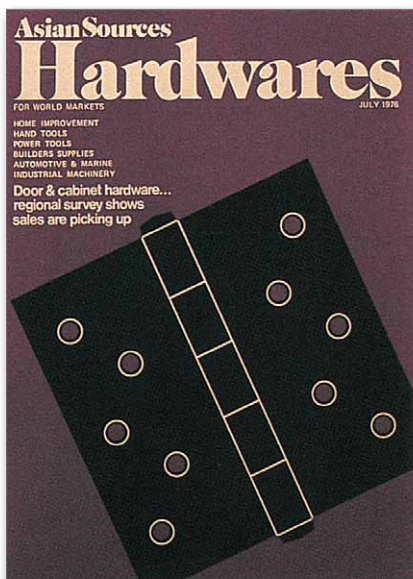
The second spinoff magazine proved to be an even more difficult launch than *Asian Sources Electronics*. The increasing interest in Taiwan as a source of industrial machinery, auto accessories and hand tools pointed to the need for a specialized magazine in this area. But such a mix of products made naming a problem. The decision was made to go with *Asian Sources Hardwares*, with an "s" 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 count on advertising support from heavy machinery,

one of the targeted sectors. Machinery ads disappeared after the first few issues because these manufacturers were mostly seeking one-time orders from end-user buyers, who were not part of the magazines target audience.

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 three years, *Asian Sources Hardwares* was repositioned to cater more to the DIY, hand tools and auto parts sectors that were responding positively to the magazine's advertisements and editorial. After the repositioning, the



After a three-year struggle, *Asian Sources Hardwares* became a steady and profitable magazine.

Riding the wave

magazine became a steady and reliable performer.

The early years of *Asian Sources Hardwares* also presented an opportunity 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 month. This beat the previous record 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 would first spend three days organizing his prospects. He would write essential data about prospective advertisers on cards, and then arrange 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 collected the advertiser's payment. To address this,

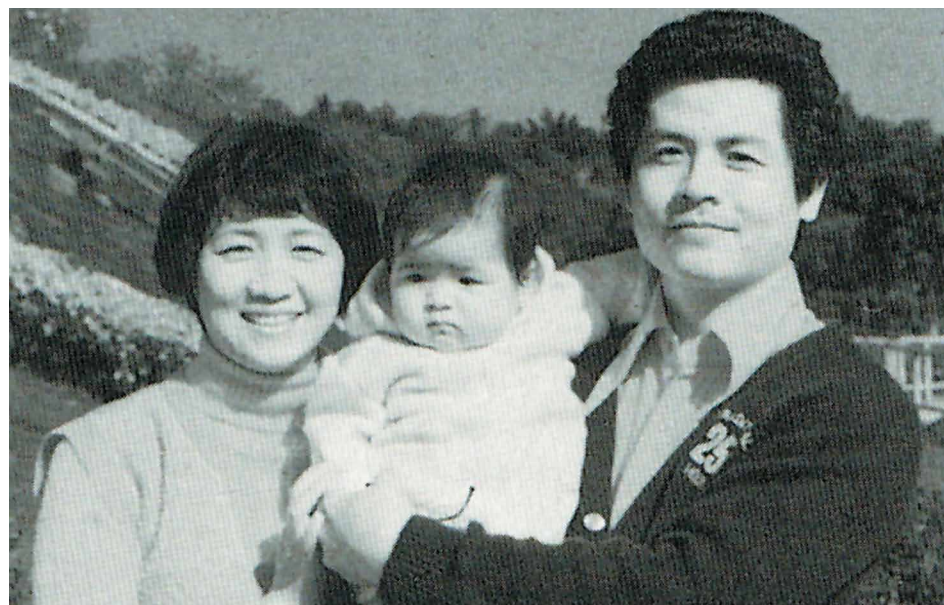
Oscar pioneered a very valuable pre-collection system. "Instead of picking up one payment check at a time, I started asking my clients for three checks at once, the last two being post-dated," he recalls.

Beyond Electronics: Garments

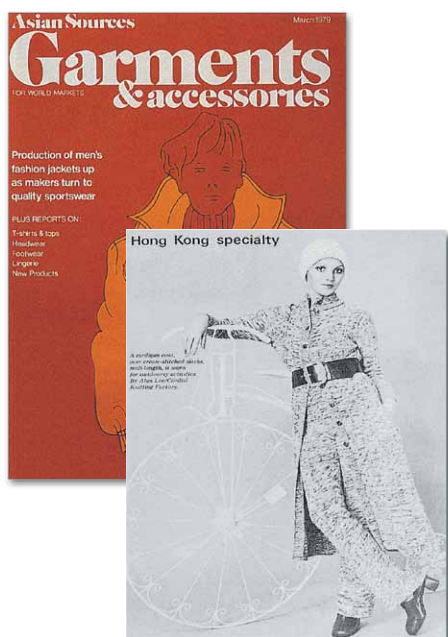
By the end of 1977, *Asian Sources* magazine and *Asian Sources Electronics* were thriving, and *Asian Sources Hardwares* was showing signs of reaching a financially healthy state. So the management began considering the next publication.

As with every launch, the decision involved short-term risk, irrespective of how good the chances were for long-term success. The creation of a new magazine meant pulling advertising out of a publication which was doing well and placing it in a magazine which, in the start-up phase, would lose money.

As textiles came into focus as the most likely subject for the next magazine, the company had to ask the familiar questions: Is this the right category? Is it the right time? And, are we willing to risk the loss of profits inherent in its launch, with



Oscar Wu's ingenious sales call strategy made *Asian Sources Hardwares* a winner. Here he is in 1977, three months after joining the company, with his wife Sandy and daughter Wendy.



Due primarily to the industry's quota restrictions, *Asian Sources Garments & Accessories* had a rocky beginning and did not succeed until it was repositioned and renamed *Asian Sources Fashion Accessories* in 1984.

no guarantee that the new title will be a success?

Ultimately, the magazine's future was challenging. For one thing, the number of qualified ad prospects and the universe of active import buyers turned out to be smaller than expected. This was due in large part to the protectionist restrictions placed on the garments industry in the region. Only manufacturers holding quotas were allowed to export, and their near monopoly meant they had less need to advertise than exporters of other product lines.

Here is how Merle later described the environment facing the *Garments* magazine:

We launched our Garments & Accessories magazine in 1978 to cover one of Asia's largest export industries. Unfortunately, global regulations severely limited the potential of the magazine to serve the industry.

The textile quota system was used

for many 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.

However, 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 which eventually might or might not be available to the manufacturer of your choice. Ultimately, this was all a cost to consumers who paid not only for the product but also for the quota and the shipping costs. So if you were a buyer dependent on Pakistan for your shirts, you might find yourself without shirts if that country went to war.

Quotas were driven by politics and the system did not enable buyers to source from the most competitive suppliers.

Only after the magazine had been repositioned and renamed as *Asian Sources Fashion Accessories* did Leslie Charlton, the editor, and Raymond Chan, the sales manager in Hong Kong, succeed in turning it around.

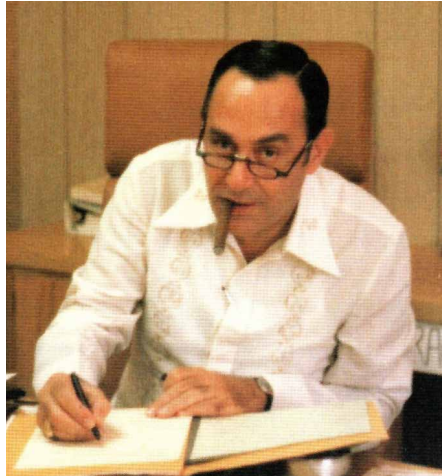
Office in the Philippines

When *Asian Sources Fashion Accessories* was still struggling, John Miller, the Manila sales manager, was asked to help revive it.

John had started with Trade Media in 1976 and was responsible for establishing the company's first independent sales office in the Philippines. He recalls that time:

"Merle stressed that funds were tight

Riding the wave



Based in the Philippines in the 1970s and 1980s, John Miller was one of the company's top salesmen.

and I was forced to operate on a low budget. Our office furnishings were paid for on a barter exchange. I rented one desk for 400 pesos (US \$15) a month. The building had a phone exchange, and I had to give the operator a 'gift' to release a line for our office. That was the office: a desk and a phone."

When *Asian Sources Garments & Accessories* was launched in 1978, John contributed 17 pages of advertisements. His record made him the No. 2 salesman in the company at the time.

John was one of the best salesmen in

company history. After the Philippines, he was based in Hong Kong and besides being Regional Sales Manager for *Fashion Accessories*, he sold and managed very large barter ad relationships with Cathay Pacific and various other airlines and hotels.

Juggling growth strategy and profitability

As Merle recalls:

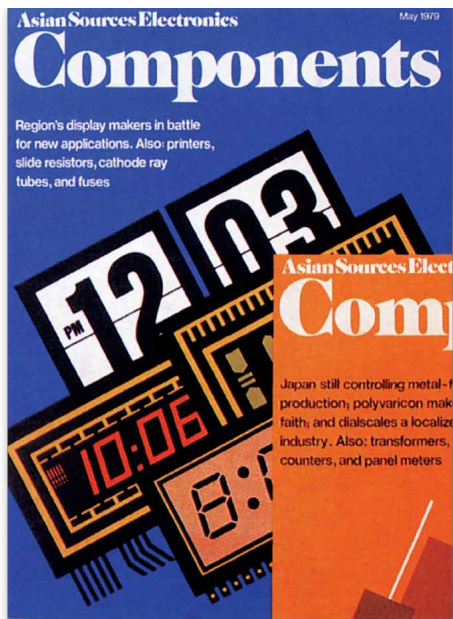
We had big strategy decisions to make. The company had used much of its resources to launch the garments magazine. We had a very profitable electronics magazine which we were considering splitting into two publications that would be only potentially profitable.

At that time, Asian Sources Electronics was profitable, as was Asian Sources. Hardwares was doing alright, but Garments & Accessories was struggling. To break up the electronics magazine into two magazines meant risking 'sure' profit for 'potential' profit.

If something went wrong, if we were not on target, we would face the prospect of one profitable magazine supporting one struggling magazine,

"To break up the electronics magazine into two magazines meant risking 'sure' profit for 'potential' profit. ... We really had to have our feet firmly planted to make this move. We had to be certain we had located the right markets, that we had the people to do the job, and that the timing was right."

Merle Hinrich



In 1979, the launch of *Asian Sources Electronic Components* was the company's most successful yet.

one fairly unspectacular magazine and two 'new' magazines.

We really had to have our feet firmly planted to make this move. We had to be certain we had located the right markets, that we had the people to do the job and that the timing was right.

Too far ahead of the market and the new magazine would lose readers and advertisers. Too late and another publication would have grabbed the market niche. We had to be just ahead of the market to participate actively in its growth and development.

Specialist in specialization

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 but had a growing section

of components in the back of the magazine. By 1978, component manufacturers were ready for a specialized magazine to directly promote their products and services to finished product manufacturers.

Bob Million, an outstanding salesman and an electronics sales specialist in Mie Ikegame's Tokyo office, was the first to appreciate this. He pushed for a specialized components magazine, and sales representatives in Taipei and Seoul threw their support behind the campaign.

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 paid advertising. Sales soared, and within a year after launch the number of advertising pages had doubled.

With three more magazines under its belt, the company had expanded greatly. In each case, however, expansion depended on changes in the various industries. For Trade Media, the markets determined the publications – and the publications led the direction of the company.

Editorial Not for Sale

One of *Asian Sources Electronics Components*' loyal advertisers has also provided a consistent challenge to the magazine's editorial integrity.

This large company has taken a prominent advertisement in every issue of the magazine since its launch in 1979. Each time the editors are preparing a story on its industry, a company representative rings from the New York headquarters asking to be featured.

As Sarah Benecke, editor of the magazine from 1982 to 1985 and later its publisher says:

"We explain each time that we will include the firm only if they have something genuinely new and of interest to our readers. Editorial is not for sale."

Although the company continues to call, in the 12 years it has been in *Asian Sources Electronic Components*, it has never pulled its advertisement.

Riding the wave

Continuity in name and design

Asian Sources had produced three offspring, and in choosing their titles the company had maintained continuity. The success of each spinoff 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 spinoffs were also visually linked. The team was also learning lessons with each launch, and putting stronger magazines in front of advertisers and on readers' desks.

Society of Hong Kong Publishers

Trade Media took the lead in initiating a forum for the concerns of Hong Kong's publishing industry. On July 16, 1982, Merle Hinrich and six other publishers united to found the Society of Hong Kong Publishers. Merle served as its first chairman.

Going westward

Even in the early years, *Asian Sources*

recognized it would eventually need to establish offices in North America and Europe to more effectively promote the magazines and develop the buyer communities. 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 industry's most comprehensive and authoritative list of importing companies. It then set out to sign them up as subscribers.

Led by Alexis Schmookler, Chicago's telemarketing team was largely a group of middle-aged American women. They spent



Michele Swietering (left) opened the company's European office in Amsterdam in 1979. She retired in 2009.

all day every day on the phone calling *Asian Sources* magazine subscribers and came to know thousands of buyers on a first-name basis. This was at a time when few buyers 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 Swietering as the company's representative in Europe. Like Alexis and the Chicago telemarketers, Michele soon knew many 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 some resentment against our services and against Asian-made products."

Efficiency through technology

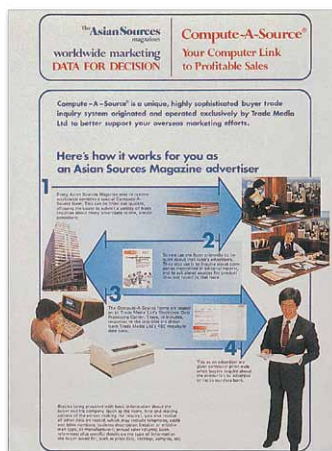
From Merle's telexed Tokyo ticket in 1965 to computerization of the customer contacts shoebox in 1972, the company's commitment to new technology was making operations increasingly more efficient. After five years of using IBM's Hong Kong branch to process circulation data, *Asian Sources* set up its 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.

Carlye Tsui was one of the first of many women to lead major departments at *Asian Sources*. She was hired to manage EDP and 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



Left: Carlye Tsui, seen here with Merle Hinrich, was the company's first EDP manager.



Far right: *Compute-a-Source*, the company's first in-house computerized system for linking suppliers with buyers, evolved into the Supplier/Buyer Finder Service.

Riding the wave

import. Meanwhile, through newsletters spearheaded by James Strachan, sales representatives were informed of the top five products receiving the most inquiries, which became valuable information for 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 advertisers, supplementing the inquiries they received from advertisements. Tracking this exchange of data contributed to the wealth of information the company could use for both marketing and editorial purposes. This experience measuring supply and demand would be a key factor in the company's later groundbreaking and successful migration to the web.

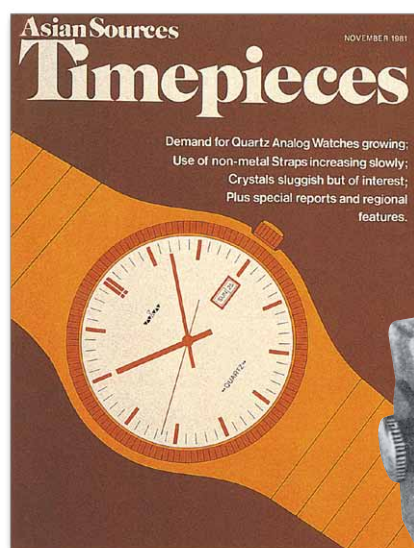
Seizing the time

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.



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.



Deng Xiaoping's accession to power in the late 1970s was a milestone that would herald the opening of the China market.

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.

Seller-centric beginnings in China

Trade Media had survived the 1970s, it

was expanding rapidly in its major Asian markets and it was ready for its second decade.

In 1979, Deng Xiaoping's open door policy allowed Western trade and investment in China for the first time in many years. With its new policy, China was in the world spotlight. The Asian giant needed to be watched and reported on, and Trade Media wanted to be a pioneer in this regard.

As international trade with China developed, opportunities evolved. But political tensions between mainland China and Taiwan made it impossible 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 general merchandise title like the original *Asian Sources* magazine. 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

Riding the wave

to the Four Tigers, Merle was keenly aware of the huge challenges and the huge potential of China.

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. 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, and saw the trays of drying fruit. They were black with flies.

At the hospital itself, you could hardly see in 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 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 the cost of materials, because the price of bicycles was fixed centrally.

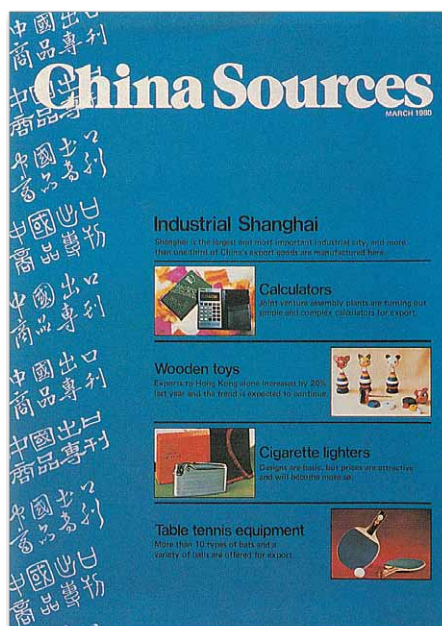
I was always thinking how I might bring value to these organizations. But we were not allowed access to the manufacturers directly, only to the

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.

China Sources magazine

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



China Sources, a China-centered version of *Asian Sources*, was the company's first attempt to cover developments in the mainland.



With Xiong Jinghua, managing director of Shanghai Advertising Corporation, Merle Hinrich signs *China Sources*' first advertising contract. *China Sources* was the company's first title to cover China's exporters and their products.

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 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.

After experiencing some large uncollectable ad debts, the company implemented a policy requiring advance payment, an unheard-of practice, which has since become the norm in China's business-to-business advertising industry. Also, at Merle's behest, in 1988 the company bought a competitor, *China Trader*, and merged it with *China Sources*. Eventually, *China Sources* would become the world's largest publication on China's exports.

Riding the wave

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. We had to send a specialized *Asian Sources* magazine and a general

China Sources magazine to some of the same buyers.

Opening the door

China's business prospects were growing, too. The Open Door Policy, launched by

Tale of two Chinas

In Taiwan, the powerhouse of much of the company's revenue, the staff were unhappy about the company's interest in mainland China, whose government had for many decades been the enemy. Three unfortunate incidents brought this situation to a head.

Incident One

In 1973, a picture of a Hong Kong street scene was printed in *Asian Sources* magazine, showing a British soldier standing guard in front of a New China Products Emporium (see photograph). Because he could not read Chinese, the editor did not realize that the banner above the store's sign advocated "The glorious thoughts of Chairman Mao Zedong." The offending magazines ended up in customs quarantine in Taiwan, where



Because he could not read Chinese, the editor of *Asian Sources* did not know the banner above the store's sign in this photo in the magazine advocated the thoughts of Chairman Mao Zedong. This slip did not endear the magazine to the Taiwan authorities.

Mao's thoughts were not considered glorious, with some explanation required of the Taiwan staff.

Incident Two

A few years later, an early *Asian Sources Timepieces* issue left the name "Taiwan" out of a map of East Asia. Sinister connotations were placed by some on a simple error.

Incident Three

But it was the packing department that raised the greatest anxiety in Taipei.

Trade Media's major printer in the mid-1980s was also contracted for a number of mainland printing jobs by PRC companies. Unfortunately, a shipment of *Asian Sources Electronics* magazines to Taiwan in August 1984 had an added feature. One box contained 26 booklets comprising the minutes of the Communist Party Congress of the People's Republic of China.

Accident or sabotage? Dean Wilson was naturally upset about the situation. With a number of sons and daughters of Kuomintang members on the Taiwan staff, such an incident could have been treated as treasonous, landing him and other employees in prison.

Dean vowed not to let such incidents happen again. He sent an investigating team to sort out the mishap. This led to a restructuring of the shipping operations whereby magazines bound for Taiwan were inspected before being shipped.

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; at Zhuhai north of Macau; and in 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 an American frontier boomtown, except this was a melting pot of investment pioneers from the mainland, Hong Kong and Taiwan.

A future CEO joins the company

Sarah Benecke joined 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.

Sarah:

I went to see the managing editor at the time. We met in the coffee shop of the old Lee Garden 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 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. I thought, well, that can't be bad!

So mine wasn't a planned career. It was serendipity, as it was for many 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.



Sarah Benecke's success story parallels that of Global Sources. Starting as a sub-editor, she worked hard at expanding her industry expertise and business skills. She rose through the ranks to become Chief Operating Officer, Chief Executive Officer and then a member of the Board of Directors.

Riding the wave



Key players gathered for *The Importer* purchase in 1981. Left to right: Kim Hyun-Ki, John Miller, Dean Wilson, Johnson Leung, Merle Hinrich, Joe Bendy, Mie Ikegame, Steve Drace, Jim Strachan and Ric Day.

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 far 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 publishing company, *The Importer* possibly could still emerge as a rival. Working through a third party, he completed a successful buyout.

The Importer 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 very successful annual toy directory published by the Hong Kong government-

subsidized Trade Development Council (TDC). Ultimately, *Toys & Sporting Goods* simply could not compete with the TDC's advertising rates and ceased publication.

Circulation development

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.

In the newly created post 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 Tsui's successor.

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.

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 or "subscribers" with controlled circulation, defined as "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 company's buyer lists. Buyers who received a free copy were encouraged to subscribe so that they could receive every issue.

The circulation operations evolved later with a larger central department supporting the future publishing groups.

Electronic Components
Managing Editor: Peter Houston
Asia Editor: Lara Western

EDITORIAL OFFICES

Hong Kong 27 Desford Street, 2/F, 2/F Tel: (852) 2511-1111 Fax: (852) 2511-1111	Singapore Tel: (65) 333-3311 Fax: (65) 333-3311	Team Tel: (65) 333-3311 Fax: (65) 333-3311
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ADVERTISING OFFICES

JAPAN Tel: (81) 3-5561-5151 Fax: (81) 3-5561-5151	SINGAPORE Tel: (65) 333-3311 Fax: (65) 333-3311	Taiwan Tel: (886) 2-2711-1111 Fax: (886) 2-2711-1111
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ADVERTISING LIASION & CIRCULATION

EUROPE Tel: (44) 181-606-1111 Fax: (44) 181-606-1111	USA/Canada Tel: (616) 429-1111 Fax: (616) 429-1111	ASIA Tel: (65) 333-3311 Fax: (65) 333-3311
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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

INTERNATIONAL ELECTRONICS
Electronics News for China

SUMMARY OF CONTENTS

- Newsline highlights the latest in the international electronics industry (page 18)
- Pages are becoming very popular in today's leading Asia. With a rich market, leading manufacturers launch multi-light, digital papers and color laser printers (page 18)
- One of Hong Kong's largest PCB makers, the Tam Yung Group, offers new and innovative rapid to increase output and expand production line. For more, see John Yip's News on page 48
- Taiwan's Industrial Technology Research Institute makes great progress in developing new, low-cost, high-speed, and related technology. See Industry News on page 58
- In an interview, electronic weight scale manufacturer, Universal Weight Corporation Co., Ltd. talks about its experience in setting up a production base in China. See Taiwan Interview on page 54
- Taiwan now supplies 80% of the world's system boards for the personal computer market. See strong, small companies increase the demand in an adverse market environment. See Taiwan Special on page 62
- More Asian companies are adopting QA systems to boost demand, higher quality. Details in Asia Notebook on page 70
- In an exclusive interview, Rockwell International discusses the company's latest products and marketing strategies in the Asia Pacific region. See page 74
- Smaller size, higher capacity and better performance hard disk drives are made to meet advanced computer demands. For details, see page 82
- Low manufacturing costs are driving Asia to be an important base for peripheral production. See Production News on page 94
- A study reveals that workstation performance is increasing and the price is remaining constant. Details in Computer Notebook on page 98
- AT&T announces the first off-line library that runs on 2.5V of power. See Semiconductor News on page 106
- IBM's embedded controllers now look for fast switching processors which can handle complex applications, such as image processing. For details, see page 118
- SMT ultrasonic paste spraying technology is employed to increase accuracy and precision. See page 130 for details
- Integrating embedded processors with lower power computers makes a cost-effective design for real-time memory access and stack-oriented greater discipline. See page 142 for details
- Asia becomes ARM's new and advanced device for new applications help suppliers to maintain profit. See page 148
- Strong competition not only drives digital multimeters to offer new innovative functions but also keeps prices stable. See page 158
- Since its appearance in the 80s, the memory stick has influenced the electronic industry with its flexibility and portability. For details, see Reader's Article on page 162
- The Exhibition schedule is updated with the latest major electronic trade shows on page 190
- The Editorial Index appears on pages 198-208
- Next month's cover story will focus on notebook computers, product reports will include DRAMs, plus all the major EIC news releases.
- The Chinese and English names of advertisements are listed in the Ad Index, pages 205-206.

The company succeeded in having its publications audited only after protracted negotiations with the circulation verification agencies.

Riding the wave



Above: At the opening of Vita Tower, Hilton Cheong-Leen, chairman of the Hong Kong Urban Council, was the guest of honor and performed the ribbon-cutting ceremony.

Left: Following the ceremony, staff were treated to lunch at the Hong Kong Jockey Club.

in 1971 had increased to 2,100 each month by 1982. Full-time 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 to 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 major publisher 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, soon 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 office location 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 company in Hong Kong. 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 in attendance, the company celebrated its new 45,000-square-foot office.

In his inaugural remarks at the ceremony, Merle expressed great



The Vita Tower Christmas party in 1986. In the center of the third row are Theresa Yiu, Jim Strachan, Merle Hinrich, Ric Day and Tom Lee.

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 U.S. import tax fiasco, the energy crisis, inflated land prices, increased protectionism by certain trading partners and high interest and exchange rates.

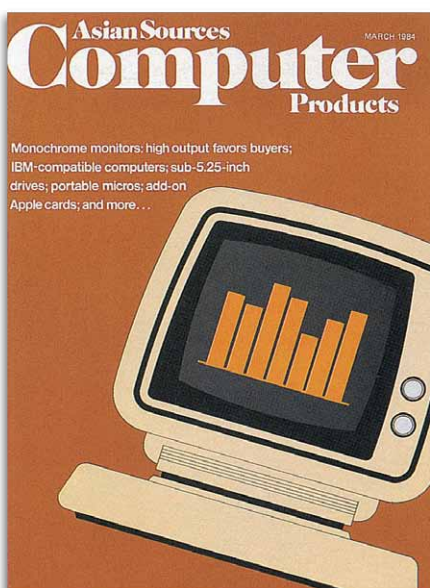
“Today, Hong Kong faces yet another challenge: its future status. It is our firm belief that Hong Kong will resolve its problems and prosper, and this is the reason for our commitment to the new facilities we are now opening.”

Another birth in the family

After considering a possible “computer and communications” magazine that Joe had suggested in 1983, Merle became increasingly convinced a new magazine should focus solely on computers.

Accordingly, in 1983, *Asian Sources Computer Products* joined the family as a spinoff of *Electronics* and it was a roaring success. Rajendar Gopinath succeeded Dean Bottorf as editor soon after launch and the magazine quickly developed into the “heavyweight champion” of the *Asian Sources* magazines.

It hit 100 pages of advertising in its third issue; it passed the 200-page advertising barrier in August 1986; exceeded 300 pages in July 1987; 400 pages in October 1988; 500 pages in October 1989 and eventually it reached 1,000 pages with more than 700 pages of advertising.



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

Riding the wave



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

Specialization was showing itself to be a tremendous success. That October, *Asian Sources Electronics* and all of its offspring including *Electronic Components*, *Timepieces* and *Computer Products* together carried 1,700 pages of paid advertising, almost 100 times the 16.5 pages of the original *Asian Sources Electronics* 15 years earlier.

Book publishing begins

The 1980s saw the company take another innovative step in serving its international readers: business paperbacks. Exclusively editorial, these publications gave foreign executives detailed information on importing from various areas of Asia. They drew on the company's years of experience in the region, plus first-hand information from buyers and manufacturers in the concerned countries. The paperbacks were designed as high-end premiums to promote subscription renewals for *Asian Sources* magazines.

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.

Tony Howlett hired Stuart Hampton to be the books department's manager in 1989. As walls dropped in Eastern Europe in 1989 and trade expanded in many areas of the world, the department expanded its coverage. *Importing from Czechoslovakia*, published in 1990, was the first non-Asian paperback.

As a result of the growth of Asia's growing consumer markets, the company launched an *Exporting* series in 1992. The first title was *Exporting to Taiwan*.

Continued China 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 primary advertiser targets were the large

multinationals selling active components to China.

Electronics News for China was the company's first magazine targeted to readers in Asia, and it was also its first attempt to launch a publication separate from the main organization.

In 1985, the company decided it was time to give separate publishing units another try, and Paul Henke was asked to serve as "publisher".

A Thunderbird graduate, with excellent Japanese and Chinese language skills, Paul had worked at the Tokyo sales offices before moving to Hong Kong. He had a demonstrated commitment to the company and a track record of outstanding sales performance.

Paul and his team set up an operation in a separate office in Causeway Bay in 1985. This was a sink or swim operation. The China "reader market" was not easy to predict and a lot was at stake.

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



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*.

subscribers.

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*, an English language biweekly aimed at the top end of the market in the West, reported on all aspects of the industry in China. Although successful in providing quality information, publication was ceased because the company decided that it was monopolizing too many resources. The opportunity costs as well as real costs of the publication were preventing the group from exploring other potentially more profitable ventures.

The company then acquired a Chinese-language title, *World Economy & Trade*



Electronics News for China was an instant hit with overwhelming demand from electronics professionals in mainland China.

Riding the wave



China Newsletter Electronics attracted a high-powered audience, because in 1986 and 1987 Chinese businesses were not just selling, they were buying goods from abroad. Western manufacturers were eager to get their foot in the door of this giant market.

which was repositioned as an information broadsheet to keep China manufacturers and executives abreast of international trade developments across a spectrum of industries. 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.

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, there was a big effort made to convert to paid subscriptions.

The birth of Asian Electronics Engineer

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. Earlier when she had her hands full with *Electronics News for China* and *China Newsletter Electronics*, she 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.

Asian Electronics Engineer, the company's first bilingual publication, 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



Asian Electronics Engineer was the first of the company's magazines to have regional splits and multilingual editions.

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.

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.

A major outcome for the sales department was the enormously successful Sales Prospecting System (SPS) launched in 1988. 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 management 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.

These computerization initiatives were a further demonstration of the company's long time commitment to integrating new technology into all areas of operations.

Japan Import Magazine

In 1986, the company launched its first publication for the Japanese market, *Japan Import Magazine*.

The idea for the magazine had been Jim Strachan's and he organized the magazine's



Japan Import Magazine was the company's first attempt at helping consumer products exporters find buyers in an Asian country.

Riding the wave

sales and marketing strategy from Hong Kong. Toni Flynn, the magazine's regional sales manager, soon brought in as much as 60 percent of *Japan Import Magazine's* monthly advertising revenue.

Paul Henke, who had moved back to Japan, handled the circulation and recruitment for the magazine. Bill McIntyre served as the first account executive for the magazine in Japan. In Hong Kong, Abigail Sekimitsu took the role of editor and Izumi Suzuki-Hart was production manager.

The launch issue in May 1987 had 176 pages. This was a coup for a magazine that was not a spinoff, but a cold launch in a new market. Japan, however was going to prove a tough market in the coming years.

Despite the efforts of Paul, Mie Ikegame and then associate publisher Bill McIntyre – including the consideration of more specialized editions – the company faced unique challenges with Japan and ceased operations with the view that resources could be used more effectively elsewhere.

First consumer publication

Global trade trends were not the sole influence guiding the launch and redirection

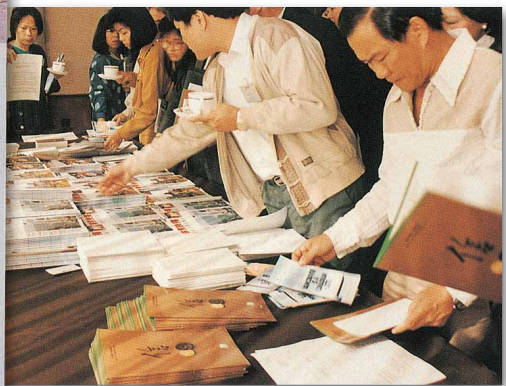
of publications. Political issues also had an impact both on business and on the lives of business people. *The Emigrant* magazine would arise from this. In 1988, the main topic of discussion among Hong Kong residents was the future of the British colony after its scheduled return to China rule by June 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.



Launching *The Emigrant*, the company's first newsstand publication and a controversial one at that, considerably raised the company's public profile in Hong Kong and Taiwan.



As China's infrastructure has developed, so has Global Sources' team. Pictured here is Craig Pepples, seated center, with team members.

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 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.

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. With an appropriate sense of timing, *The Emigrant's* last issue was published on August 8, 1991, exactly three years after its launch.

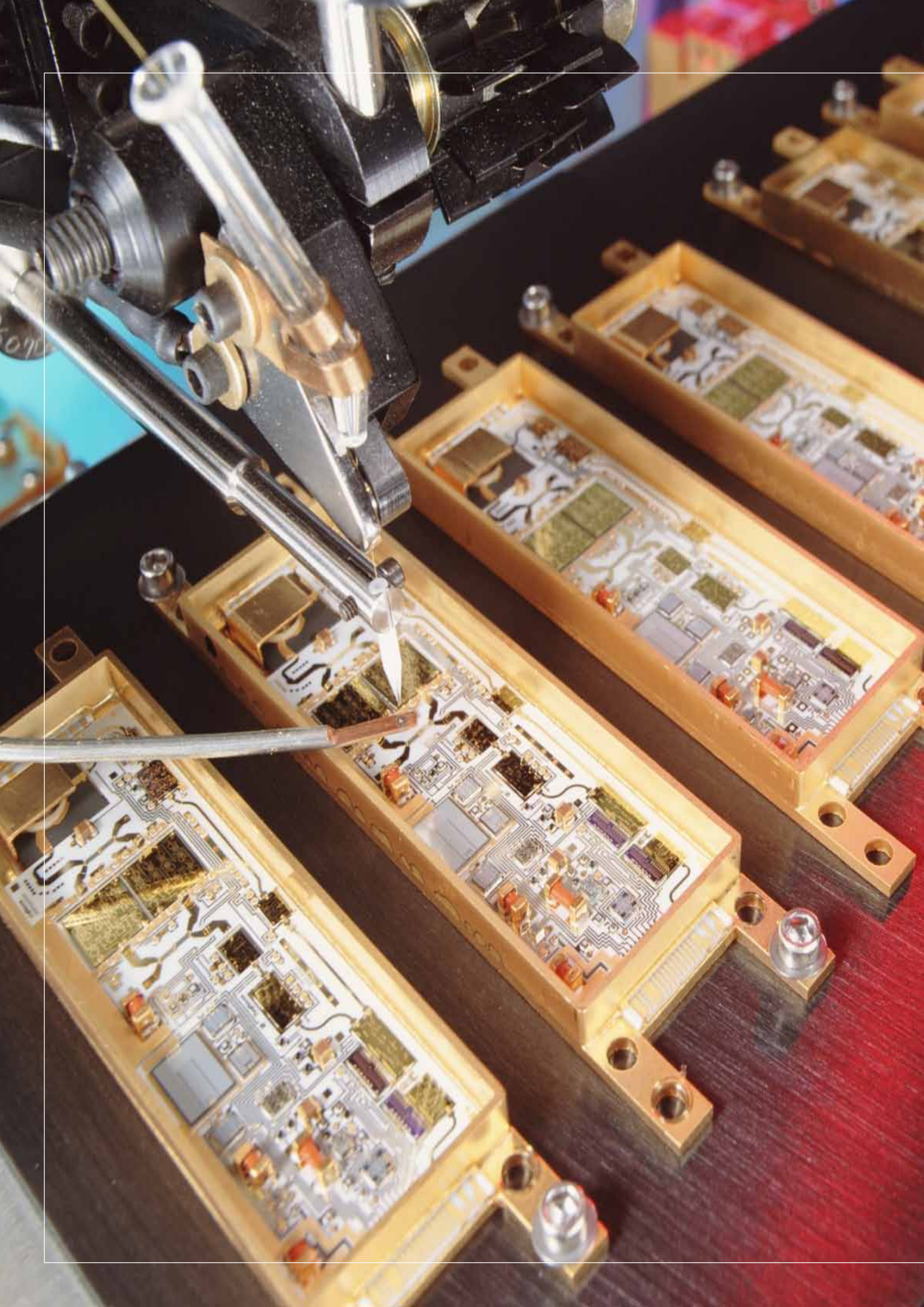
Publisher training from within

Asian Sources had become a leading trade publisher in Asia. 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.

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.

According to Merle at the time: "At this point we can stop and assess what it has taken to overcome the obstacles. We've made right decisions and, of course, some mistakes. But we are looking forward to using both to progress in the coming years."





CHAPTER
THREE

**The world
reconfigured**

The world reconfigured

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 was forming while 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 delivery 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 organizational structure was needed, and the company decided to



The new world order, heralded by the fall of the Berlin Wall, was accompanied by a new era in global trade.



The first publishing board, announced in 1988: Ric Day, Sarah Benecke, James Strachan, Craig Pepples and Tony Howlett.

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.

Like James, Tony Howlett possessed a limited range of experience. 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*.

“The company was growing fast at the time,” remembers Craig. “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 or tax law 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.”

“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 an effective competitor.”

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 cars, and 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

The world reconfigured



Today's personal computers are millions of times faster than the most advanced machines of the 1960s and 1970s.

also a time when technology was being democratized, when the innovations of computerization, telecommunications, miniaturization, data compression and digitization all began to come together.

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.

As early as 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.

Vital role of Information Services

Theresa Yiu played a vital role in the company's information services and software business. When she joined, 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 was



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

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

totally replaced and a new Oracle database and Unix hardware platform were selected. The new software PubPlus was developed in-house and launched at Chinese New Year 1992.”

Theresa recalls: “This was not just an opportunity to rewrite the database, but also to close the gap between ISD and the user.”

Using PubPlus as an opportunity to tidy up the company’s data, all 440,000 customer records had to be re-entered into the new system. This mammoth task was accomplished by as many as 50 people working day and night for four months.

The hardware and software licensing and development costs alone totaled more than US\$5 million. But the real cost was many times that figure due to manpower commitment and downtime for converting from the old system.

Six overseas consultants were brought in to help create a system tailored to the

needs of the users. ISD interviewed users for many hours to find out their needs and the new systems was designed to meet these diverse requirements. The company had never done anything like this and no one knew how successful it would be.

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 editorial content, inputting subscribers’ records and managing circulation.

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

The world reconfigured

database from several perspectives. PubPlus was also designed to work in Chinese (simplified and traditional characters), Korean and Japanese, which meant that the circulation department could send magazines for delivery in Korea, China and Japan with the addresses in local languages.

From the perspective of business efficiency, PubPlus gave users direct access to the information they needed and it gave the company a high degree of self-sufficiency, total control over most of its business processes and a greater understanding of its customer base.

Today PubPlus has grown into the company's web-based "iSystems," handling production, editorial, billing and sales-prospecting functions. Oracle back-end databases were chosen to allow greater flexibility in terms of user access from different locations.

The software and database development work were the foundation for the software developed in the mid-1990s, when Merle decided to try to develop a client-server version of the transactional software. The software would allow buyers to open letters of credit, provide shipping documents and create 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.

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 health issues prompted him 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 even for the company's veterans. Eric Wong, a senior production manager, remembers how Manila's poor infrastructure compounded the difficulty of putting out



Merle (left) with the early team members in Manila in 1990 including Rob Lichtenheld and Armando Reyes. The Manila office grew to 350 people at its peak.



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

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 that time as well: “There were five of us sent as guinea pigs to see if setting up an editorial and production base in the Philippines was feasible. Despite days without electricity and frequent political coup attempts, the answer was a resounding ‘yes.’ Change is a way of life at this company. There is never a dull moment.”

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

Growth of Computer and Consumer Electronics Group

The Computer and Consumer Electronics Group magazines had all seen steady growth and they began to focus on helping readers find the specific

information they needed.

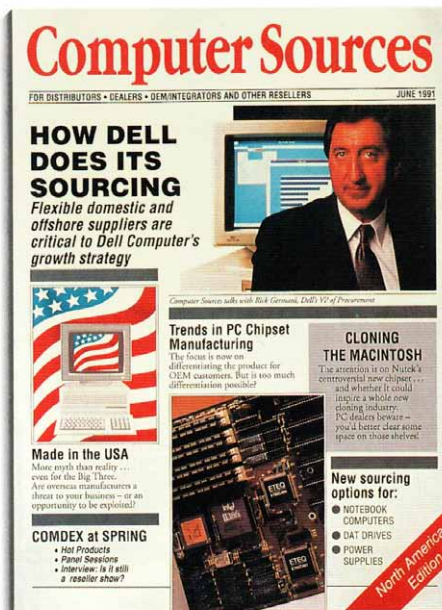
Each magazine added a new product index to help readers find the new products appearing in each issue. A highly detailed index of advertisers by product was also introduced.

To help readers get a wider picture of each industry and a jump on the market in the year ahead – and to provide an ad sales “hook” for a typically slow month – all three magazines started producing annual “outlook” issues in 1990.

The group also established its own research department and became an exclusive source for Asia-wide export data as well as for profiles of Asian supply markets and individual suppliers.

More distant opportunities also beckoned because Taiwan and Asia were producing the majority of the components and peripherals in every PC that was sold worldwide. Opportunities presented themselves in the computer industries of North America and Europe.

Computer Sources launched in 1991 to serve computer product resellers who



Computer Sources was the company’s first publication catering exclusively to the North American market.

The world reconfigured



Paul Henke and Steve Skyles toast the launch of *Computer Sources*.

sourced domestically in the United States. 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.

Paul Henke led an enormously successful sales initiative from his offices in California. The first issue of *Computer Sources* contained 280 pages, with 204 advertising pages. This made it the company's largest new magazine launch ever, and one of the biggest ever launches for the industry.

James Strachan, who supervised the launch, reflected on the extremely positive reaction to *Computer Sources*: "When



James Strachan (left), Computer Group publisher, and General Manager Bob Snyder directed the launch of *European Computer Sources*.

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 published in Brussels and 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. Key leaders were Bob Snyder in sales and Eric Gerritsen in editorial.

Striving for editorial excellence

Computer Sources made a big impact with its award-winning "Rip Off the Lid" feature which was produced by Doug



European Computer Sources was positioned as the only pan-European, multilingual publication for resellers.

Wilson in Boston, Steve Kovsky in San Jose and Bruce Humes in Asia. James Strachan recalls: “Readers loved it, and it totally supported the essence of our value proposition. The content 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.

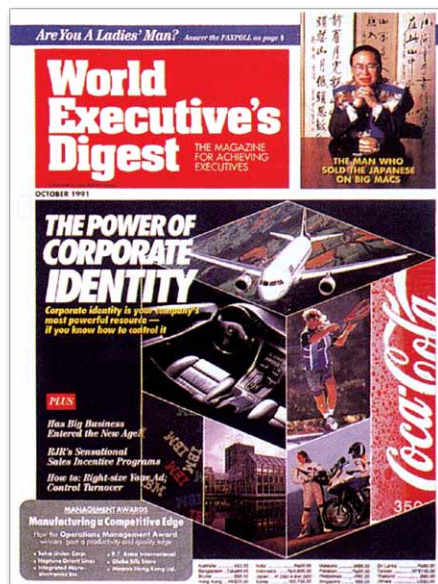
“To identify the origin of the components, Doug would literally take the top off and rip apart the new model PCs. He would look for labels, names and symbols on each primary component and sub-assembly. He would pass information on to Bruce, whose network of writers in the region would nearly always track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

World Executive’s Digest

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



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

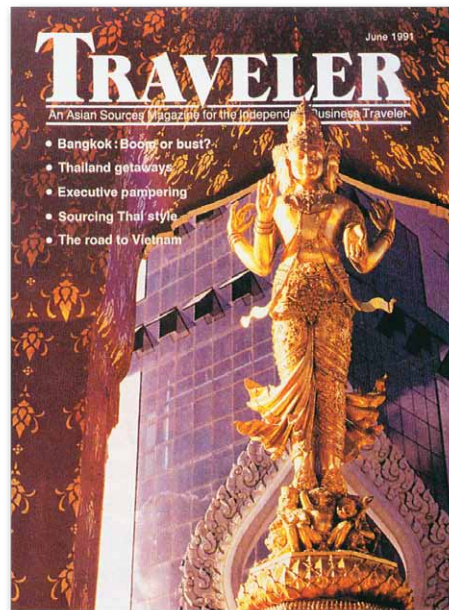
and we would always get interesting and constructive feedback.”

There were some 80,000 subscribers by April 1997 and many of them loved the publication. However, 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.

Traveler

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 Consumer Products Group under Mike Hay. An Asian edition of this magazine was later added 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.

The world reconfigured



Traveler was designed as a resource for readers of the *Asian Sources* magazines who frequently visit Asia on business.

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.

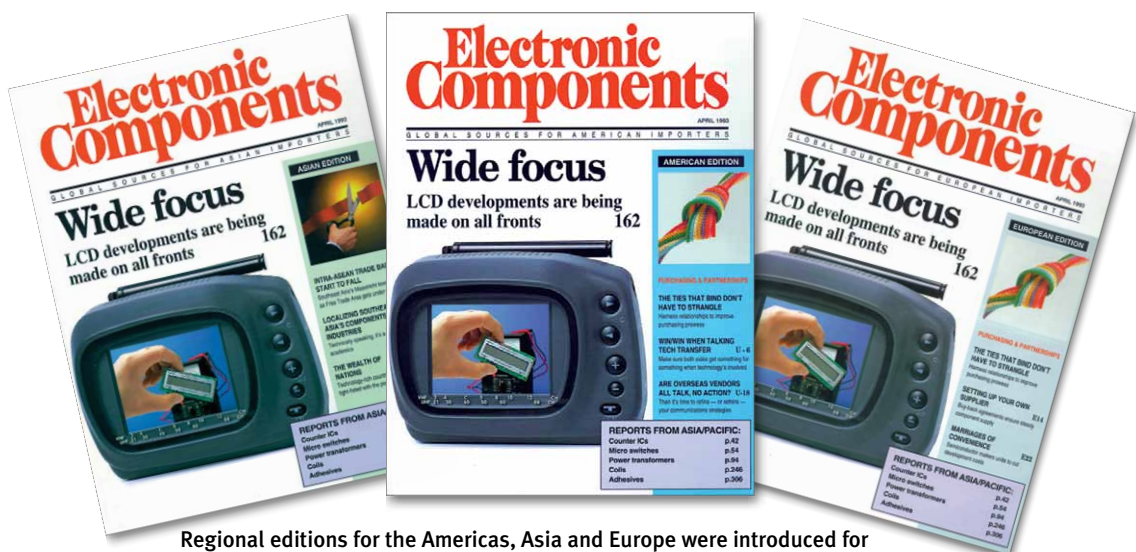
Growing with regional editions

Under Sarah Benecke's leadership, the Technical Electronics Group struck out in a new direction — taking an established publication “global.”

In July 1990, *Electronic Components* dropped “*Asian Sources*” from its name in order to promote itself as a source of information on electronic components from manufacturers all over the world.

With Eric Gerritsen as editor, the publication split into three separate regional editions: America, Europe and Asia. The publication added editorial offices in California and Germany, and offered advertisers the choice of targeting any one or all of the three main world markets.

In 1993, the company introduced regional editions for most of its main trade journals. Editions for the Americas, Asia and Europe could offer advertisers



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.



By the end of 1995, the company had no fewer than 18 offices in China. Craig Pepples, as country manager, was seen in all of these locations, double-calling on clients with local staff.

greater flexibility in targeting particular overseas regions with unique marketing messages. The choice of content for the editions allowed increasingly specialized and sophisticated coverage and the company expected growth in the universe of potential advertisers. *Asian Sources Electronic Components*, *Asian Sources Fashion Accessories & Supplies* and *Asian Sources Timepieces* all launched with regional editions.

Timepieces was a more unique situation. 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.

Establishing offices in China

Craig recalls: “I was on a flight in China with Merle in the early 1990s. 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 China government’s endorsement of the Special Economic Zones (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 interesting career opportunities with foreign-invested companies.”

Bernie started with five people in each of his two representative offices in



Bernie Holmbraker was one of the pioneers who led the expansion into China.

The world reconfigured



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.

Asian Sources becomes the ASM Group

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 a striking new cover designs.

A new mission (on the next page) was launched with the new identity at the 20th anniversary celebrations in 1991. It updated Trade Media's guiding principles and stated the Mission "...to identify, create and enhance the exchange of international, regional or domestic information about products, services, buyers, sellers or agencies through high quality, specialized multimedia publishing."

The key objective was to create and implement a new identity projecting the company's integrated operation to staff and clients alike.

After very careful consideration, Merle announced the company's new name and logo at the 20th anniversary celebration in Hong Kong in March 1991.

THE ASM GROUP

Unveiling “The Asian Sources Media Group” logo, he explained the name’s significance:

“By retaining the words ‘Asian Sources,’ we have retained the original brand name and our corporate roots.

“By including the word ‘Media’, we underline the importance of flexibility in developing a wider spectrum of communication forms, including electronic publishing.

“By adding the word ‘Group,’ we are able to properly reflect the underlying strength of our existing global group of

publications and companies, agencies and representatives.”

Living the vision

By sticking to concrete goals and managing the specifics of each new launch, the company had created successful publications, which in turn had contributed to economic growth.

As Merle explained in 1991:

An entrepreneur must be committed to a concept or an ideal. He must have a mission. The mission here is bringing East and West together, through trade in particular and business in general.

By doing that, we have been generating markets, developing a need for technology and creating dependence and cooperation. And when individuals and countries depend on one another, friendship takes the place of conflict.

The new mission statement seemed utilitarian, but by achieving the necessary details, a greater end would also be attained.

Two New Publishing Groups

In 1991, many of the organization’s best growth opportunities resided within the Computer & Consumer Electronics Group, headed by James Strachan. The huge *Asian Sources Computer Products* magazine (800-900 pages monthly during 1991) was bursting at the seams and virtually demanded further geographic or product specialization. Meanwhile, the telecommunications section of *Asian Sources Electronics* was ripe for a spin-off.

To take full advantage of these opportunities, the Computer & Consumer Electronics Group was split into two at the beginning of 1992. Jim became publisher of the new Computer Group, while Sarah Benecke took charge of the new Electronics & Timepieces Group.

The Mission Revised

The first cover of Asian Sources magazine in February 1971 left no question as to the purpose and direction of the fledgling company.

But in light of many new possibilities, the company’s guiding principles had to be redefined for the 1990s. Evaluating the company’s past as well as its future potential, the publishing board arrived at a new mission statement.

THE MISSION

We aim to identify, create and enhance the exchange of international, regional or domestic information about products, services, buyers, sellers or agencies at maximum profit to our company and its audiences through high-quality, specialized, multimedia publishing.

THE AIMS

Profit. To maximize profit to finance our company’s growth and to provide the resources we need to achieve our other corporate objectives.

Customers. To provide products and services of the greatest possible value to our customers, thereby gaining and holding their respect and ongoing business.

Business Development. To identify and enter new fields with the ideas we have, together with our technical, production and marketing skills, assuring that we can make a needed contribution to the fields at a profit.

Growth. To let our growth be limited only by our profits and our ability to develop products and services that satisfy true customer needs.

People. To help our staff share in the company’s success, to which they contribute, to provide career growth based on their performance, to recognize their individual achievements, and to help them gain a sense of satisfaction and accomplishment from their work.

Management. To foster initiative, creativity and other skills necessary to attain company objectives.

Corporate Contribution. To enhance the development of international, regional and local trade, as well as the development of the communities in which we operate.

Quality. To strive for the highest possible standards in all operations in the achievement of company objectives.

The February 1991 issue of each *Asian Sources* magazine carried a glossy supplement that included **The Mission and an overview of the company’s history, magazines and future plans.**

The world reconfigured



The finished electronics magazines were originally grouped together in the Computer & Consumer Electronics Group.

Human Resources Department

Splitting much of the company into publishing groups also put strains on the company's human resources effort.

Each group had developed its own personnel policies and the resulting inconsistencies were contributing to staff confusion and intergroup tension.

By 1990, the company saw a need to create an equitable system of human resource development. Philip Chatting, who had many years of professional experience in multinational companies, was brought in to clean up the HR mess.

Under his leadership, the maze of titles that had developed was rationalized, and the annual salary reviews and measures for pay increases were standardized. In addition, the company took time to evaluate and improve upon the companywide recruitment and retention process.

Circulation support for Publishing Groups

After joining as a copywriter, Catherine Burge's role steadily expanded. Aside from writing direct mail, she established a creative team to produce promotional materials.

Catherine recalls:

By early 1990 it was obvious that if all the publishing groups continued to pull in different directions, each with their own priorities, there would be chaos.

As it was, the groups were not cooperating with each other or with the core service departments and there was some unproductive competitiveness



After joining as the company's first full-time copywriter for buyer marketing, in 1991 Catherine Burge became general manager of corporate circulation.

between the circulation departments of the different publishing groups.

To coordinate the corporate departments which served the company's diverse circulation operations, Catherine was named general manager of corporate circulation in July 1991.

Further Restructuring

In June 1991, Ric Day left Trade Media after 19 years with the company. His departure in some ways signaled the end of an era. He was one of the last staff with links to the company's beginnings and he had played a key role in managing many diverse operations during the rapid growth of the 1980s. He also was key in smoothing the transition to the publishing groups.

Instead of having someone take over the many operations that Ric oversaw in

1991, a major restructuring followed his departure.

It had become clear that the company was becoming too decentralized.

The scales weighed too heavily toward independence and the publishing groups were not coordinating with each other enough. It was vital to achieve a correct balance between corporate strength and entrepreneurial expansion.

As Merle explained at the time:

The reason we broke into publishing groups was to ensure that our publications would be able to serve our readers and advertisers.

To do that, each publisher had to understand the industry and be able to serve it as an active participant. I think we've accomplished that.

As the publishers got more involved in their respective industries, however,



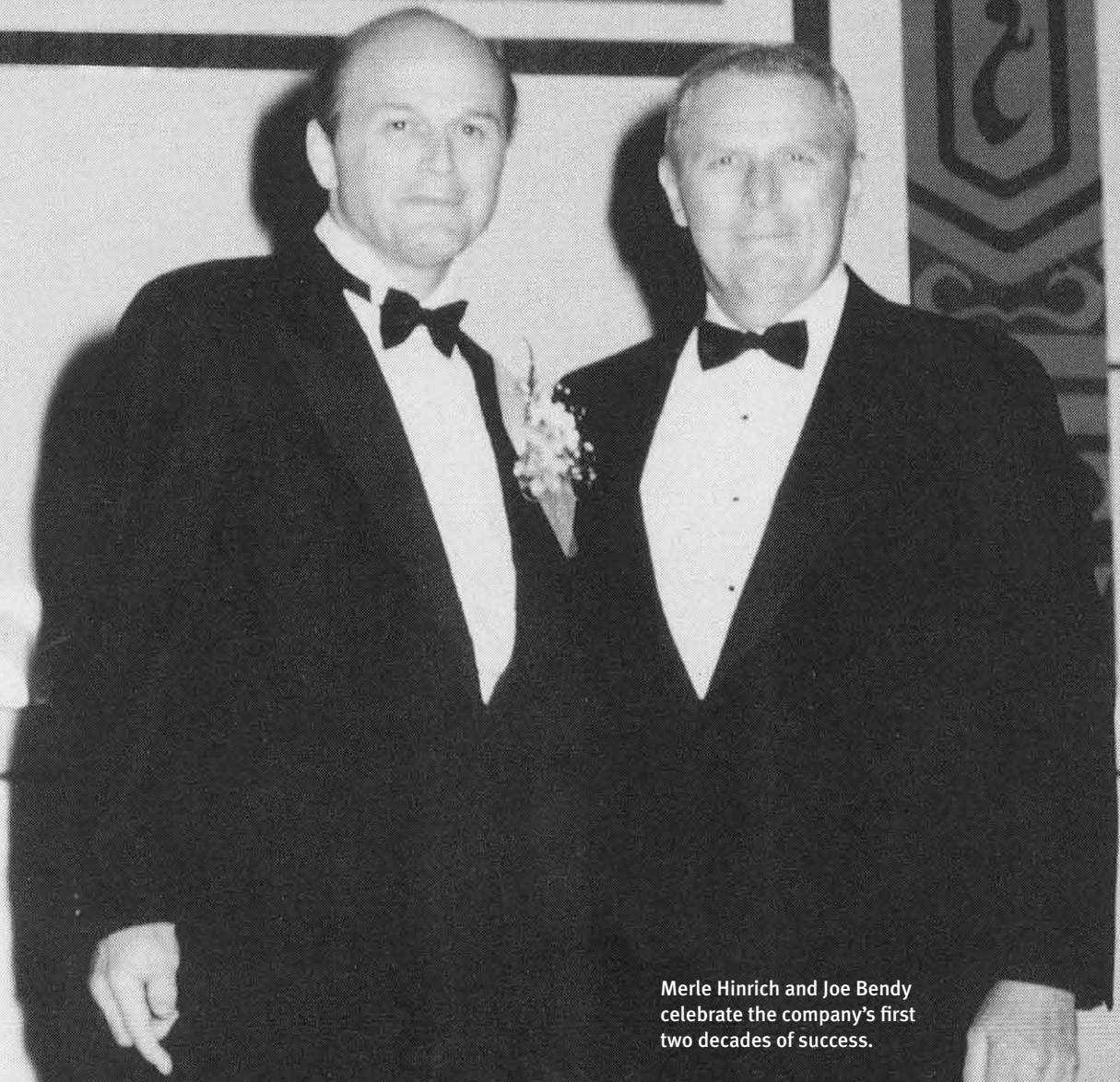
Asian Sources

TWENTY

20

YEAR

Anniversary



Merle Hinrich and Joe Bendy
celebrate the company's first
two decades of success.

The world reconfigured



Merle Hinrich handed the day-to-day operations of the group over to Sarah Benecke as Chief Executive Officer in 1994.

there was some loss of synergy and cross-value between the publications.

By emphasizing the umbrella organization, we are trying to let external and internal audiences understand that, yes, we need to work independently, but it is equally important that we work as a team.

As a family, there is much more power, much more opportunity, much more chance for success than there is when we operate separately.

And when there is such an incredibly competitive market out there, these synergies really make the difference.

The first leadership transition

Merle, 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, talking, asking me at any time about my decisions.

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.”





CHAPTER
FOUR

The digital revolution

The digital revolution

To see things in the seed, that is genius.

– Lao Tzu

As far back as the 1960s, the U.S. Department of Defense had conceived of 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. This grew into what we now call the internet, with multiple independent networks of arbitrary design.

But what precisely led the internet to

become the powerful global tool it is today? Merle has a simple answer: commitment by U.S. 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 information. Remarkable change took place. Internet technology made it possible for millions of



Growing from a small-scale U.S. Department of Defense computer-network project in the 1960s, the internet eventually became a tool for dramatic change throughout the world, revolutionizing the way people and businesses interact. Global Sources tapped into the internet's vast potential with the strategic services of its online platform.



Howard Finger joined the company as Merle's executive assistant and helped him develop the plan for interactive media.

people around the world to get connected and exchange information, news, money, family photos, music and video in ways never imagined 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 initial objective behind his retirement was to travel and spend more time on humanitarian activities and other personal interests. However, he instead travelled the world investigating internet and CD-ROM technologies and applications that might transform the company. Indeed he returned to the company with the outline of a plan to transform its services and the industries methods for sourcing and marketing.

Merle had hired Howard Finger as his executive assistant. On many of his travels, Merle brought Howard along.

"When the web browsers hit, their power became obvious, especially as an educational tool," says Merle. "The more I got into this, the more I could see the potential impact in education and trade

terms. And considering the mission, vision and purpose of the company, how could we not aim to integrate these new technologies into our business?"

Hitting the information highway

Howard was sent off to America to explore the information highway. "I met with every big name in the subsequent dotcom 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 Asian Sources because of its strong cataloging history and international trading community.

Merle asked Howard to prepare a business plan involving both CD-ROM and internet development and he presented it to Merle and Sarah when they were visiting the Chicago offices 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."



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

The digital revolution



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

Sarah and Merle saw the opportunities 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 reengineering for the business.

Howard was appointed General Manager of Interactive Media to lead the launch. 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 the initial service shouldn’t be too expensive, as we were asking people to take a bit of a gamble.”

Embracing electronic trading

Merle and Sarah introduced the interactive media plan to the company in July 1995. Howard made the presentation that is today still remembered with a grin by many of the executives who were present.

Howard recalls: “Where it used to be

that you would present acetates or 35mm slides, I went in with blaring music and a PowerPoint presentation 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?’”

In September that year, the company unveiled its plan to help move Asia and the world into the era of electronic trading. It was a plan of 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 also provide Internet access for all of our advertisers, along with e-mail addresses.”

The Total Solution

Asian Sources Online launched in the fall of 1995 soon followed by the CD-ROMs. The website was the first in the market, but would be followed by many competitors, including Alibaba 4 years later in 1999.

To communicate this multimedia solution of magazines, online and CD-

ROMs, marketing campaigns emphasized the organization's Total Solution across all three media formats.

Asian Sources Online, which would become *Global Sources Online* in 1999, continued to evolve under the leadership of

Howard 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 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



Asian Sources Online and the CD-ROMs were designed to complement the magazines. To communicate this concept, The Total Solution slogan was developed to launch the organization's new marketing campaigns.

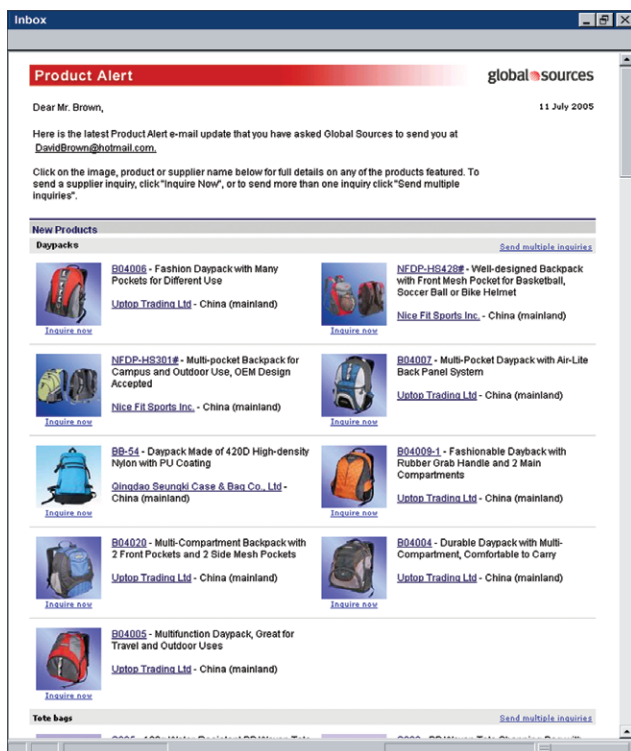
product images. By the end of 1996, a total of 10 sourcing magazines had monthly companion CD-ROMs.

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.

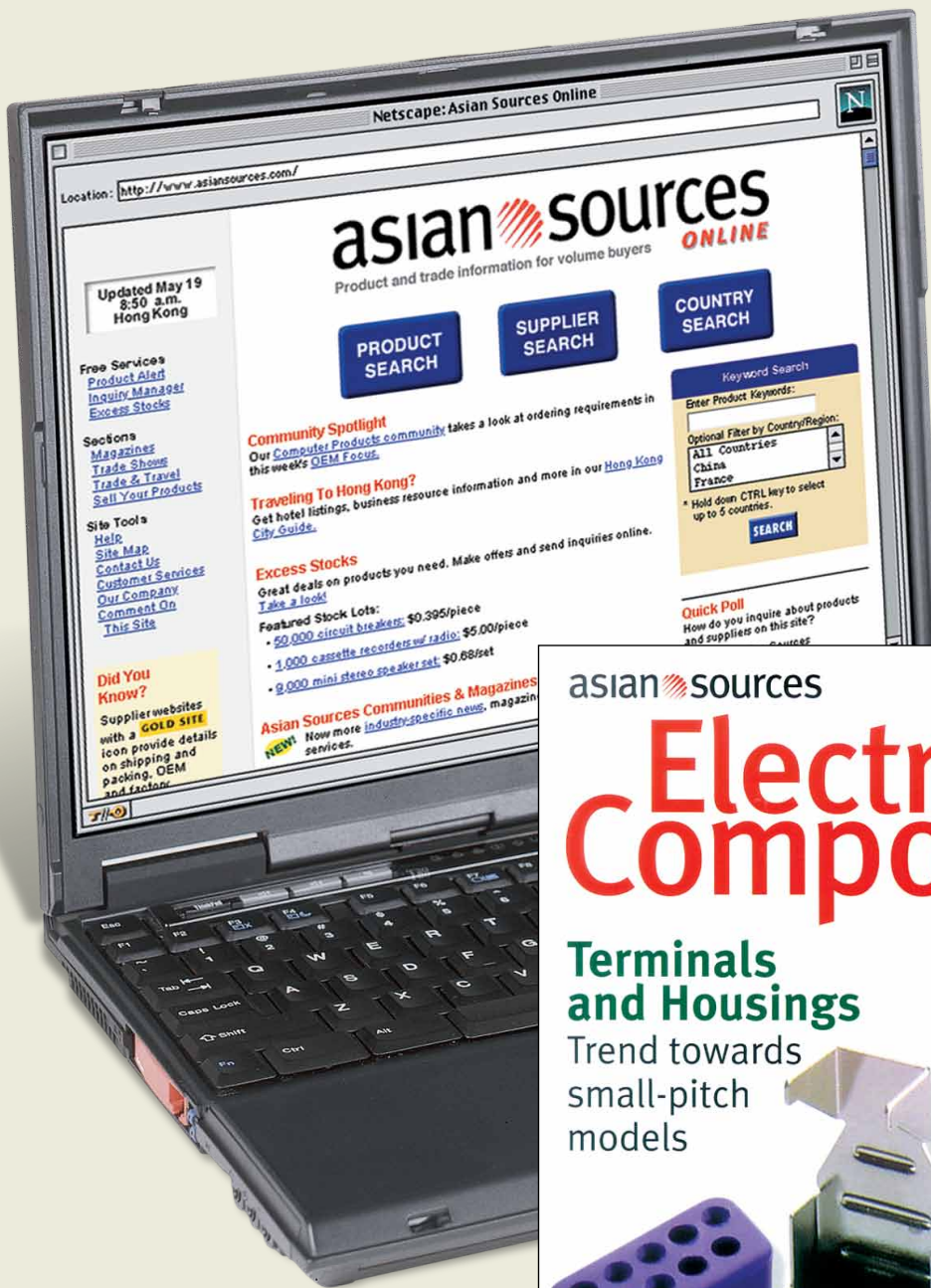
A key element of the new website was *Product Alert*, a service that still exists today. This service sends alerts to buyers via e-mail as soon as relevant new products are posted on the website. The concept sounds obvious today but was highly innovative at the time.

Supplier, buyer and sales education

The company's new online electronic platform would require a tremendous level of reeducation for team members and customers. Craig Pepples looks back on that time with a perceptible shake of



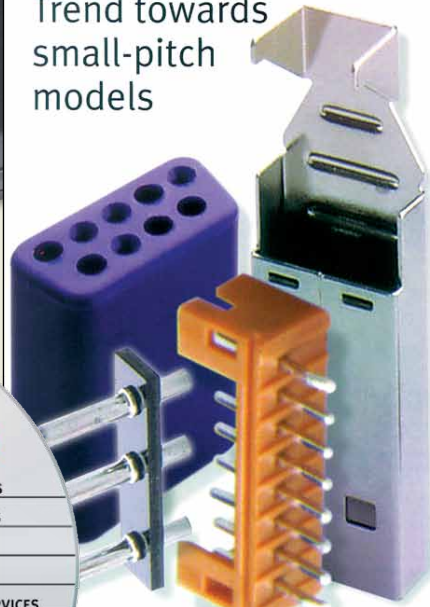
Product Alert was an early “killer application” of push technology. Above is a *Product Alert* from 2005.



asian sources

Electronic Components

Terminals and Housings
Trend towards small-pitch models



High-Frequency Transformers

Exports, custom models on the rise



Sourcing Reports

Flat Ribbon Cables and Fiber-optic Connectors

CD-ROM INSIDE

Special Reports

Networking Chips, Plastic Transistors and SoC Processors

Asia's largest database of products & suppliers
www.asiansources.com



In 1996, the Total Solution included magazines, online and CD-ROMs.

The digital revolution



Sarah Benecke (middle) with Spenser Au (right) and Theresa Yiu (left), introduced the Asian Sources interactive media products to advertisers and the press in Hong Kong and Taipei in 1995.

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 a doubt one of our greatest achievements so far.”

An intensive education was underway for suppliers and buyers. How do you sell a new concept like this to manufacturers around Asia who did not even have access to the internet?

Spenser Au, who recently retired as 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 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. We did a fantastic job helping almost all our suppliers install the CD-ROM, training

The digital revolution



Bernie Holmbraker, joined as an Account Executive in 1993 and is now based in Singapore as Vice President, leading online community and product development.

them on how to use it, and educating the market on the importance of the service we were offering.

None of our competitors 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.

Back to school

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

The website training program was intense. And there were additional challenges. Fly-by-night competitor companies emerged, offering copycat websites to the largely uninformed suppliers. It was very difficult for a factory

manager to distinguish between fake and real. Even though Asian Sources’ reputation was very strong for its magazines, it was a big challenge to get people online.

Mark Saunderson, former President of the Electronics Business Unit, recalls the early Internet days: “In many cases, we helped our customers buy a computer and install it, and then we showed them how to get online. A customer would advertise and say, ‘We have no responses!’ And we’d remark, ‘Did you check your e-mail?’ We would have to show them how to open their e-mail. And lo and behold, they would have an inbox full of inquiries.”

Unlike in Hong Kong and Taiwan, connectivity in mainland China at that point was controlled by the Ministry of Post and Telecommunications. Getting connected depended on the policies and rates charged by individual post offices.

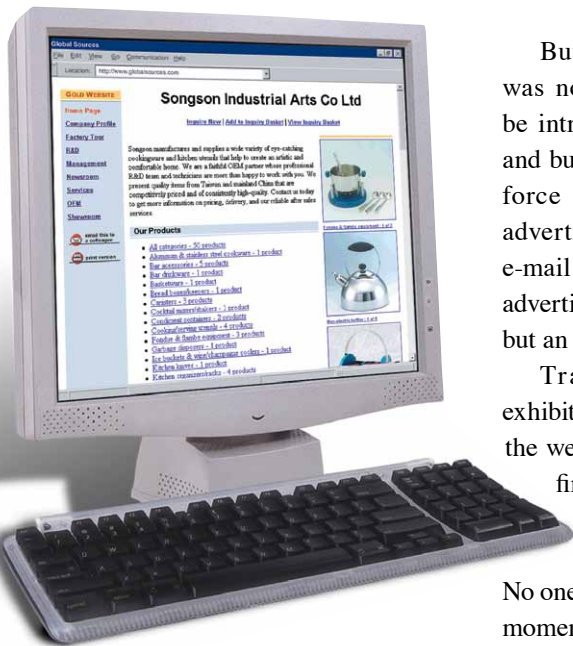
To deal with this, the company’s account executives established relationships with each of the local post offices. “We would go around with our clients’ forms and help them get signed up and processed through the system, and then get an internet account,” says Bernie.

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 had to be, and 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.”

The media transition

The launch of the CD-ROMs was very important to the success of the entire electronic process. Although most buyers at that time did not have access to the internet, they were able to use CD-ROMs.



Extended company information contained in *Gold Websites* on *Global Sources Online* served both the buyer looking for more information and the supplier in differentiating his company from competition.

By 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 substantially deepening the level of information available to buyers.

But the launch of this technology was not simple. The new tools had to be introduced to thousands of suppliers and buyers, which was done by the sales force and through an extensive print advertising campaign. Also, suppliers' e-mail addresses were placed in their print advertisements, a normal procedure today but an innovative one then.

Trade shows, conferences and exhibitions were also targeted to promote the website and the CD-ROMs. "For the first three years it was very hectic," says Sarah. "We knew we were on the right track, 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."

From the start, each supplier listed on the site had a similar presentation including 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



The Total Solution was marketed through all the organization's channels: online, in print and at more than 100 trade shows annually.

The digital revolution

company's manufacturing capability, quality control procedures, the trade shows that it attended and data on company management.

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

Buyout offers

As time went on, several major international publishers were noticing *Global Sources'* growing number of successful products and expressing interest to acquire 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.

"I had 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."

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 at a very high EBITDA multiple." Merle says. "Financially, many of the offers were very attractive."

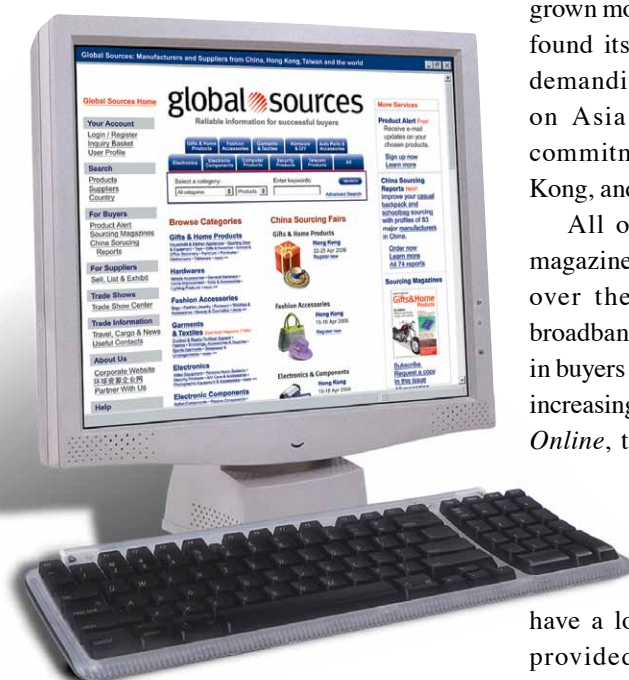
Refining and refocusing

Around the same time the Total Solution was launched, the organization refocused on Asia. While the Technical Electronics Group's sales in the United States continued to be healthy, the company's computer publications in the United States and Europe could best be described as difficult. The most attractive growth 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 company found itself operating in a much more demanding environment. The refocus on Asia brought with it a renewed commitment to Taiwan, Korea, Hong Kong, and mainland China, in particular.

All of the original *Asian Sources* magazines had been refined or refocused over the years. With the advent of broadband technology, the rapid growth in buyers use of the internet, and with ever increasing functionality of *Global Sources Online*, the CD-ROMs were eventually phased out.

The growth of electronic media led to a significant question: Does print still have a long-term role? Sarah Benecke provided her answer: "The internet revolution has created a whole new genre of publications. I feel strongly that print



Global Sources Online in 2005, 10 years after *Asian Sources online* was launched in 1995.



Many of the world's biggest buyers were using *Global Sources Online* to source products from around the world.

will continue to be important. The titles, the look and feel will be different. But I think print magazines will still be around for a very long time.”

Sources for the world

The potential for the company to grow in various developing economies was seen as very significant. It was assumed that many countries would want to follow the export led economic growth model proven by the likes of Taiwan, Hong Kong, Singapore and South Korea.

There was also the belief that much of this shift would be driven by buyers looking for lower cost supply markets than Asia, and that the distance from supply market to consumption market would be a key criteria for buyers.

The Berlin wall had come down and it was assumed that East Germany would become a low cost source for some product categories – and especially for the European markets. Similarly, with its low cost work force and adjacency to the U.S. market, it was assumed by many

that Mexico would become a formidable supply market. It also followed that Turkey, Latin America and Africa could become significant supply markets for some categories.

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, Vietnam, Indonesia, India, Pakistan, Turkey, South Africa and Mauritius.

According to Merle at the time:

It is obvious to me that all these developing countries are saying, 'We desperately need capital, we need technology, and we need to work together with developed countries.'

But the only way that can

The digital revolution



The *South African Sources* team members pictured with general manager, Mike Rabbits (back row, second from right).

ever happen is if basic business relationships are established. If the buyer meets the seller. If the investor meets the manufacturer.

With its books and magazines, Trade Media has done this and our role is a proven one.

We've been directly involved in developing Asian trade. We've seen the blood, sweat and tears. And with the extension of our titles beyond merely Asian Sources, we want to be involved in world sourcing.

Becoming Global Sources

In 1999, the company made the big decision to change its name from Asian Sources to Global Sources.

The timing of the name change to Global Sources also coincided with the beginning of the dotcom boom, and many partners in developing markets were motivated by visions of rich public offerings and potential spinoff public listings. The

organization established a relationship with a partner in South Africa, which had long shown promise and was just emerging from 20 years of trade embargo while struggling to grow. Thereafter, other agreements were signed with partners in Indonesia, Mexico and Turkey.

Merle:

It was our intention to offer global buyers product and supplier information from suppliers around the globe. We were looking to open sales offices in Turkey, Mexico South Africa, Brazil and elsewhere and that would not work if we called ourselves Asian Sources and carried the Asian Sources brand on all of our media.

We had struggled with this question of our name for some time. The digital world was coming into play and we moved to 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. Then, under Asian Sources we would have Hong Kong Sources, Taiwan Sources, China Sources and so on.

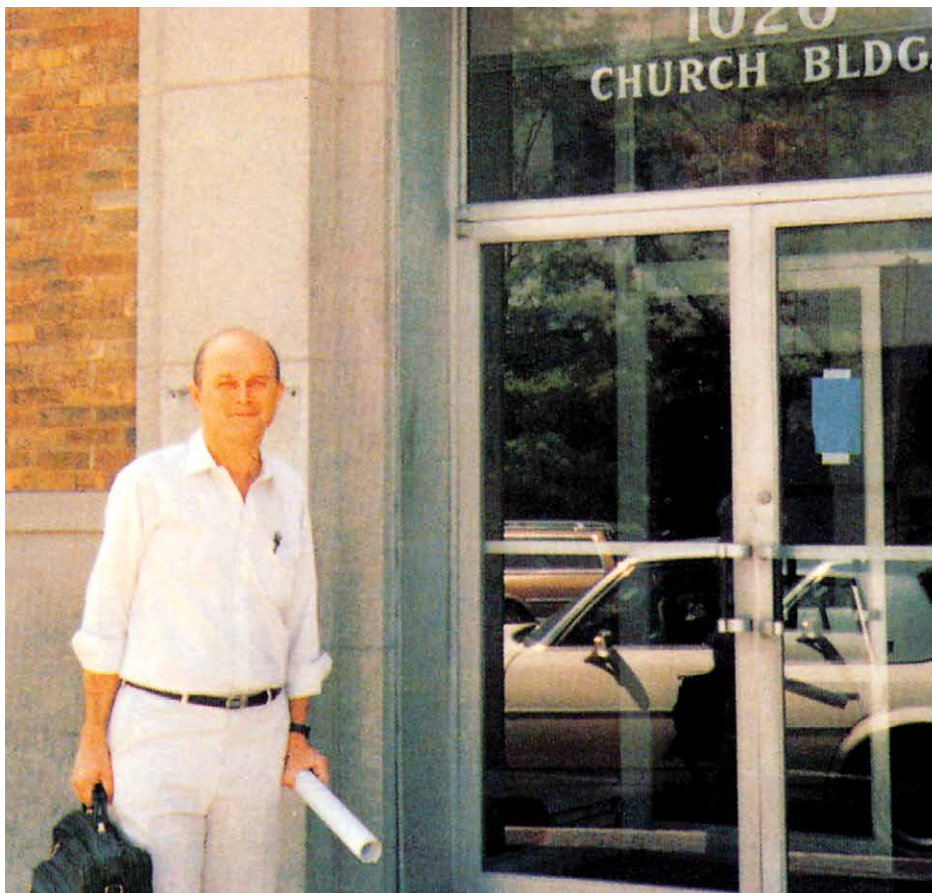
In that way, we would be able to satisfy all of our users with a single name. So if a user wanted to come into our databases, they could come in at our highest level, Global Sources, or they could say I'm only interested in Asian Sources, or Taiwan Sources for example. The concept was to offer a database that users could slice and dice the content in the way that would be most useful to them. However to enable that we had to create not only a product ontology but also a geography ontology.



Local versions of the main website were considered to be only a matter of time.

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 were key underlying aspects of the strategy.

The intent had been there for quite



The decision to change the company's name from Asian Sources to Global Sources came about while Merle was visiting the Wordright office in Chicago.

The digital revolution



In 2001, Global Sources' technology team numbered more than 200, in Shenzhen, Philippines, Hong Kong and Singapore offices.

some time. 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.

From a branding point of view, 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."

In the end, the expectation that sourcing would substantially shift from Asia to lower cost global supply markets did not happen for various reasons. The assumption underestimated the capabilities of the suppliers in Asia to remain competitive.

And, it grossly underestimated how much foreign direct investment China would attract, how significant China's geographic product category clusters would become – and overall, how strong and important China would become to the world's consumers.

Merle in 2016 looking back:

After years of creating Asian Sources, it had become such a dominant name, strongly associated with quality, and strongly differentiated. 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."

Sophisticated commerce

Despite the recession in the early 1990s, demand for personal electronics was on the rise, the personal digital assistant (PDA) being one example. PDAs initially 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.

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

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.

Many large retailers had enrolled some of their suppliers and publicly announced deadlines for their suppliers to achieve data synchronization with UCCnet.

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

The standardization initiatives never gained acceptance. However, business-to-business electronic commerce was becoming increasingly sophisticated and there were other opportunities. As Peter Zapf, Chief Information Officer, pointed 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."

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 market was the world's largest retailers. Their catalogs were designed to support their 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.

However, 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

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intense sales and business development efforts under Howard Finger and Douwe Cramer, the *Private Buyer Catalog* never fully took off.

But its companion, the *Private Supplier Catalog*, remains today as the primary tool for suppliers to use in updating their company and product content 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 allowed suppliers to introduce product designs in a password-protected environment that could be open to a specific group of invited buyers.

The speed at which Global Sources was moving is exemplified by the creation of the *Private Supplier Catalog*. Douwe Cramer presented the business concept in March 1999. The go-ahead was given in July, the user interface design and technical specifications were completed in September.

Technical development took place in

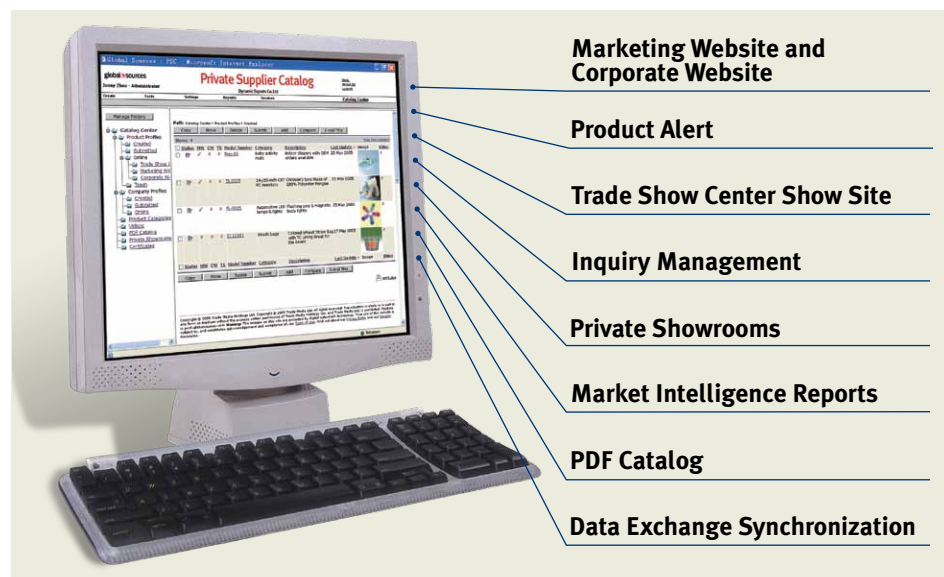


Private Buyer Catalogs are used by many of the world's top 100 international trade buyers, including Dell and Kmart.

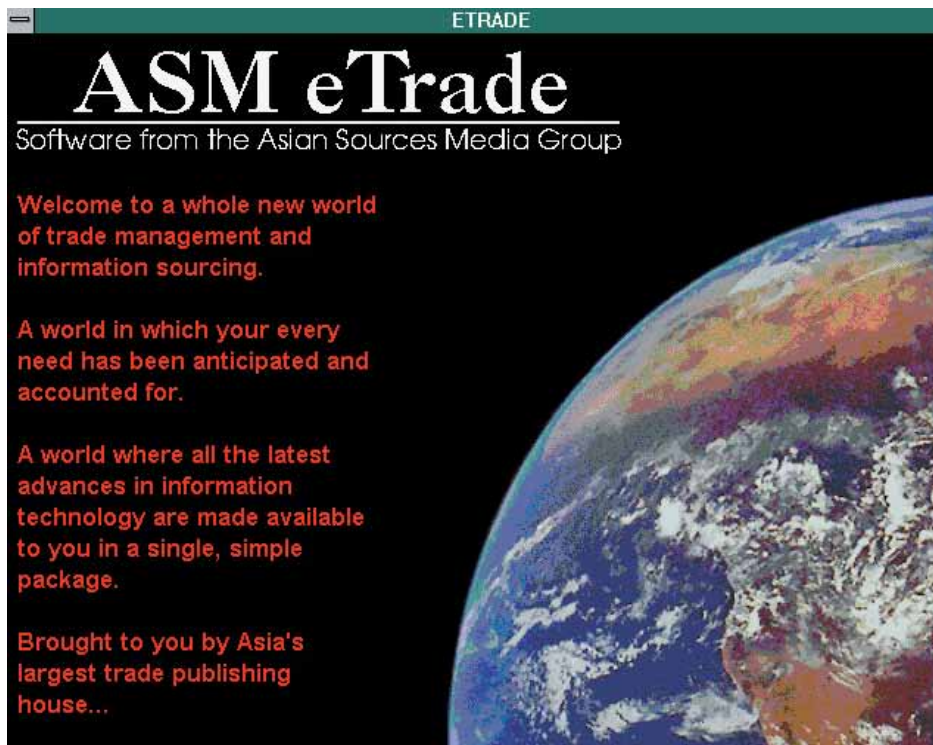
October and November, while marketing, training and rollout plans were put together. At the beginning of December, the *Private Supplier Catalog* product was launched. Within three months of the launch, 5,000 suppliers had signed up for their own electronic catalog.

The software business

Years earlier, the company purchased a majority shareholding in DSC Consultants,



Launched in 1999, *Global Sources Private Supplier Catalogs* were powerful tools for supplier electronic enablement. Users could create an electronic catalog and then post products to various websites, make e-mail offers to buyers and access real-time market intelligence.



ASM eTrade combined with interactive media to provide a total solution for 21st century traders.

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 new facet of Trade Media's operations enhanced the company's commitment to international trade facilitation. This was also the first step in the move toward interactive media. A logical next move would involve distributing "magazines" electronically or offering a variety of information to users "online."

Merle:

We thought we could provide a common template for buyers and sellers. And we eventually reached an installed base of 230 buyers around Asia, mostly in consumer products. The benefit of such a solution 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 discovered we could not template the information into a format acceptable to each of our buyer customers. 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, and so on.

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

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In 2000, Craig Pepples announced Global Sources' complete "end-to-end" suite of web-based e-commerce tools.

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.

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.

Transition and reorganization

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 with the company that did not end here.

Sarah had been CEO for five years and had led the company through the Asian financial crisis in 1998 and 1999. There had been some tough times including 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. Sarah suggested that she retire and that Merle come back. And that's what they did. It was executed very smoothly. They just swapped places and kept going.

Merle took over 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.

Craig was the chair of both boards while also coordinating the increasingly important Job Objective Analysis (JOA) planning system. Later this evolved into a single management update board to further improve the efficiency of the company.

In 2004, two distinct business units were formed: one run by Mark Saunderson, which brought together all the electronics trade journals into one group under the title Electronics Business Unit, or EBU. The other, for all the general merchandise magazines came under Craig Pepples' direction.

Sarah describes her career development:

Early in my career with Global Sources and 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 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 well because you don't speak Chinese, 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 English-language components magazine because there wasn't a better 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.



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

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The 1999 Management and Operations Boards: (seated, left to right) Michelle Beck, Theresa Yiu, Merle Hinrich, Sarah Benecke, Spenser Au; (standing, left to right) Tan Wui Hua, Rob Nelson, Howard Finger, Philip Chatting, Mark Saunderson, Douwe Cramer, Paul Mottram and Eddie Heng.

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.

Startup software companies were appearing all over, and for many, there was no shortage of venture capital. As one of the early movers in online B2B, Global Sources found that many of its experienced team members were becoming targets for these young startup dotcoms 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.

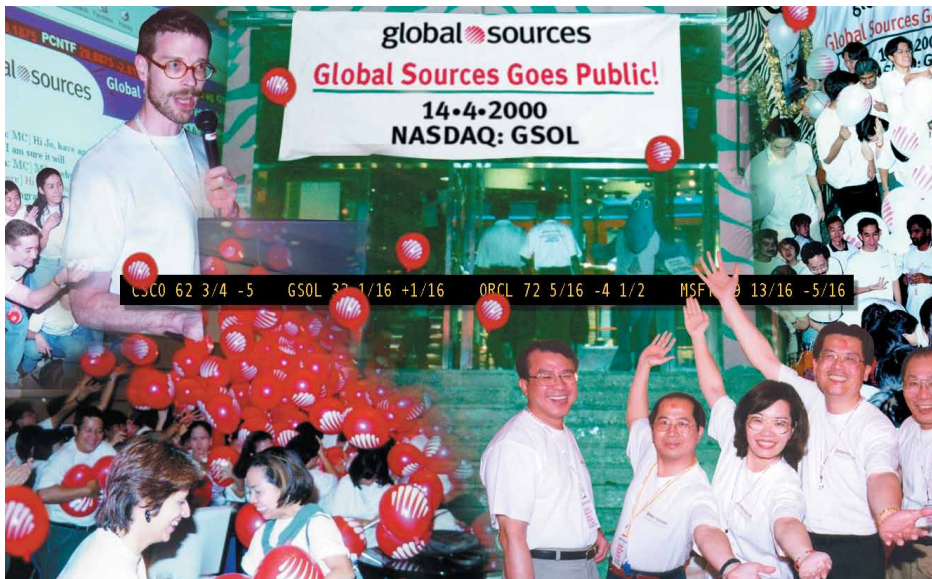
In the end, however, the reasoning was simple. Eddie Heng, who was the public company's first Chief Financial Officer, explains: "A listing gave us the vehicle to raise capital. Without the listing, our growth opportunities would have been confined solely to internal resources."

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

Complex listing process

Goldman Sachs was initially selected to lead the offering. 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 manufacturer of aerospace and industrial



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.

fasteners, 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 necessary. What surprised him and all of us was the incredible amount of detail it required to get to the public listing stage," Bill says.

It took about nine months to complete the listing process, which Bill describes as both exciting and friendly. "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 need to leave the facility because it included full catering and rooms in the event that someone needed a nap.

Eddie Heng recalls: "For me both



Navigating through the complexities of the public listing was an intense exercise for Eddie Heng and Bill Seitz (right).

The digital revolution

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 the U.S. GAAP accounting format. Then we worked for two weeks in New York, preparing the paperwork 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 went to something like \$100 per share but then almost immediately collapsed. 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 day of the dotcom bust. That was the moment it all crashed.

Michael Nock, a longtime financial adviser to Merle, put the listing exercise in perspective:

By the end of 1999, the dotcom



The Global Sources Ltd first Board of Directors: (seated, left to right) Merle Hinrich, Sarah Benecke, Eddie Heng; (standing, left to right) Dr. H. Lynn Hazlett, Jeffrey Steiner, Roderick Chalmers, David Jones.

situation was getting very silly. The way the company was listed was clearly the most expeditious way to go about the process. But Merle certainly had the sense everything was getting out of hand in the market.

Merle saw that a meltdown was going to happen, but he saw there was still time. He was looking at companies who had raised US\$200 million with much less thought-out business models, but better access to Wall Street. He thought, if this meltdown is coming, perhaps I had better grab some of that capital and when the meltdown comes, I will be ready to capitalize on some of the fallout. But the fallout started on the exact day he listed.

One of the most important values the public listing has brought to the company is transparency. Merle explained: “On the public market, we had to comply with a number of regulations such as the U.S. Generally Accepted Accounting Principles. Those principles are very U.S.-centric. But they enable you to compare

apples with apples.”

Moving forward

As a result of the listing, Global Sources now had better access to capital. In February 2005, the company raised US\$40.5 million in U.S. 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 company in its field that was listed on a U.S. exchange.

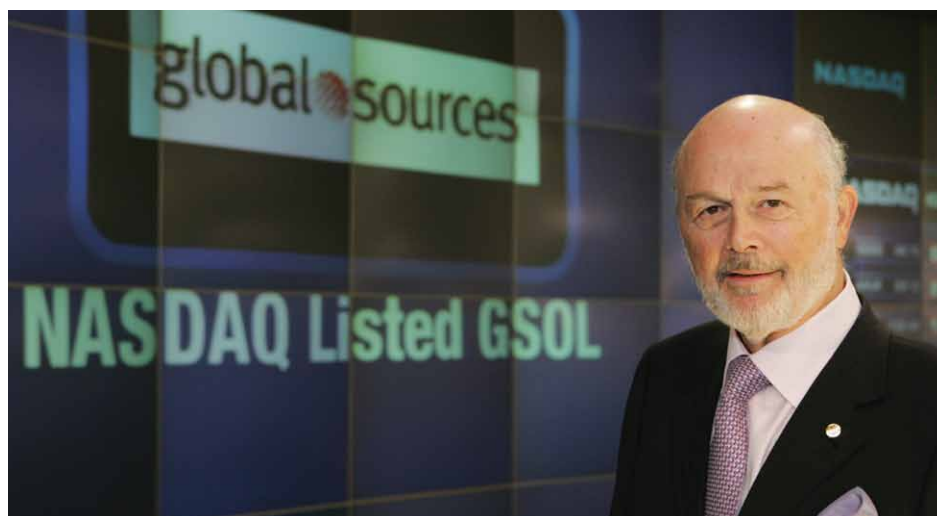
Nock believed in these strengths: “Global Sources understands its community, has built up its capabilities over many years on the basis of that understanding, and has been able to do that from a dominant market position. If the capital markets remain shut, then the organization can still build out and 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 the support they require to succeed. With its publishing, online and trade show business, Global Sources places a huge emphasis on proactively developing



The Global Sources Ltd second Board of Directors: (seated) Merle Hinrich, Sarah Benecke; (standing, left to right) Eddie Heng, Jeffrey Steiner, Roderick Chalmers, James Watkins and (not pictured) David Jones.

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In 2009, Merle Hinrich, for the second time in two years, presided over the NASDAQ Stock Market and rang the ceremonial opening bell. The opening ceremonies were broadcast on several national business television networks from the NASDAQ MarketSite studio and shown live on NASDAQ's own website.

technology, products and services to meet the needs of its customer base.

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 Hinrich commented at the time:

We are most pleased with being selected for the NASDAQ Global Select Market and for being recognized as the number one investor relations website for small and medium cap companies in our region. Both demonstrate we are meeting the standards of financial health and disclosure that are very important to our investors.

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, deep relationships with the largest buyers and a high-quality community of verified suppliers. The company's leadership in serving China's electronics industry, in particular, had helped produce a strong balance sheet and a 35-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.

Several years later, 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



Global Sources attended over 100 international trade shows annually to attract international buyers.

from over 30 countries. We appreciate the recognition of our commitment to corporate governance best practices and transparency to shareholders.”

From the time it went public, Global Sources had strong investor relations support from Lippert Heilshorn & Associates in New York, where the relationship was led by John Heilshorn. Their work included developing relationships with investors, organizing road shows and supporting the company at investor conferences. They also worked closely with the company’s CFOs over the years including Eddie Heng, David Gillan and Connie Lai in organizing more than 60 quarterly earnings releases and webcasts.

The long-term view

How Global Sources responds to competition and change is a main factor determining its success. As former CEO 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



Lippert, Heilshorn and Associates (LHA) supported Global Sources’ investor relations activities from the beginning led by Partner John Heilshorn.

The digital revolution



Private Sourcing Events were held during the year of 2009 for more than 200 sourcing teams from very large buying organizations.

with the world's largest buyers. For example, in 2010, some 23 of the 25 largest retailers in the world worked with Global Sources at the company's *Private Sourcing Events*, which bring top buyers and quality suppliers together in face-to-face private meetings.

Transactional B2B

Over the years, Global Sources had various initiatives aimed at getting into the transactional part of the business. The years with EDI order processing software back in the early 1990s gave the company insight into challenges and opportunities. Then in 2005 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.

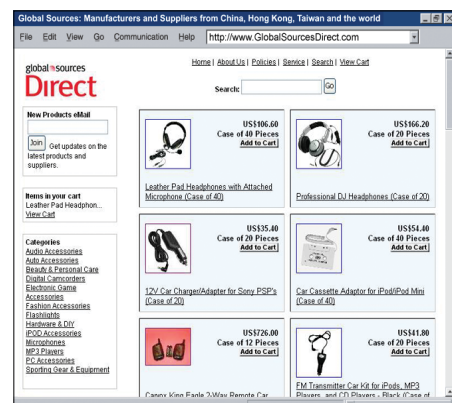
Peter Zapf, then Vice President of community development, who headed up this new group, said, "This is really the first time Global Sources has 'got into the trenches,' and dealt with the real-time trade transactions. It's an exciting new experience for the whole team."

With *Global Sources Direct*, Global Sources sold wholesale product lots on

consignment for manufacturers in China.

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 was to enable suppliers to sell smaller lots of standard items to



Launched in June 2005, *Global Sources Direct* was a strategic alliance with eBay to enable suppliers to sell direct to eBay PowerSellers worldwide.

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.

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.

But there were significant challenges to scale the business and in late 2008, the company elected to close the door and focus on its core competence.

Powerful engine of trade

The company's 14 vertical trade journals as of January 2010 were just one part of a three-media package that included print, online and trade shows – a total solution linking suppliers and buyers worldwide.

In June, *Global Sources Online* featured nearly 4.5 million products. In the preceding year, more than 967,000 buyers had used the site to search for the products they wanted. Global Sources' teams of researchers watched this online market browsing and used the information to interpret the market to enhance services and benefit customers.

Merle:

“Data and technology, in this context, is about knowing what is working and what is not. It is about translating information into market knowledge that stimulates sales and revenue, not just for Global Sources but for the customers – the suppliers and merchandisers of the world.

When suppliers get the early warning that a certain product is hot and they need to update their

advertisements in print and online, Global Sources is ready to assist them. The company's Client Service Centers across Asia are staffed by experienced marketers, writers and creative teams. Client service officers 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.”

Right information, right time, right format

When 2010 came to a close, the business strategy was still being determined by Merle, but he was relying increasingly on others within the organization. He was relying more on the Management and Operations Boards, as well as the Global Sources Ltd. Board of Directors – boards that are globally-based and made up of people experienced in business, technologies and corporate finance. All were proactively helping to guide the organization's global strategies.



In 2010 *Global Sources Online* included 14 vertical marketplaces with detailed product, supplier and market information. It also offered Verified Suppliers and unverified suppliers from the web.





CHAPTER
FIVE

**Growing with
China**

Growing with China

Let's compete freely. Goddamn tariffs! Free trade and free seas – that's what's right!

– James Clavell, *Tai-Pan*

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.

Today, China has become the world's largest trading partner, the world's largest importer and the world's largest exporter, driven in large part by its accession to the WTO in 2001 and by foreign direct investment. (*See addendum to this chapter on the role of foreign direct investment.*)

Macro- and micro-economics

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 supply markets and geopolitical landscape of Asia. In addition, changes in information technology also bring new opportunities and challenges. Understanding the interplay of all those dynamics is critical to understanding the history of Global Sources.

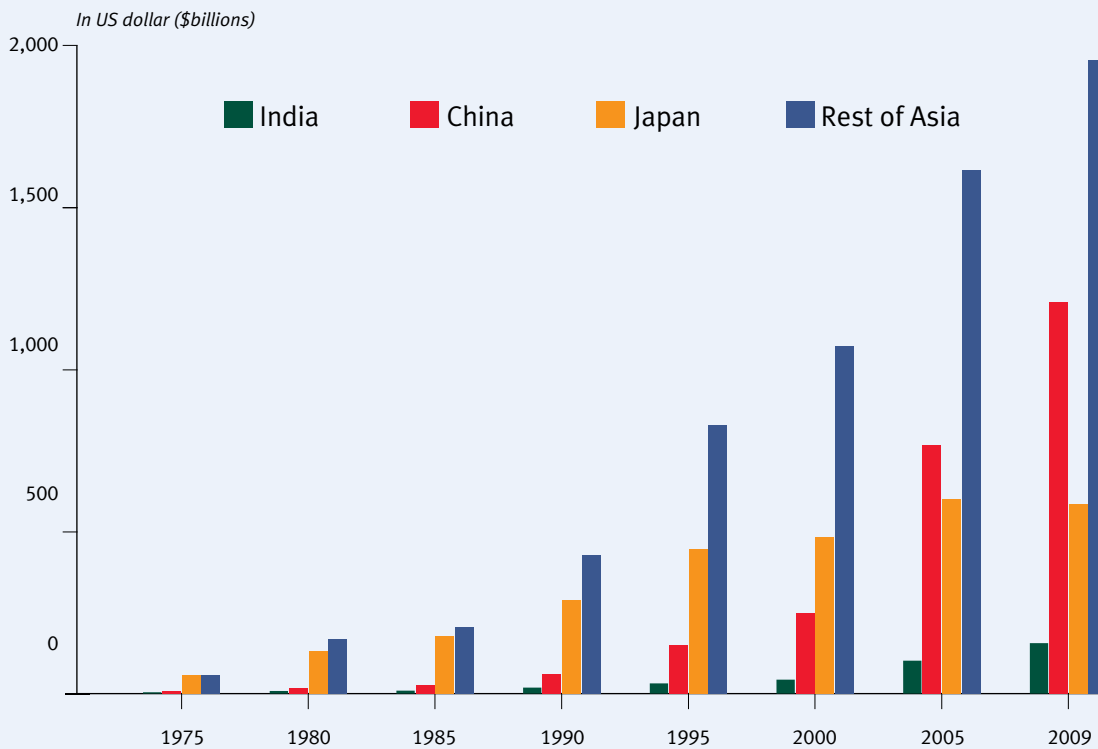
China awakens

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.

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.

Exports from China, India, Japan and Rest of Asia



Between 1975 and 2000, “Rest of Asia” export growth (which notably includes South Korea, Taiwan, Hong Kong and Singapore) was a strong foundation for Global Sources growth. After entering China in the ’80s, Global Sources expanded its presence in the ’90s and then grew its China sales tremendously as China’s exports boomed due largely to foreign direct investment and WTO accession in 2001. By 2014, China was the world’s leading exporter.

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 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, perhaps 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. The Asian Sources team helped each 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

Growing with China



“To get rich is glorious!” China’s special economic zones, such as Shenzhen, have responded most visibly to Deng Xiaoping’s famous words.

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 included 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.

Endaka turbocharges manufacturing shift within Asia

At the same time, export manufacturing in Japan was being dramatically affected by a strengthening yen (“Endaka”). In Feb. 1971, the yen was 357 to the U.S. dollar and

it strengthened further to 306 in December 1976. By January 1993, the U.S. dollar was worth 125 yen and Japanese exporters knew they could not remain profitable much longer. Moreover, in the next two years, the yen increased even more in value to 85 in April 1995.

As a result, exporting from Japanese factories became uncompetitive. Also, manufacturers in Japan had to look for overseas suppliers for assembly, parts and components. These developments presented a golden opportunity for suppliers elsewhere in Asia to start up and expand contract manufacturing and the production of sub-assemblies, components and finished goods. In summary, the strengthening of the yen had a huge impact on driving the growth of production in the other Asian countries.

China’s door opens

In the 1980s, China attempted to combine central planning with market-oriented reforms to improve productivity and the

competitiveness of Chinese companies, but policy makers knew they needed to be careful not to exacerbate 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. 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

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, the globalization of procurement became a core part of almost every large international business, and international procurement offices proliferated in Asia during the decade.

China also began allowing foreign investors to manufacture and sell a wide

Impact of WTO Accession on China since 2001

China has benefited from its WTO membership by obtaining a stable and transparent institutional framework and external environment, and realized a great leap forward in its economic development, industrial competitiveness and people's living standards.

- In 2001, China's GDP stood at US\$1.33 trillion, ranking the world's 6th, while in 2014, it topped US\$10 trillion, increasing by nearly 8 times, and ranking the 2nd globally.
- In 2001, China's trade in goods was valued at US\$0.51 trillion, ranking the 6th in the world, while in 2014, it reached US\$4.3 trillion, growing over 8 times, and ranking

the world's first for the second consecutive year.

- In 2014, China's export of goods registered US\$2.34 trillion, accounting for 12.4% of the world's total, making it the biggest exporting economy for 2 years in a row, and China's import of goods and services recorded US\$1.96 trillion and US\$382 billion respectively, taking up 10.3% and 8.1% of the global total. China now represents the world's second largest destination for all exports.

Source: abbreviated extracts from *Looking Back 14 Years after Accession: Case of China* (https://www.wto.org/english/thewto_e/acc_e/Session2YuanYuanPostAccessionLookingback14yearafter.pdf)

Growing with China

range of goods in the domestic market and authorized the establishment of wholly foreign-owned enterprises.

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 were largely a result of the country's commitment to reforms required under its entry into the World Trade Organization (WTO) in 2001.

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

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 (MFN) policy and its risk of revocation hung like a sword over the heads of buyers who feared the re-introduction of tariffs on their imported products. U.S. trade policy toughened under President Bill Clinton, and Washington used the threat of



While Clinton was in office, the United States toughened its trade policy with China.

not renewing China's MFN benefits each year in an attempt to win concessions from Beijing on issues such as endorsement of intellectual property rights. This created ongoing uncertainty for import buyers. They had to stay ready to rapidly restructure supply and pricing arrangements, should China's MFN status not be renewed. 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.

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 export capability. Buyers no longer needed to worry about China's 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.

Craig said, "We can see that we are in a position of forming a bridge between China and the rest of the world. This doesn't mean going completely Chinese. There are already many companies in China who are from the Chinese side



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

looking out. Our position has got to be neutral, being the bridge that allows a two-way flow of communication.”

“We also 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 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,” 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 spent the whole day riding bikes to see clients and we were so far outside the perimeters of Tianjin that we were almost to Beijing. The clients were stunned. Some salesmen thought we 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.

Business in China grew rapidly. China’s manufacturers and suppliers were eager to learn how to optimize trading opportunities with the West, and Asian Sources played a significant role in their education process. Craig and his mainland colleagues delivered seminars on competing in international markets, producing effective export advertising and handling buyers’ inquiries.

Growing with China



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.

Developing the China Sales Team

Oscar Wu and Samson Wu, the Taiwan representative's successful dual country managers, traveled to Mainland China every couple of months to help with the hiring of recruits and sales training.

“We found these people had big ambitions. They wanted to learn quickly. The advertising business was very new to them and they looked at the job as



Oscar Wu was one of the organization's most capable and inspiring sales managers for more than 20 years. He was the chief representative in Taiwan for the Consumer Products Group.

something with great potential for the future,” recalls Oscar.

The organization's successes in Taiwan proved a further attraction to young Mainland account executives. There were cultural adjustments to be made as well.

“Most of these people were not used to competition. They didn't understand ‘the no pain, no gain concept’ that we were used to. They thought everything would happen easily to them – and it didn't, certainly not straight away.”

China Sourcing Reports are born

In December 2001 when China acceded to the WTO as a full member, importers did not have to worry anymore about whether or not China would have MFN trading status. And the result was a huge flow of orders to China. The impact was even greater than many had expected.

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 looked in detail at fast-moving product lines made in China, and featured a cross section of key suppliers. They also



China became the world's largest trading partner driven in large part by its accession to the WTO in 2001 and by foreign direct investment.

Growing with China



In the early 2000s, Global Sources was tracking the sourcing activity of over 460,000 buyers worldwide in real time to determine which products are in highest demand.

provided buyers with analysis of supply-market trends.

Using proprietary data extracted from *Global Sources Online*, the company was able to identify fast-growing demand for very specific products out of China, plus a representative sample of suppliers. Interviews at factories all over China by

editorial team members provided crucial unbiased sourcing information for buyers.

As of May 2010, more than 80 reports on specific products had been published. The list of reports included *Car Security*, *Car Wheel Rims & Covers*, *Computer Cases*, *Connectors*, *GPS Devices*, *Power Supplies*, *Scooters*, *Sunglasses*, *WLAN*



Content Development teams throughout China helped buyers identify suppliers who can meet their requirements.

Products and Writing Instruments.

To produce these reports, Global Sources surveyed a range of companies. All profiled companies were export-oriented professional suppliers, and the selection was designed to reflect closely the composition of the industry in China in terms of geographic spread, business type and ownership. Although mainland China was the main focus of coverage, suppliers from Taiwan, Hong Kong and South Korea were included if production had not shifted primarily to the mainland.

For each company profile, the research team interviewed senior executives and export managers, who discussed their recent performance and provided price, R&D, production and export forecasts for the next 12 months. All manufacturers were asked to participate in a survey designed to provide insight into product and price trends, and major challenges facing the industry.

Customized sourcing service

Ever since its beginning, Global Sources has had strong relationships with many of the world's largest retailers. The alliance

between Global Sources and Agentrics (previously known as the Worldwide Retail Exchange) 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, Shenzhen and Shanghai," says Brent Barnes, now Chief Operating Officer, who started managing the *Private Sourcing Events* in 2005. "It was an easy sell because it was very convenient for buyers and 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 advertisers who matched those needs. Then the buyer would short-list whom he wanted to meet, and we would arrange one-on-one meetings in the location that made the



Private Sourcing Events gave suppliers an opportunity to meet face-to-face with the world's top retailers.

Growing with China



Brent Barnes, former General Manager of Content & Community Development, and now Chief Operating Officer, spearheaded the highly successful *Private Sourcing Events*.

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 potential new supplier,” says Brent.

The program scaled rapidly and it was highly valued by many advertisers. 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.

Brent adds: “Our attention to detail was what made this work. We had to make sure the buyers reviewed the vendor profiles and selected their suppliers in advance and make sure the suppliers were properly prepared with samples and presentation materials.”

Electronics: From design 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. Around this time, CMP’s *Electronic Engineering Times* and *Electronics Buyers News* were two of the largest and most successful publications in trade publishing history.

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. A few years later the *China International Optoelectronics Exposition (CIOE)* was added to the joint venture.

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

The business opportunity serving electronics engineers in China and Asia was presumed to be a potentially huge business for Global Sources. In the USA at that time, *Electronic Engineering Times* was the leader but there were dozens of other players serving various niches with a variety of media models. The big driver was that the industry, the manufacturing and the advertising and exhibition budgets were rapidly shifting towards Asia.



Published by eMedia Asia, a joint venture between Global Sources and CMP Media (now UBM), *EE Times-Asia* and *Electronics Supply & Manufacturing-China* provided news and insight for the region's booming electronics industry.

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

Mark:

In 1995, we launched a semiconductor show in Shenzhen called International IC (Integrated Circuit), the precursor to all our other trade shows. IIC China became a rapidly growing and highly profitable show that showcased the world's leading integrated circuit manufacturers. We were also 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.

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 U.S. at the time, I used to put a map of China on the table because, for many people, Shenzhen, Shanghai and Chengdu



Former president of eMedia Asia, Mark Saunderson expanded coverage of the electronics industry from print to events and then online.

Growing with China

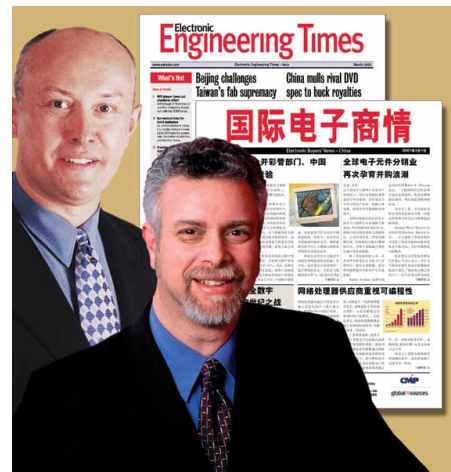
were entirely unfamiliar names. For most of these companies, their largest markets were the US and Europe.

On one of those sales trips to the U.S., Mark met with Steve Weitzner, an executive from CMP. 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 joint venture led by Global Sources.

Mark:

We knew the pitfalls of China, the



The eMedia Asia joint venture, initiated in September 2000, joined the established technology leader in Asia, Global Sources, with CMP Media, one of the most respected content providers in the USA. Pictured are Mark Saunderson of Global Sources and Steve Weitzner of CMP Media Incorporated.

Friends and colleagues toast to Mark Saunderson at his retirement dinner

Global Sources would miss Mark Saunderson, President of eMedia Asia, who retired in September 2010 after more than 20 years with the company. Over 40 friends and colleagues gathered at The American Club at Tai Tam Road in Hong Kong on September 21 to celebrate Mark’s professional and personal achievements.

“Because of Mark and his team, we have a leading position in the electronic engineering design and components industry in China, which I’m very proud of. I sincerely thank you, Mark, for getting us there,” remarked Merle Hinrich.

Mark joined Global Sources in September 1990 as Regional Sales Manager for *Asian Electronic Engineer*. Within five years, he experienced a dizzying rise up the career ladder, having been promoted as

General Manager, Associate Publisher, and finally, Publisher of the Technical Electronics Group.

In 2004, he became President of Electronics Business Unit, an umbrella unit that brought together all electronics-related trade journals. His high-profile role in the company brought him to several office locations, including Hong Kong, Manila and Shenzhen.

Spenser Au added that Mark was one of the most organized executives he ever met. “He was always on time for meetings, well-planned with a clear agenda and objectives. He has a no-nonsense and straightforward approach in his discussions,” Spenser said.

Sarah Benecke added her compliments: “I clearly remember when you came into Vita Tower (Hong Kong office) 20 years ago. I think we immediately hit it off. I thought, ‘he could be a publisher one day’—I wanted to hire you right away.”

difficulties of publishing and selling. But from their perspective, we were behind them in terms of content, editorial operations 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.

In 2005, the joint venture partnered with Penton Media, another American publisher, to launch *Electronic Design-China*, further enhancing the breadth of the JV's Chinese-language services for electronics engineers. "Where *EE Times-China* offered 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," said Mark.

In total, the joint venture had a massive advantage over any potential competitor: operations and editions in China, Hong Kong, Taiwan, Korea and ASEAN; by far the best content for engineers; the leading IC show in Asia; an excellent and loyal readership; and a massive database of all of the people and companies in export focused magazines and websites covering all consumer electronics related verticals. This business serving engineers could have been a very big winner for Global Sources.

Perfect storm

However, the joint-venture ran into a perfect storm. Starting in June of 2010, the business was led by Global Sources veteran Brandon Smith, assisted very ably by Graham Kelly. They had followed in the footsteps of Mark Saunderson.

Four issues eroded the JV's business model:

- Distribution and distributors did not operate the same in Asia as they did in the massive, national market of the United States. Distributors were primary advertisers in the U.S., regularly running massive multi-page inserts within *Electronic Engineering Times*. That did not happen in Asia.
- The potential advertiser universe shrank as massive consolidation took place among giant, famous manufacturers of semiconductors and related products.
- "Advertising to electronics engineers" was one of the earliest sectors where brands reduced print advertising, despite outstanding audited circulation and an overwhelming demonstration of loyal readership. Advertisers shifted budgets to search advertising, internal marketing and analytics, and to the development of their own websites and conferences.

Electronic Design-China offered unique value to both readers and advertisers. It provided China-based engineers with the latest how-to methodologies required to accomplish successful design.

Growing with China

On the sale of eMedia



Brandon Smith was former President of eMedia Asia, beginning in 2010.

Brandon Smith:

My first foray with Global Sources was meeting Merle Hinrich at my alma mater, Brigham Young University, for an interview. He interviewed myself and my wife together, presumably to make the best use of his time. It was a very extraordinary interview and before I knew it, we were both in Hong Kong doing training.

About 2003 they asked me to take over the U.S. market and we focused mostly on selling the tech group magazines. I did that for several years, and I kept having talks with Merle. So I went back to take over the technical electronics group from Mark Saunderson.

Around the end of 2014, UBM said they would be interested in buying out the joint venture and so we started this long, long, long process of M&A. From very

early on I realized this meant that I was going to have to leave Global Sources in order to make this deal happen. I was between several rocks and hard places. I was obviously part of the seller, but in many ways, I was also part of the buyer. I owed UBM precise answers to their questions but also was trying to maintain the best possible deal for Global Sources. I also wanted to keep the team intact and to do what was best for the team members. On top of all of that, we were still working in Global Sources offices for a year while we were owned by UBM. It was awkward and stressful to say the least.

I think any organization that has survived for 45 years, there is something phenomenal about it. So kudos to Merle and the senior team. What keeps it together? I think to a large degree you have to believe that you are relevant, that you are making a difference. You know, I've always had that knowledge in the back of my mind, that what I'm doing is actually in some way going to help someone get something that they need and live a better life.

I think Merle is unbelievable. I can't imagine there are 25 people on the planet where – after all the years and hours he has already given to the business – where you go to a meeting, and you still get the same energy and enthusiasm that you always have to poke at and analyze a business or opportunity in order try to make things happen in the most effective and productive way.

- The semiconductor sector was one of the first industries to aggressively adopt content marketing as a strategy to by-pass third party media like Global Sources. This is a strategy adopted today by consumer products firms like Coca Cola and Lego, to name just a few. It involves hiring your own internal “journalists,” creating content, creating your own websites, holding your own boutique shows, using search engine marketing and social media to drive traffic to your own properties and building and maintaining your own database of potential customers and influencers all instead of advertising with external media like Global Sources.



Suzanne Wang was Vice President of Corporate Development and Investments, responsible for investment strategies and identifying new project initiatives.

As a result of these factors, the business declined steadily until it was ultimately sold in 2014 to UBM, who over the years had acquired CMP, the original primary joint venture partner. UBM then sold the business to Arrow, a very large components distributor, who wanted the resources for a content marketing strategy.

For Global Sources, the vision of “Design to Manufacture to Export” – which included serving electronics engineers in Asia – had been viewed as a very large opportunity and huge amounts of blood, sweat and tears were poured into making it work. It was a sad day indeed to see it finally end.

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 advertising rates were extremely low and the market soon became crowded. But in HC International, Global Sources saw an opportunity to make an investment that would kick-start its entry into the China domestic B2B

media business.

The ultimate objective was for the two companies to become one. 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.

The deal was the result of long and careful evaluation by Suzanne Wang. 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 the 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.

Growing with China



The signing of the strategic partnership agreement took place at midnight on May 26, 2006. Present at the signing were lawyers from both sides along with HC International executive director and CEO Guo Fansheng and Merle.

Commenting on why the relationship did not go forward, Craig Pepples says:

HC offered a unique complement to Global Sources. They had a range of print magazines as well as an emerging group of industry-focused websites for the China domestic market.

Though a public company listed on the Hong Kong exchange, HC was a Chinese family business at its core. 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.

We realized before it was too late that this wouldn't work for either party. There was a very large cultural difference between the two sides. Despite all the positive potential business and industry synergies, we decided not to proceed.

Notably however, a great byproduct of the initiative was that we were lucky enough to meet Connie Lai, HC's CFO.

She joined us after our relationship ended and she is now CFO for Global Sources.

The birth of advertising telesales

In the summer of 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 U.S. I thought, wow, this is an interesting company. I have a Chinese person interviewing me in English, and a foreigner interviewing me in Chinese. This is something I want to be part of!"

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 – who took over from Brian Hager – was in place in Shenzhen trying to learn everything he could about telesales.



Cameron Walker, former Beijing General Sales Manager built our Telesales Center in Xi'an, and is now President of the Gifts, Home and Hardware Group.

“I attended a conference to learn about telesales but 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 products over the phone, and by the way, the price is at least 60,000 yuan per contract, or 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



Led by Cameron Walker (second to the last row, second from the right), Assistant General Manager of Telesales, the young and vibrant team members in Xi'an grew from 15 to over 200.

Growing with China

transplants from the Shenzhen pilot team.

“I remember our first trip to Xi’an for interviews,” Cameron says. “We didn’t have an office, so Meely Chang and I sat in a hotel lobby café with different candidates coming in every half hour. When I moved to Xi’an 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 had 200 people selling various products over the telephone in Xi’an. So some things have gone very right.”

In April 2009, Cameron also took on responsibility for Global Sources’ domestic website, *China Global Sources Online*, which was also sold by telephone out of Xi’an and had begun to focus exclusively on the electronics industry.

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.

Craig:

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



As the China Administration and Regulatory Affairs group General Manager, Sandy Ng has built a strong middle management team in China to ensure successful operations.

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. During our years of expansion, Sandy Ng has been responsible for acquiring property and decorating rented offices.

We have our team of people, who are not old, that we call the ‘China old timers’, 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 were dedicated to building a generation of professionals to bring the company and its Chinese teams into the 21st century.

In my early days in the Shanghai

office, I personally interviewed every job applicant. Today you will see that 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 of the China supply market

By 2016, many commentators believed that China had caught up the time it spent in isolation from the world during most of the twentieth century. The Global Sources team continuously asks itself, “What’s next for China?”

Suppliers are facing challenges never seen before, such as rising labor and material costs. The supply of workers no longer seems endless, meaning factories need to compete for labor. Many economists even suggest that China has reached the “Lewisian Turning Point” in which wages rise, profit falls and investment slows when the “endless” pool of low-cost labor begins to shrink. And now with inflation a concern, the situation is becoming harder for the government to manage. Is China really no longer a low-cost country?

As the cost of manufacturing in China rises, some buyers are beginning to look

for alternative supply markets. In addition, in some categories, China manufacturers are opening lower cost factories in the ASEAN region and other areas.

As China wrestles with these challenges, the country stands at the center of the world stage and has the potential to keep growing rapidly for the next decade or more, say most observers. So 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 marketing channels to attract high-quality buyers. This has been the company’s mission for the past 45 years, and it will continue to be in the years ahead.



In 2000s Global Sources’ network covered more than 60 cities worldwide. In mainland China, the company had about 2,500 team members in more than 40 locations.

Growing with China

ADDENDUM

The Impact of FDI on China's Development

*The following are extracts from Merle Hinrich's foreword to the book *Developing China: The Remarkable Impact of Foreign Direct Investment*, published by Routledge in 2017 and authored by Michael J. Enright. The book published the results of a research project initiated by the Hinrich Foundation and Enright, Scott & Associates on the impact of FDI on China's economy.*

Background and role of foreign direct investment (FDI)

China's economic rise has been historically unique in a number of respects, not the least of which has been the speed and steepness of its ascent. What is less well recognized however is the profound role played by foreign direct investment, and the deliberate and carefully calibrated manner in which Chinese officials gradually permitted, and selectively encouraged, these investments.

Japan, the first East Asian economic miracle, blazed the trail for all of its neighbours, rebuilding its devastated post-war economy through an export-led development model and highly targeted industrial policies. The Four Asian Tigers – Singapore, Hong Kong, South

Korea, and Taiwan – borrowed heavily from the Japanese approach, and likewise began their rapid economic ascent in the 1960s and 1970s.

But it was China – perhaps more so than any other country – that recognized the unique potential of FDI to catapult the country up the economic development ladder, through the absorption of capital, technology, distribution channels and managerial know-how.

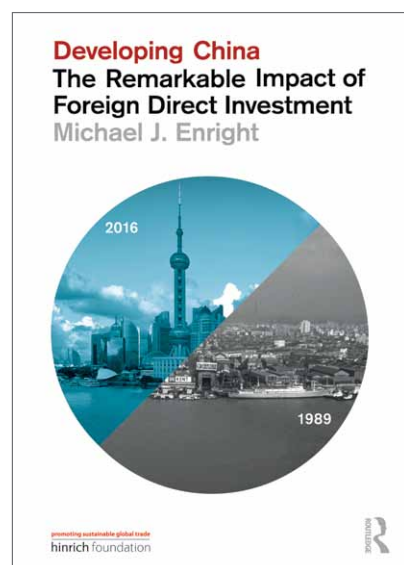
When China first embarked on its reform and opening-up process in the late 1970s, its economy was poor, isolated, and backward – and foreign direct investment was virtually zero. Little more than three decades later, China has become the second largest economy in the world, the leading exporter and the largest recipient of foreign direct investment. Chinese companies have become highly competitive, transforming the country into the “factory of the world,” an implacable export powerhouse and more recently an increasingly formidable presence in a variety of high technology sectors.

Remarkable growth and progress

Adjectives such as “remarkable,” “miraculous,” and “unprecedented” have routinely been used to describe China's trajectory, but they are hardly adequate to convey the true magnitude of the amount of ground China has covered in a handful of decades. China essentially remade its national economy “overnight,” at least in developmental terms.

The rest of the world was, for the most part, thoroughly unprepared for China's transformation. China's accession to the World Trade Organization in 2001 was a watershed, helping to accelerate the Chinese export juggernaut by providing secure access to the large consumer markets of the developed world. But previous economic models simply didn't account for – or anticipate – the impact of a country the size of China entering the world economy, nor the extraordinary leverage that foreign direct investment could provide in the process.

The impact of China's arrival on the global economic stage has been complex



The book cover of the Hinrich Foundation 2017 book on Foreign Direct Investment (FDI).

and multifaceted. While developed world consumers benefited from lower-cost manufactured products from China, the labour force disruptions in import sensitive industries have proven to be deeper and longer lasting than the economic textbooks would have predicted. From a corporate opportunity perspective, China has evolved from being a low-cost export platform to a substantial consumer market in its own right – a growth story in which almost every major multinational corporation feels they need to participate. By the second decade of the 21st century, China’s integration into the global economy, and the influence it exerts, could hardly be more complete. How – and why – did China take this bold gambit in opening its economy to the world? The objective from the start was to build strong Chinese companies and a strong Chinese economy – in essence, to close the massive development gap that existed between China and the West at the onset of China’s reform process.

China’s strategy

In broad strokes, the strategy was fairly straightforward: a pragmatic (rather than philosophical) acceptance of any suitably modified capitalist principles that could help China; a controlled, incremental opening-up to the global economy; and the relentless pursuit of the Western technology China desperately needed in order to leap-frog the development process. The primary means for acquiring these essential ingredients? Foreign direct investment.

The basic proposition to foreign companies was simple: China dangled the prospect of future profits from its massive domestic market, and the immediate benefit of utilizing China as a low-cost export platform, in exchange for foreign capital, technology and managerial know-how. The implications were clear: If you’re not willing to play by our rules, your competitors will.

Foreign businesses made the calculation that they could not afford to “miss out” on China, and willingly participated. Foreign companies in China have been willing, and – in many cases – eager participants. Western governments were equally keen, and encouraged and facilitated China’s entry into the global trade and investment system. This was done largely for geostrategic considerations. It was argued that integration would spawn greater democratic tendencies and encourage China to become a “responsible stakeholder” in the multilateral system.

From the start, then, both sides have been pursuing different agendas, at least in some respects.

FDI and the benefits

While it is generally recognized that foreign direct investment (FDI) has been a major contributor to China’s economic growth and development, the full range of benefits goes far beyond anything we previously understood. The results are nothing short of staggering.

Over USD 1.6 trillion of foreign direct



Merle speaking during the book launch of *Developing China: The Remarkable Impact of Foreign Direct Investment*.

Growing with China

investment has poured into China in the last 35 years. The book “Developing China: The Remarkable Impact of Foreign Direct Investment,” evaluates the economic impact of this investment and concludes that investment by foreign companies and the ripple effects through their supply chains in recent years has

contributed in the order of 33 percent to China’s GDP and 27 percent to China’s employment. The book describes the carefully controlled way in which China’s leadership has directed the application of FDI to support its industrial policy of developing a stronger economy with stronger Chinese firms.

FDI Flows into China, 1979 to 2014

Year	Annual Flows			Cumulative Flows		
	Number of Projects	Contracted Value (USD mn)	Utilized Value (USD mn)	Number of Projects	Contracted Value (USD mn)	Utilized Value (USD mn)
1979 -1984				3,724	9,750	4,104
1985	3,073	6,330	1,960	6,797	16,080	6,064
1986	1,498	3,330	2,240	8,295	19,410	8,304
1987	2,233	3,709	2,314	10,528	23,119	10,618
1988	5,945	5,297	3,194	16,473	28,416	13,812
1989	5,779	5,600	3,392	22,252	34,016	17,204
1990	7,273	6,596	3,487	29,525	40,612	20,691
1991	12,978	11,977	4,366	42,503	52,589	25,057
1992	48,764	58,124	11,007	91,267	110,713	36,064
1993	83,437	111,436	27,515	174,704	222,149	63,579
1994	47,549	82,680	33,767	222,253	304,829	97,346
1995	37,223	91,282	37,521	259,476	396,111	134,867
1996	24,556	73,276	41,726	284,032	469,387	176,593
1997	21,046	51,004	45,257	305,078	520,391	221,850
1998	19,799	52,102	45,463	324,877	572,493	267,313
1999	16,918	41,223	40,319	341,795	613,716	307,632
2000	22,347	62,380	40,715	364,142	676,096	348,347
2001	26,140	69,195	46,878	390,282	745,291	395,225
2002	34,171	82,768	52,743	424,453	828,059	447,968
2003	41,081	115,070	53,505	465,534	943,129	501,473
2004	43,664	153,479	60,630	509,198	1,096,608	562,103
2005	44,019	189,065	72,406	553,217	1,285,673	634,509
2006	41,485	200,174	72,715	594,702	1,485,847	707,224
2007	37,888	N/A	83,521	632,590	N/A	790,745
2008	27,537	N/A	108,312	660,127	N/A	899,057
2009	23,442	N/A	94,065	683,569	N/A	993,122
2010	27,406	N/A	114,734	710,975	N/A	1,107,856
2011	27,712	N/A	123,985	738,687	N/A	1,231,841
2012	24,925	N/A	121,073	763,612	N/A	1,352,914
2013	22,773	N/A	117,586	786,385	N/A	1,470,500
2014	23,778	N/A	119,562	810,163	N/A	1,590,062

Note: The Chinese Government ceased reporting Contracted Value of inward FDI after 2006. The annual flows represent the projects and investments in a particular year. The cumulative figures are the sums of the relevant flows from 1979 up to the year in question. All values are recorded in the relevant dollars for the year of inflow i.e. the values have not been adjusted for inflation.

Sources: CEIC; China Statistical Yearbook 2014.

As published in *Developing China: The Remarkable Impact of Foreign Direct Investment*, by Michael J Enright, Routledge 2017

Reflections and implications

FDI, in and of itself, is neither inherently positive nor negative. The FDI experience is highly conditional. FDI thrives when it is built on mutual understanding between the host country and the FDI providers and a healthy respect for the needs and perspectives of the other party.

There is however much to be learned from China's experience, and many lessons – some positive and some negative – to be drawn from China's approach. For large developed countries like the U.S., the China experience raises interesting policy questions about past assumptions – and competitiveness strategies moving forward.

While Western policy makers pursued and facilitated China's integration into the global trade and investment architecture at least to some extent for geo-strategic reasons, it's clear that they did not have a

full appreciation for the magnitude of the economic shock waves they were unleashing. This is not to suggest that their decisions were incorrect. It does however raise questions about the wisdom of using trade policy as a geo-strategic instrument, without a proper accounting of – and preparation for – the full range of resulting economic impacts.

As the U.S. and other developed countries are still struggling to understand and adjust to the full range of impacts of China's FDI-driven rise, past assumptions about a range of competitiveness issues, including tax policies, education, immigration and infrastructure, along with broader questions about the role of the state in the economy, will have to be reconsidered. Understanding China's use of FDI, and its resulting economic rise, necessarily requires the developed world to look in the mirror and ask some tough questions about the best path forward.

Top 20 Sources of Utilized FDI into China, 1985 to 2014

Source	Cumulative 1985-2014 (USD mn)	Percentage of all Sources (%)
Hong Kong	744,827	47.0%
<i>Virgin Islands</i>	132,104	8.3%
Japan	98,049	6.2%
United States	74,809	4.7%
Singapore	72,106	4.5%
Taiwan	60,690	3.8%
Korea	59,825	3.8%
<i>Cayman Islands</i>	28,684	1.8%
Germany	23,877	1.5%
<i>West Samoa</i>	23,106	1.5%
United Kingdom	19,055	1.2%
Netherland	14,712	0.9%
France	13,359	0.8%
<i>Mauritius</i>	12,304	0.8%
Macau	11,716	0.7%
Canada	9,668	0.6%
Australia	7,725	0.5%
Malaysia	6,707	0.4%
<i>Bermuda</i>	6,466	0.4%
Italy	6,398	0.4%

Note: Economies in italics are regarded as tax havens, through which investment is often routed to take advantage of favorable tax treatment or favorable treatment of other kinds.

Sources: China Statistical Yearbooks (several years); Enright, Scott & Associates analysis.

As published in *Developing China: The Remarkable Impact of Foreign Direct Investment*, by Michael J Enright, Routledge 2017





CHAPTER
SIX

**The heat
of battle**

The heat of battle

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 was awash in a blustery sea of competition.

For the great majority of its history Global Sources led the market by setting pricing. Moreover, Global Sources has pioneered literally dozens of new services and product enhancements that the rest of the market has copied. Similarly, Global Sources was the gold standard for sales leadership and sales training.

Forty-five years later, Global Sources had 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.”

Competing with big government

Throughout Asia’s newly industrialized economies, proactive governments created departments to promote outbound trade and inbound 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

THE SECRET SERVICE

Committed to clear & effective communication between advertisers and buyers

Who are they?
You may not realize it but behind every single advertisement in this magazine stands a dedicated team of business-to-business advertising professionals. They have a special mission — to make sure that each advertisement communicates effectively.

Who do they serve?
■ **Advertisers:** Because an unprofessional advertisement is less effective, we check every layout, every photo and every word — of every single ad. And for those clients without advertising agencies, we help create quality ads that boost their image — and their response.
■ **Readers:** Because the ad content is as important to you as the additional content, we try to make all ads as clear and informative as possible. If we do anything less, we haven't done our job. So that you can better evaluate advertisers as potential suppliers, we ask them to describe the unique benefits of their products and services.

And we constantly encourage advertisers to include detailed company, product and service information in their ads.

A deep commitment
We are so committed to making Asian Sources Computer Products as useful to you as possible, that we even turn down advertisements. We take this serious step when we believe that either our readers or our advertisers will suffer as a result of a poorly communicated or unprofessionally presented sales message. Only one publisher cares enough to provide this "secret" service. And it's one more reason why it makes sense for you to rely on Asian Sources Computer Products.

The leading publication covering all Asian supply markets for computer products buyers worldwide

ASMC Group
Publications of The Asian Sources Media Group

G.P.O. Box: 11411, Hong Kong Tel: 852 555 4733 Fax: 852 870 0227

Asian Sources competed in part with a vastly superior creative service for advertisers. As described in this ad campaign from the early 1990s, every ad went through “the secret service” – a group of experts responsible for gathering detailed unique selling points (USPs) from our clients and ensuring that their USPs were effectively communicated in their ads.

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 U.S.”

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, former CEO, remembers those early days.

Spenser:

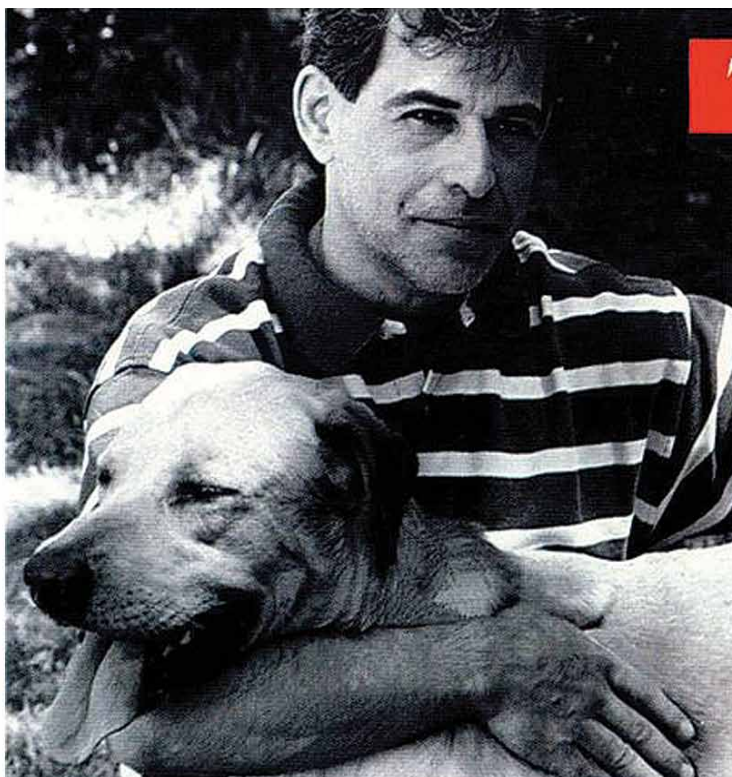
We positioned the Asian Sources magazines as presenting regional content for worldwide buyers. Unlike a Hong Kong government body,

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. 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

The heat of battle



Trust

"The only one I really trust is my dog, Betsy. But she can't help increase my profits."

One thing that can help increase my profits is high quality, business information. That's why I need magazines that I can trust.

A few years ago, I realized that many magazines don't have my best interests in mind. They focus on certain countries or products. Or, they write "good" stories about "hot" companies, just because they're advertisers. Making decisions based on poor quality, biased information like that can be very costly.

Now, I always make sure I'm reading the best publication for my business. I can't stay on top of my competitors' latest moves unless I have access to better information on new products and industry trends. And, I simply can't afford to waste time on magazines (or sales) I can't trust.

There's a really easy way to decide which magazines to rely on. I ask myself, "Does the magazine put me, the reader, first? Or does it put the advertiser first?" Just think about it...

Asian Sources competed for buyer attention, in part by communicating that, unlike many competitors, it was not promoting the suppliers of a single country. In July 1995, the company launched a corporate advertising campaign with the theme of "trust." Designed by Andrew Simpson in his role as group creative director, the ads consisted of a spread followed by two consecutive right-hand pages.

magazines. The first one was called Hong Kong Housewares.

It was a shock for our operation. Their new magazine was not monthly, because they did not want to compete with their own Hong Kong Enterprise. Even so, their decision to publish quarterly meant war.

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 Housewares 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



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 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 very thin paper to reduce shipment costs," Merle recalls, "but the publication ultimately failed in part because of poor-quality photo reproduction. Product image quality is very important to the suppliers and the buyers."

Confusing options

Publishers and government bodies were not the only competition for Asian Sources. To some degree, suppliers also compared trade magazine advertising 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 U.S. or Germany,"

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

Effective ad review checklist

1. Focus

- Is there one clear focal point?
- Is it the right focal point/product?

2. Flow

- Does the eye travel down the page in the right sequence? (main product, headline, body copy, signature)

3. Headline

- Does the headline stand out?
- Does it breathe?
- Is it easy to read?

4. USP

- Does the headline communicate a powerful USP?
- What is the buyer benefit?
- Is it consistent with the overall ad?

5. Copy

- Does the copy back up the claim in the headline?
- Does it offer specifics, proof, and is it organized?

6. Signature

- Is the signature clear?
- Is it easy for the reader to inquire?
- Is the information unambiguous?

7. Readability

- Is there anything in the ad that obscures readability?

8. Product

- Is the product clear?
- Does it immediately communicate what the company sells?

9. RFIs

- Will the ad generate good inquiries?
- Does it present the balanced benefit of the products on offer and supplier capability?

10. Balance

- Does it present the benefits of your location?

11. Location

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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 advertising agencies specialized in creative design for mass consumer markets, their recommendations to our clients 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, buyers who only sourced locally, end-user corporations and consumers. “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.

Many larger retailers were very clear about the power of promotion, however, and prohibited key suppliers from 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 Tigers, 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 there were many competitive publishers. Compared to local Taiwan competitors, Asian Sources was differentiated not only by its professional, Western background but also by its very strong products.

For example, Asian Sources Computer Products had as many as 750 pages of advertising each month and was known as the bible for that industry. 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 by far 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 first magazine knockoffs

For many years the Hong Kong Trade Development Council copied successful Global Sources initiatives. In addition, former staff sometimes became competitors.

In the mid-1980s, Johnson Leung, the manager of the Hong Kong sales team, decided to resign and try his hand

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at trading. But the endeavor apparently proved harder than it had looked and he quickly got back into the publishing business competing directly.

“Johnson launched two directly competitive magazines, one for finished electronics products called MBE, and the other for components called MBO,” Spenser remembers.

“Johnson’s strategy was largely to let advertisers do anything that Global Sources did not allow or accept. His circulation strategy was built around heavy distribution at trade shows, and his magazine page size was extra-large to make advertisers feel good. And advertisers could do whatever they wanted with their ad design, no matter how incorrect or unprofessional,” Spenser adds.

The Asian Sources salesmen also regularly used extra show distribution as a point of urgency to close advertising contracts. But many were not happy or comfortable having to defend Asian Sources’ advertising design standards against the “do-anything-you-want” standards of these competitive publications. Similarly, they were challenged by having to defend Asian Sources’ insistence on consecutive monthly advertising insertions versus the one-time ads that competitors would accept.

“MBE and MBO never became significant competitors to Asian Sources. Along with many others, they faded away for similar reasons,” says Spenser. “They did not have a buyer-first orientation and they were not committed to developing quality circulation. Most relied on cut-throat pricing and deals, and did not focus on helping advertisers create effective ads. Also, we had strong sales leadership and well-trained Account Executives who had the skill and confidence to overcome the competitors sales points.”

“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.”

Asian currency crisis

While always battling with various competitors, the company also had to deal with the challenge of selling and surviving during economic downturns and recessions, when many companies would cease advertising. One such time was in 1997.

The Asian Financial Crisis affected much of East Asia and raised fears of a worldwide economic meltdown. It started in Thailand with the collapse of the Baht after the Thai government was forced to float its currency due to a lack of foreign currency to support the Baht’s peg to the U.S. dollar. The crisis spread with Southeast Asia and Japan experiencing slumping currencies, devalued stock markets and a rise in private debt. Apart from Thailand, most affected were Indonesia and South Korea. Also hurt by the slump were Hong Kong, Laos, Malaysia and the Philippines. Brunei, China, Singapore, Taiwan, and Vietnam were less affected, although all suffered from a loss of demand and confidence throughout the region.

Dealing with start-up rivals

With new and small competitors there was always the question of credibility where there was an abundance of claims and announcements by other companies that contained little substance or truth in many cases.

Craig Pepples was 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,” he explains. “The marketplace is very aware of us. We are the benchmark.”

Competition in both the print and online business was often rough in mainland China. Global Sources team members constantly referred to the number of small, often insubstantial, companies attempting to operate in the same market space.

However there were still two great differentiators in which the newcomers were unable to match Global Sources: its track record and its focus on international quality standards.

As Brandon Smith, who was chief representative for China until 2002, said, “We try to set the standards for our business – whether the advertisements are going online or in print, no matter what the client pays, we will not accept an advertisement if we feel it is not up to international standards.”

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.

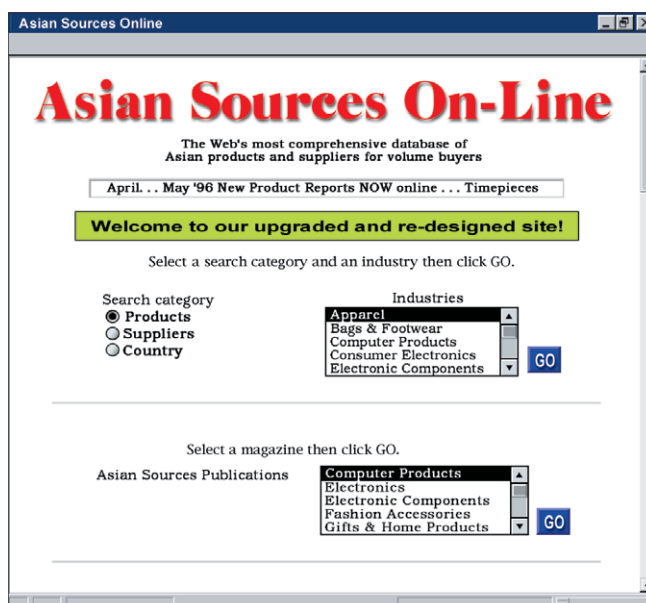
The first B2B web applications were simple listings of supplier websites and related information. “There had to be a critical mass of content before the web would work for trade,” says Merle. “But the real barrier was inertia. Suppliers and buyers were happy with the fax machine as that was cheap and 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 competed with us to a certain degree,” Merle continues. “Some viewed that the pay-per-click model would be competitive, but it usually only helped those suppliers at the top of a search result, it tended to generate no-value B2C clicks, and ultimately it never gained much traction in our space. As mass media, search engines were also less targeted than pure industry-specific business-to-business platforms.”

When Asian Sources Online became the first online catalog that was searchable by product, Merle had created a search structure and paradigm that would be adopted by virtually all other competitors, including the TDC. “Aside from keyword search results on a single page, we wanted to give buyers the ability to easily inquire 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.” The other policy implemented by Asian Sources, and then followed by competitors, was the requirement for suppliers in China to pay in advance.



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This was introduced in response to some large uncollectable debts on ads in China Sources magazine.

From early on, online competitors proliferated in Hong Kong, Korea, India and around the world. There were also dozens of so-called “trade lead” sites that launched and failed around the business model of encouraging buyers to post a buying need.

Alibaba launches B2B site

In December 1999, five years after the launch of *Asian Sources Online*, Alibaba launched their site.

Alibaba ultimately became highly successful. They first went public on the Hong Kong Exchange, only to privatize a few years later. They then went public on the New York Stock Exchange with one of the largest IPO's in years and have gone on to become one of the world's highest

valued technology and media companies with many businesses and interests beyond their early focus on B2B and Taobao.

Alibaba had a very challenging 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 Alibaba.com, its B2B initiative, and 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 consumers and is nicknamed the Chinese eBay.

The macro environment in 2005

Speaking in 2005, Merle summarized the macro environment the company was competing in:

China is expected to remain the leading supply market for many of the world's consumer goods. China is also expected 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 will 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 overseas demand remains uncertain. Moreover, there are a variety of ongoing macroeconomic risks, including high unemployment in key developed markets, concerns about increased protectionism, and the fact that some of the current demand is supported by government stimulus programs.

Capitalist tool

Alibaba's concept from the beginning was a populist one. The Alibaba concept was to create a website for small to medium-sized businesses hoping to sell products to the world, and create a China-to-China consumer marketplace of products, building volume from small orders. This was substantially different from the Global Sources strategy which was to connect proven, capable exporters with medium and large-sized buyers around the world.

In its bid to support both its B2B site and Taobao, 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. The Alibaba sales teams appealed to aspiring suppliers in the countryside with enthusiastic slogans and the heroic figure of Jack Ma, who was feted in China and overseas.

Meanwhile, Global Sources had

many new initiatives to grow sales and to grow the sales force. In January 2005, the company launched the “Soaring Dragon” sales program where the dragon was said to bring good fortune. It also would bring good wishes to China suppliers and enable them to soar like the dragon. Within six months of the launch, the sales team achieved a 55% increase compared to the same period in 2004.

Then, around the time of its 35-year anniversary, Global Sources launched four short key messages to express the value of Global Sources’ brand to exporters: Buyer quality counts, not quantity; innovation is not empty talk; price is not the only way to compete; and win the global market and excel. These key short messages emphasized and reinforced the company’s brand image among suppliers and prospects. However the competitive situation was intensifying.

Spenser:

In mainland China, there had never been much serious competition, but Alibaba presented a different kind of competitor from what we had



In January 2005, the company launched new sales packages under the theme of “Soaring Dragon.” The theme was very appropriate for the new era at Global Sources because in Chinese mythology, the dragon is said to bring good fortune.

experienced with the TDC in Hong Kong and with other media companies in Taiwan. Alibaba was different in large part because of the web.

If Alibaba had started in any of the years before 1995, they would have had to do the very hard work of developing circulation based on unique or quality content. But with the internet, they were able to step in and build a website and build relatively significant buyer traffic by taking advantage of platforms like Yahoo and Google. Their strong marketing, their Chinese nationalist appeal, their appeal to large numbers of existing and potential SMEs and their low price strategy made everyone stand up and take notice. And as they began to get more and more traction, our suppliers started to think, “Should I go with Alibaba? It’s so cheap. It’s so famous.”

Alibaba could offer lower prices than Global Sources in large part because it did not have magazines. While Alibaba was selling low cost online-only programs, all Global Sources clients were on packages that

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combined magazine advertising – the most effective medium at that time – with an online presence. Global Sources did not want to offer low cost online-only programs to clients in China, because the marketing effectiveness was limited, and because the prices would be lower and therefore unfair to the thousands of existing clients in Taiwan, Hong Kong, South Korea and elsewhere in Asia.

In addition, China was by all measures a highly unsophisticated market in terms of cross border B2B marketing and in such a situation, many suppliers would likely tend to be followers. Global Sources had to carefully consider how to handle this competitor. Our initial reaction was that we did not want to compromise on quality or lower our standards. Our intention was to solidify the high and medium-end of the market and to not participate in the low end of the market, which was comprised of many small and even one-man “briefcase” companies with no export experience or track record.

But as the pressure built, expectations shifted. The low end of the market was much larger than we had anticipated. In addition, most buyers and suppliers were not substantially put off by the lower quality environment and the associated higher risks. We finally had to respond in a stronger and more specific way. And we did.

GlobalSources.com in 2006

Global Sources was the clear online market leader in 2006. As an online marketplace, Global Sources had, by January 2006, 10 vertical marketplaces generating 5 million product inquiries annually, and was serving 463,000 buyers and 130,000 suppliers in more than 230 countries and territories worldwide.

Pricing, quality or quantity

In the early days of its website, Global Sources had many concerns, one of which was sustaining the quality of product information. Considerations included how many products suppliers could post and what processes may be needed to QC, curate and enhance the content before it became live on the site.

For many years, Global Sources took the position that a low entry price for suppliers would bring in sellers with little or no experience and therefore dilute the quality of the supplier community for buyers. However, Alibaba and some other competitors took the opposite approach, offering online services at much lower price points. Their strategy was to maximize the number of product images and suppliers that were online, somewhat regardless of the quality of the information.

For a long time, Global Sources’ lowest rate had remained at 80,000 yuan per year. This in effect, created a filter on suppliers, substantially screening out those suppliers who were too small or uncommitted to exporting.

Global Sources also had policies that generally allowed the suppliers who paid more, to post more products. Meanwhile, Alibaba had taken the step to allow all suppliers to post unlimited numbers of product images, with little or no QC process.

When Alibaba set its price point at 50,000 yuan, it was able to attract Global Sources’ suppliers and a potentially large group of smaller suppliers who were unable to afford Global Sources’ rates. Alibaba was able to rapidly grow the number of products and suppliers on its site, attract high internet traffic and become quite attractive to many buyers, even though buyers knew the suppliers on Alibaba might be less qualified than the suppliers on Global Sources.

These trends caused more Global



Launched in July 2007, Project A was an exclusive offer designed to attract new and qualified advertisers to sign up for a two-month free trial of Global Sources' online services. Another objective was to maintain the high quality of the supplier community by limiting eligibility to export-ready suppliers of high-demand products.

Sources advertisers to consider trying to save money by using Alibaba instead of Global Sources. As a result, in 2007 Global Sources made the dramatic decision to reduce the price of its entry package to 40,000 yuan, 10,000 yuan below the Alibaba price.

Unsafe products and the Great Recession

The price reduction coincided with the Great Recession and the beginning of a very tough period for exporters, with stock markets crashing, factories closing and workers going unpaid. The year saw China's largest export declines since the Open Door Policy began.

The Great Recession was a period covering the U.S. Recession from December 2007 to June 2009 and the ensuing global recession in 2009. This was the longest recession since World War II and in terms of overall impact, it was the worst global recession since the 1930s according to the International Monetary Fund. During this period, U.S. real GDP fell 4.3% from its peak in 2007. U.S.

unemployment rose from 5% in December 2007 to 10% in October 2009. U.S. home prices also fell approximately 30% while the S&P 500 index fell 57% from its October 2007 peak to its trough in March 2009. The net worth of U.S. households and nonprofit organizations fell from a peak of approximately \$69 trillion in 2007 to a trough of \$55 trillion in 2009.

During this same time several incidents raised awareness of the potential danger and risks of buying from unknown or unreliable suppliers. In August 2007 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 where 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 toys.

With this background, Global Sources had ideal timing for the introduction of its

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innovative and market leading approach to verified and unverified suppliers. Within a few months after the new websites dubbed “GSOL 2.0” launched, Global Sources’ competitors tried to follow suit with various approaches to third-party verification and confirmation, but initially none had the rigor of the Global Sources system.

Recommitting to quality: GSOL 2.0

Around this time, Alibaba and other competitors were adopting a search engine model of dropping prices to accumulate more and more suppliers. Meanwhile, the total number of China people and companies who were real or wannabe exporters was growing exponentially. In fact, many had never exported before.

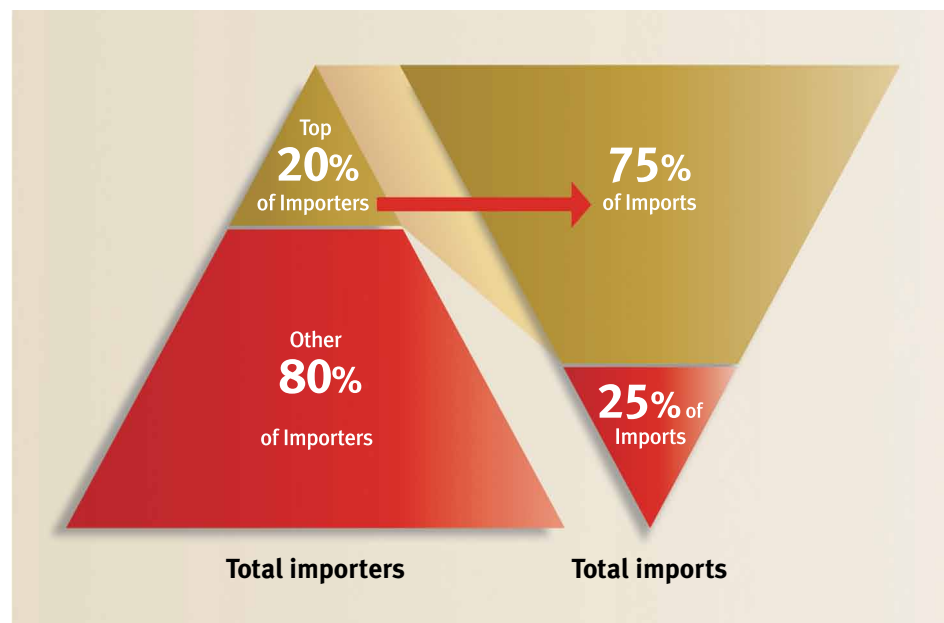
In January 2008, Global Sources launched several bold and innovative strategies around the sales structure, pricing and product development. The fundamental idea was to attract quality buyers by delivering verified suppliers.

The high quality of the buyer and supplier communities would then enable Global Sources to project a high-end image and significantly increase market penetration.

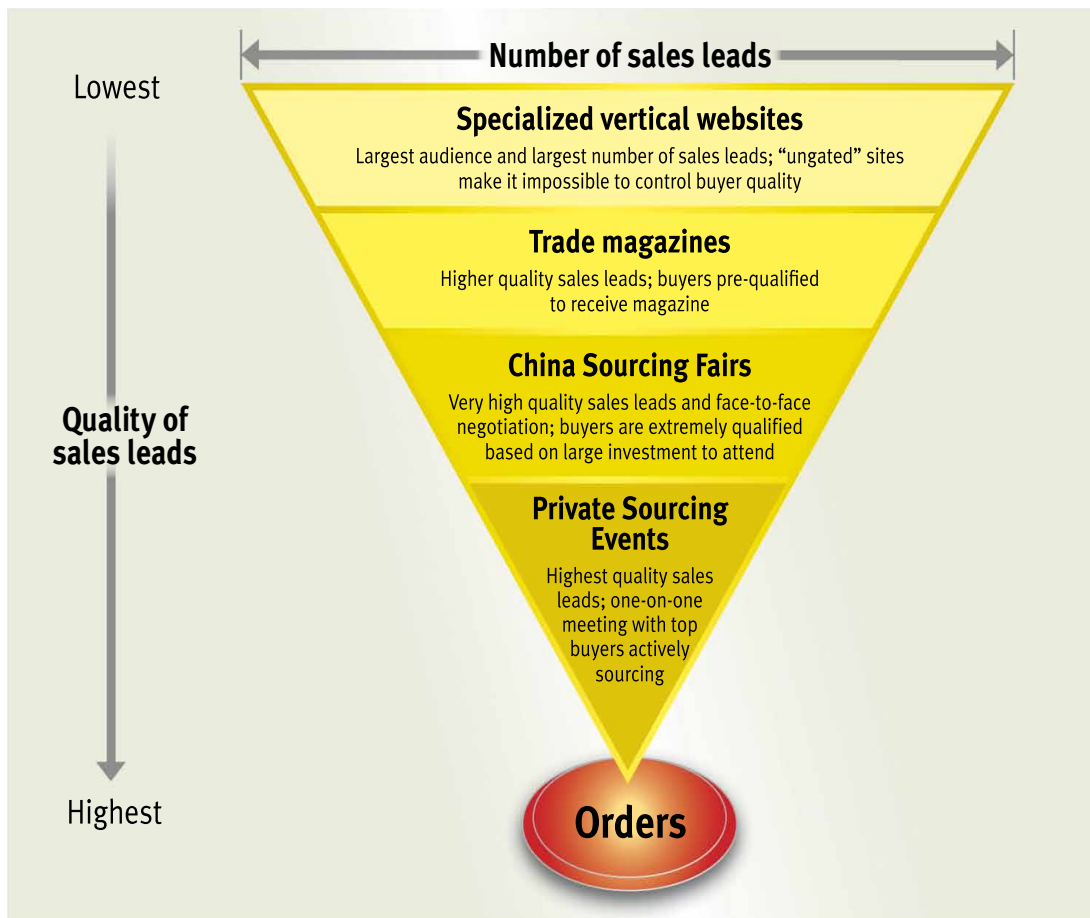
While the price war had raged in the front lines, big moves were under way in the Global Sources back office as well. Global Sources Online 2.0 and the related verification programs were a strong move towards quality – and involved various industry leading moves. The new version of the website was built 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. Comprehensive search results were achieved by adding a search result tab with a 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



U.S. Customs data in early 2010s had indicated that import buying power was highly concentrated. For example, about 20% of importers, or approximately 60,000 companies, purchase 75% of finished products imported into the U.S. each year. Global Sources aimed to recruit large and influential buyers with dedicated services.



The combination of online marketplaces, magazines, trade shows and *Private Sourcing Events* addresses exporters' three primary objectives: lead generation, brand differentiation, and winning orders.

suppliers," since they were contacted intensively by the company's sales representatives and client service officers. Third-party business registration 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 new site, GSOL 2.0, was supported by

various other initiatives:

- The "Morning Star" sales program with aggressively priced, entry level packages designed to introduce suppliers to our services before moving them up to higher-end solutions.
- Massive expansion of sales teams including more than 100 percent growth in the China sales team.

During the early part of 2008, Spenser Au, then Asian Sales President, announced a new Morning Star sales management structure. Catty Ren was appointed General Manager of Morning Star. Under her leadership, the China Training team had been providing tremendous support to the frontline. Catty had also successfully

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Morning Star – our most affordable marketing package ever!

Now you can reach Global Sources' quality buyers at our most affordable rate ever.

Global Sources' Morning Star package – created just for small and medium sized exporters like you, gives you:

- A most affordable price: only US\$5,280 per year!
- A platform to reach over 700,000 active buyers worldwide – including the world's top buyers like Carrefour, Kmart, RadioShack and Sears
- Your marketing website at Global Sources Online with up to 50 product profiles
- Listing as a "Verified Supplier" so you can win buyers' trust instantly
- Your own Private Supplier Catalog so you can manage your site and sales leads from anywhere
- A free marketing site on Chinese Global Sources Online to explore China domestic market

Service	Advantages	Rate
50 online product listings	<ul style="list-style-type: none"> Promote your company and products on Global Sources Online, a platform visited by more than 700,000 international buyers Buyers send over 32 million inquiries through Global Sources Online every year 	Included in the package
Verified Supplier mark	<ul style="list-style-type: none"> Show your capabilities and commitment to exporting We've confirmed your product and company information Stand out from the competition and win buyers' trust 	Included in the package
Credit Check	<ul style="list-style-type: none"> The most comprehensive online supplier credit report Provide buyers with critical information they want to know before working with you 	Included in the package
Online training courses	<ul style="list-style-type: none"> Improve your export marketing skills Learn how to compete on an international level 	Included in the package
Private Sourcing Catalog	<ul style="list-style-type: none"> Manage your online content easily Effectively follow up buyers' inquiries 	Included in the package
Chinese Global Sources Online	<ul style="list-style-type: none"> Promote your company and products on Chinese Global Sources Online (www.globalsources.com.cn) Profit from China's booming domestic market 	Available for free trial (contact Global Sources Account Executive for details)

US\$5,280 per year

Contact your Global Sources Account Executive today to jumpstart your export marketing with the Morning Star package!

www.globalsources.com

developed the AE/Supervisor Training and Assessment system. Helping Cathy on the Morning Star project were Marco Chang, Sunny Huang, Frank Chai and Eric Chen, responsible for managing four regions.

As of June 25, progress was impressive. Spenser Au said: "The Breakthrough Strategies performed magnificently in the first half of 2008, where sales had secured 2,400 new contracts worldwide, up 150% year-on-year!"

To unite and maximize the power of both Morning Star and Telesales teams, the company then combined both teams under Cathy who had the assistance of Cameron Walker, Telesales Manager, would continue to develop the telesales team in Xi'an.

In September, Global Sources celebrated the official opening of its new office in Bao'an district in Shenzhen, bringing 86 Morning Star team members to a new, modern office. Joining Mark Saunderson at the Bao'an opening were Alfred Cheng, Publisher of *Electronics*, *Security Products*, *Computer Products*, and *Telecom Products*; as well as Cathy Ren and Eric Chen, General Manager and Area Sales

Manager of Morning Star Program. Mark thanked Cathy and expressed gratitude to Sandy Ng, Helen Liu, Justine Du and Ding Jun for coordinating the renovation.

The value proposition for buyers from Global Sources 2.0 was strong and unique in the industry. Global Sources had evolved to become a total solution across online, print and face-to-face channels. This new total solution provided an enhanced approach for buyers. They could look online for a comprehensive listing of verified and unverified suppliers using keyword search, category browsing and advanced searches on the database. Verified suppliers were companies that had been visited onsite 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 did not guarantee the accuracy of their information.

Competing on content and the future of export content

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. We take responsibility for the quality of our content. Moreover, we are not willing to accept whatever the advertiser wishes to post, for example when the content is in violation of copyright or other intellectual property rights.

But if an online marketplace operator does nothing more than aggregate all the erroneous information or wishful thinking of suppliers, its own viability is questionable. Our vision of the potential of the digital revolution is not simply greater quantity of content and the speed of delivery, but also information verification, 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. Doing this dictates a structure built on deep understanding of the merchandiser.

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 didn't appreciate that buyers can only make their decision based on a great deal of additional information.

With online media in our industry, there traditionally has been no highly effective qualifiers of suppliers or buyers. Here in 2008, a buyer's decision to purchase is not resolved by the online media any more than it was by print, because the buyer would like to look at the product, touch it, feel it, before he makes a judgment as to

whether he can resell it at a profit. That means the buyer would ideally want to inspect a sample of the product, and if possible, 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 more and more buyers that much of the content on various online marketplaces is suspect at best. Some online marketplaces do not feel that they have a responsibility for the quality of content or suppliers. Their view is "buyer beware."

Some online marketplaces took the approach of offering a marketing service at very low prices, with the knowledge that search engines could be utilized to drive high traffic and response to suppliers. Suppliers in China were perhaps less sophisticated at the time, so they evaluated response substantially based on quantity as opposed to quality. And this trend has sustained for some years.

In order for a B2B online site to grow, the critical factor is first to grow content, and this is usually done by lowering the price, which ends up commoditizing the media itself. I believe we are still in a transition. The market is very dynamic, and perhaps someday soon we will arrive at a moment of truth.

Looking back at 2008

At year end, Merle looked back at 2008 and the challenges and opportunities in the coming year. Highlights of his message to team members were as follows:

Indeed, the Year of the Rat (2008) started off extremely well, and we were very successful at increasing our sales. We were also very successful at introducing GSOL 2.0.

Unfortunately, in the second half

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of the year, financial markets and problems around the world affected retailers. When retailers' sales deteriorate, of course, it impacts our suppliers. There have been big changes in the last four to five months. Retailers have cancelled orders and needed to push back some orders which has impacted our suppliers.

So we start off 2009 in a very challenging position. Buyers need to be able to adapt their products, change their product selection, examine product pricing and packaging to meet changes in the consumer requirements. And this is not only in the U. S., but worldwide. This, in turn, is going to be a very challenging time for our suppliers.

And this is an important advantage—our range of media is very deep, robust and of the highest quality. This is our Total Solution—online, magazines, trade shows and Private Sourcing Events. There is no competitor that provides this kind of depth of services and this variety of media.

This is what differentiates Global Sources. This is really who we are.

So my request to the team is that we all concentrate on how we can meet these challenges, realize opportunities and not only make our suppliers heroes of the day, but make ourselves heroes. Indeed, by doing so, we'll not only differentiate ourselves, but we will grow our market share and improve overall sales.

We may be in a market crisis, but again, I must repeat, it's also a great opportunity. That has already been, in part, shown by the success of Golden Bull. Recent sales in December and for the new offering were terrific.

In closing I would like to say to you again, "Gong Xi Fa Cai", and all the very best of health and prosperity in the Year of the Ox.

Pricing, and how low to go

With a program linked to the Great Recession financial crisis, Alibaba dropped its rates further to about 20,000 yuan and marketed it as a special program to “help” the exporters. Alibaba did not present this as a price cut, and said that government subsidies were paying one-third of the original price. Alibaba itself was absorbing 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 to more than 100,000 as of early 2010.

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.

The company decided to launch a new program where suppliers could choose a two-year contract for 40,000 yuan. The objective was that the two-year commitment would attract reliable and committed exporters. However, the program did not meet renewal and other expectations and it was phased out.

Prices for the entry level package were increased and were augmented with a multi-pronged marketing and product development program designed to retain a strong grip on the mid to high-end



professional segment of the market.

Global Sources launched Project Golden Bull for 2009 to support advertisers in the tough export environment. Golden Bull included a number of value-added features for advertisers including an extension of Morning Star, larger print ads and special positions for five- and six-star advertisers.

“Just six days after launch, the momentum of the Golden Bull has been phenomenal, with 239 contracts signed for the newly enhanced Star Packages,” said Spenser Au, President of Asian Sales.

The company also announced the expansion of the telesales team in remote cities, and the introduction of new sales positions, such as Senior Account Executives and Account Managers.

Brand workshops and heroes

2009 was a tough year for exporters, with stock markets crashing, factories closing and workers going unpaid. The year saw China’s largest export declines since the Open Door Policy began. With the background of the ongoing impact of The Great Recession, the situation offered a perfect opportunity for our verified suppliers to rise from the challenges and become heroes. Global Sources continued to develop new programs to help exporters and to invigorate the sales organization.

In January 2009, over 200 team members gathered in Shenzhen to attend 2009’s first brand workshop. The workshop kicked off with a powerful look back at the major events that happened in 2008. Then, presenter Craig Pepples warmed the crowd by asking all participants to share what changes they had observed in the past year.

Responses including “less confidence in exporting”; “changes in buyers’ sourcing habits” and “suppliers hesitant to spend money on advertising” were on top of everyone’s mind. But Craig reassured everyone that Global Sources has a solution



The challenging market situation offered a perfect opportunity for Global Sources verified suppliers to rise heroically and meet the challenge. By positioning the company’s Total Solution Package in a new way, the Global Sources “Heroes” campaign gave clients a strong message and boosted Global Sources’ reputation for quality.

that will calm clients’ fears and rebuild their confidence.

To help China suppliers become export heroes, Global Sources and China Europe International Business School (CEIBS), a top ranked business school located in Shanghai, held a forum on March 5 in Shenzhen. More than 400 senior executives attended the “2009, Time Creates Heroes – China Exporter Summit,” which aimed to help suppliers face the challenges ahead and grow their exports.

Global Sources COO Craig Pepples and CEIBS professor Zhang Yimin delivered keynote speeches. Craig offered key insights into the changing trade environment based on Global Sources’ latest buyer and supplier surveys. Professor Zhang gave his assessment of the current export situation and discussed how exporters could effectively manage the risks from fluctuating exchange rates.

Global Sources suppliers also shared how they were overcoming current export challenges and thriving in the current environment:

The heat of battle

“Time creates heroes! It’s our chance to help our suppliers become export heroes!” During the first half of 2009, this slogan was passed down to every Global Sources team member in mainland and Greater China through a high profile

internal brand campaign. The campaign included 30 workshops for nearly 3,000 team members held in 19 cities including Hong Kong and Taiwan.

At the end of 2009, Merle looked back at 2009 and forward to 2010. Brief extracts

Recession and recovery

Global Sources’ business is tied closely to the health of Asia’s exports. When shipments decline, 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 country’s exports finally began to recover in Dec. 2009. 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 were attracting more attention from China suppliers with their potential for substantial growth.

Merle:

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 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.

follow:

Last March I called on you to face the many challenges of 2009. I feel proud of the results we have achieved together since then.

Today, Global Sources offers the world's most complete export marketing platform built to match buyer needs. With the successful launch of the recent Flying Tiger program, sales people are signing record numbers of new, renew and upgrade contracts. Also, with 48 separate events scheduled in Hong Kong, Shanghai, India, Dubai, Singapore and South Africa during the year, China Sourcing Fairs bring incredible new opportunities for exhibitors. Our recent buyer metrics are strengthening. Last half, we organized over 1,000 one-on-one meetings between suppliers and the world's largest retailers at our Private Sourcing Events.

We are at the beginning of a turnaround, but to fully recover our pre-crisis revenue levels is our top priority. Challenges remain and we must continue to manage costs carefully.

I want to thank all the departments and team members of the Global Sources network. Your contribution to our positioning is deeply appreciated.

I extend best wishes to you and your family for health, happiness and success in the Year of the Tiger.

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

The new Flying Tiger program was designed to provide suppliers with even more exposure in 2010, when buyers were expected to significantly increase purchasing. More than 200 sales managers and supervisors from 44 offices in the Greater China region attended the project launch ceremony in Shenzhen. Global Sources COO Craig Pepples said: "Already, global trade is showing signs of recovery. Project Flying Tiger will support our philosophy of delivering more value to our suppliers, so that they can seize opportunities in a rebounding economy."

Flying Tiger offered a number of value-added marketing services aiming



As Global Sources celebrated its 40th anniversary, the company launched the "Flying Tiger" program, with packages to provide suppliers with even more exposure. The program name referred to the Chinese Year of the Tiger, as well as to a Chinese idiom highlighting the enhanced value of the company's integrated offerings under the program.

The heat of battle



The new Flying Tiger program was designed to provide suppliers with even more exposure in 2010, when buyers were expected to significantly increase purchasing. More than 200 sales managers and supervisors from 44 offices in the Greater China region attended the project launch ceremony in Shenzhen.

to bolster suppliers' exposure and high-end positioning including the trade show edition of the magazines, a presence in the trade show product gallery, larger print ads, more online special product positions and enhanced online product profiles.

Global Sources Deputy CEO Spenser Au said: "For nearly 40 years, we have maintained a high-end image ourselves, but also helped our suppliers move up the value chain. Today, more suppliers are realizing the importance of a high-end positioning, which is evidenced by contract renewal rates that quickly increase as star rankings rise.

"In fact, 'aiming high and selling value' has become a shared dream for both the company and our clients. Stay tuned for more exciting news as the Flying Tiger is just getting started!

In late March of 2010, Merle described the overall market situation in an interview with Bloomberg. Extracts follow:

Regarding China's exports the indications are somewhat mixed. If you look at the U.S. retail market, they've had some nice increases. But year-over-year, there have been some deficits in certain specific areas. So on the whole, we would suggest that by midyear we're going to see some improvement in the exports for China.

We operate in many, many markets in promoting China-manufactured

product. As an example, we will be running about six different shows here in Hong Kong next month. The early bookings for those shows, both on the buy side and the sell side are indeed very encouraging.

What we have seen over the course of the last couple of years is a gradual increase in the cost of labor in China. That has been started probably in January, 2008, with the change of labor regulations, which has certainly increased the cost of China labor in the labor-intensive industries, which are primarily this export segment. More recently, in the last six months, we have noted a 10- to 20-percent increase in the cost of labor for the industries which we are involved in.

The significant role of Global Sources in promoting China's foreign trade was the focus of a March 16, 2010, high-level meeting. Spenser Au, Deputy Chief Executive Officer of Global Sources, met with Chinese Vice Minister of Commerce Zhong Shan at the VIP room of the Ministry of Commerce of the PRC in Beijing.

"Global Sources is an influential company," Mr. Zhong said. "It brings top international buyers to China and promotes China's products to global markets."

The Vice Minister of Commerce said



On March 16, 2010, China's Vice Minister of Commerce Zhong Shan met with Spenser Au, Deputy Chief Executive Officer, to exchange views on developing the international market and promoting trade.

he was pleased that Global Sources set down its roots in China and has dedicated itself to serving local enterprises. The resulting business not only brings profit to Global Sources but also benefits China's economy, he added.

Mr. Zhong also emphasized that the success of China's export trade should be sustained by "quality instead of quantity." He said Global Sources provides a quality B2B platform with high-end positioning that connects top international buyers with quality suppliers. This is a win-win situation for both Global Sources and the future development of China export, he added.

In April, Global Sources announced survey results indicating that China's exports were recovering from the impact

of the global financial crisis.

"China's export industries are showing strong signs of a rebound, as orders from the U.S. and the EU have started to increase," said Craig Pepples, Global Sources' Chief Operating Officer.

Another significant finding of the survey was a revived emphasis on the traditional export markets of the U.S. and EU. Despite the positive economic outlook, suppliers noted buyers remained as price-sensitive as they were during the height of the financial downturn.

"With the rebound in export orders, costs of raw materials and labor are on the rise," Craig said. "But buyers are still finding it difficult to take on the additional costs. This is adding pressure to suppliers' profit margins."

In June, Global Sources announced it would be launching shows in Miami in July 2011, thereby extending its value proposition to help suppliers expand their sales to buyers in North and Latin America. The shows would enable exporters from China and elsewhere to meet face-to-face with American, Canadian and Latin American buyers.

For consumer products, the Latin American market was growing fast – and was approximately twice the size of the Indian and Russian export markets combined. Latin American imports in 2009 from all sources totaled US\$642



Global Sources launched *China Sourcing Fairs* in Miami in July 2011. The Fairs are exclusively for importers, traders and other volume buyers who purchase consumer products for resale to markets throughout the North and Latin American regions.

The heat of battle

billion, and in 2010 and 2011 the World Bank estimated Latin American imports to grow by 10.3 percent and 5.6 percent respectively, led by Brazil and Mexico.

Tommy Wong explained the increasingly attractive value proposition that the sales force was taking to market: “Global Sources has online marketplaces, digital and print magazines, and *Private Sourcing Events* for each of the vertical markets represented by these shows – and accordingly, a large and highly qualified audience of importers that we will be inviting to the shows. In addition, we are constantly adding value as the shows become increasingly ‘digital’. Buyers can search online for exhibitors, view their products and make appointments and inquiries. Our shows also feature digital displays of products that are not physically at the shows.”

Global Sources’ Chairman & CEO Merle A. Hinrich, said: “We are scheduled

to go from 30 shows in 2009 to 60 in 2011. Since import buyers do not place large volume orders through online marketplaces, suppliers want the face-to-face opportunities at our shows – where they can negotiate with buyers and win orders. Also, with various media integration initiatives underway, the expanded show schedule will provide tremendous additional exposure and sales leads for all of our advertisers.”

Customer feedback and testimonials

In a service-oriented industry, competing effectively and success are defined by the satisfaction of one’s clients or customers, as in the case of suppliers that have grown through *Global Sources Online* or *China Sourcing Fairs*; or buyers enjoying the perks of a convenient *Private Sourcing Event* that is organized on their own terms.

Seeing and hearing from satisfied buyers and suppliers is an affirmation for

Below are three testimonials from clients as to why they choose Global Sources.

† *We only use Global Sources, instead of Alibaba, to find suppliers. At Alibaba, when you search for a single product, you may get several hundreds of results. We could hardly figure out which of the companies is suitable to us. That is why we choose Global Sources. They are strict with supplier selection and provide comprehensive profiles of the companies.*

– Howard Chen, Far East division managing director of Brookstone †

† *At Global Sources Online, we reach some high-end buyers whose inquiries usually reflect global market trends. By communicating with them, we understand the demands of foreign markets and develop products accordingly. So far, all our big and stable customers are found through Global Sources.*

Over the years with Global Sources, our company has expanded significantly with our export division growing from a small group of two employees to a team of 10, with factory area increasing from 2,000sqm to 12,000sqm.

– Zhou Peng, general manager of Sunsparkle (China) Co. Ltd †

† *Currently, 50 percent of our customers are found through Global Sources. These customers bring us US\$6 million sales revenue annually. It filters out those companies that only compete through low prices.*

– Care Electronic (Scale) Co. Ltd †

Global Sources team members. “We get a lot of really great feedback from customers – both buyers and suppliers,” shared Peter Zapf, then Deputy Chief Operating Officer.

In October 2010, Global Sources launched new verticals for *Solar & Energy Saving Products*, *Medical Products & Supplies* and *In-Car Electronics & GPS* to enhance sourcing and marketing services for buyers and exporters in these high growth sectors.

Global Sources’ then-Deputy CEO, Spenser Au, said: “The three new verticals are each served by an online marketplace, e-magazine and print magazine for our trade shows. Also, we intend to launch new trade shows next spring in Hong Kong for the solar and medical categories.”

Spenser added: “Global Sources connects verified suppliers with verified buyers. We now cover 17 verticals with an increasingly integrated and increasingly digital multi-channel offering that is unmatched in the industry. Our solution addresses all stages of the buying process for professional buyers and enables them to choose when, where and how they wish to identify and interact with suppliers.”

Integrating online and face-to-face

Global Sources ended 2010 announcing its first initiative to integrate online with shows. Although this particular initiative

did not survive, and was perhaps ahead of its time, the company has continued to pursue this vision.

Here is how Merle described the product launch: “Each of the digital shows will be a companion to its face-to-face version, with the objective of adding significant value to both buyers and exhibitors. We believe we can reach a much broader buyer community during and after each physical show. In addition, we expect to increase renewal rates, attract new exhibitors and generate new revenue streams.”

Global Sources believed that trade shows were entering a new era of growth, founded on the interaction between physical shows, print and digital magazines as well as online services. Through these digital shows, buyers were able to view exhibitor booths and products – even if they were unable to physically attend the show. Exhibitors at the physical show were able to generate more orders and enhance their branding through their presence in the digital show.

Battle as of end of 2010

As at the end of 2010, and after many years of intense price, feature, function and content competition, only a few serious online competitors remained including the TDC, Global Market, Made in China and Alibaba.

Merle summarized how Global Sources had competed over its first 40 years in the heat of battle; “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.”



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CHAPTER SEVEN

Birthing the show business

Birthing the show business

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

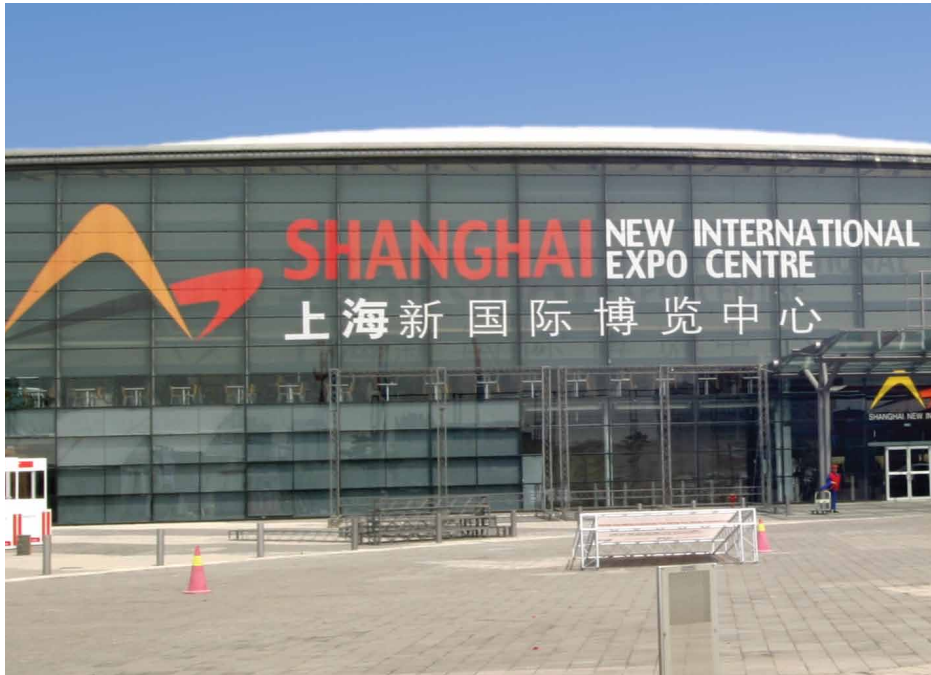
As of the end of 2016, the Global Sources' *Electronics* show is now the world's largest electronics sourcing show. The *Fashion* show is now Hong Kong's largest and the *Gifts & Home* show has been repositioned to offer creative, curated and innovative products.

By 2002, Global Sources had already garnered an enviable reputation for its specialist conferences and exhibitions in the technical electronics arena. Merle says, "In the past we had looked at organizing large export-oriented trade shows, but both Hong Kong and Taiwan, our largest markets at the time, had government run trade shows.

"As Global Sources' penetration and reputation in mainland China gained greater momentum, it was time to look again at how we could bring exporters in China face-to-face with our community of international buyers."



In his former role as president of Global Sources Exhibitions, Tommy Wong has played a key role in the development and execution of the *China Sourcing Fairs*.



Since 2004, Shanghai New International Expo Centre has been hosting *China Sourcing Fairs* for international buyers and for thousands of suppliers from China, Taiwan and Hong Kong.

Sarah picks up the story from here: “We could see an opportunity in the market and so we moved fast to secure a venue in Shanghai – it was an exhibition center dating back to the Soviet era in China that had been restored. Also we had a team of experienced people who had been running the technical conferences and exhibitions for years.”

However, the expansion of the shows did not come overnight. When Sarah resigned from her position as CEO in 1999, and 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*. Our first show opened in Shanghai in 2003 with just a few hundred booths and revenue of US\$1.3 million. Soon our revenue hit 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

Birthing the show business



Bill Janeri, former Vice President of Global Sources Exhibitions, was instrumental in the successful launch of the *China Sourcing Fairs*.

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 show 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. 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 which we grew to 430 field and telephone sales representatives! And many from our first group of sales people became 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.

Tommy:

Near the end of 2001, China entered the WTO and the company decided that when all those restrictions were removed, the international buyers and investors would put their manufacturing into China. It was the right time for us to expand our business from print and online to trade shows. We had two major product categories to consider and we had to decide what should go first. We had a very big customer base for the Gift & Home industry, and then we also had another strong vertical, Electronics. Under electronics, we had telecommunications, computers and components. Finally, after long study and debate, we said, why don't we move first with electronics?

We ran our first trade show in October 2003. We offered quality sourcing and we named it the China Sourcing Fair.

A few years later, I was on a business trip in Taiwan and I received a call from Sarah: "Tommy, you have to come back tomorrow." So I came back the next day. Inside the board room, there were two groups of glasses and there was one bottle of champagne and there was an envelope on the table, and then Merle said: "We are going to do a trade show in Hong Kong. We are going to sign the check to make the deposit and then we are going to rent space. We will do the show in April and October. We are renting the whole hall." I asked: "What is the full capacity and the answer was 16,000 booths. Oh, my God, we haven't done anything that big. OK, that's the

game plan. I can't remember anything else from that meeting! So from that, our lives really changed and it was a turning point for the company, and the beginning of an important new revenue stream."

Early venues

Wendy Lai, who is now vice president of Global Sources Exhibitions, joined the company in 2004. She recalls some of the early challenges of the Hong Kong shows:

Wendy:

When I started in in June 2004 it was a big challenge because just before the first show, AsiaWorld-Expo was still like a construction site. When we first visited the venue, it was just a lot filled with a lot of dust and the owners offices were still in a container, just like a construction site office! However, by 2006, we saw a very big and a very well constructed venue and that was really an exciting moment.

In those years between 2004 and 2006, we did a lot of planning to make sure that our first show in Hong Kong would be successful. There were a lot of challenges for our first event that we ran in AsiaWorld-Expo! First of all, the buyers were not familiar with the venue, the transportation was fragmented and the hotel network was not ready.

Asia catches a cold

But the summer before the first Shanghai show, the survival of the whole trade show 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

Birthing the show business



Global Sources Exhibitions are held in April and October each year at AsianWorld-Expo in Hong Kong, enabling buyers and suppliers to build successful relationships through face-to-face interaction.

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 in the month of April. In early May, Spenser 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 competitors followed 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 underlined 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.

Regional show development

Under the leadership of Sarah Benecke and Tommy Wong, the trade shows rapidly expanded their global reach.

Around 2005, Global Sources' trade show growth strategy was aggressive and multifaceted. It involved 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 with regional shows was to open shows in developing markets around the world, starting with Dubai and India in 2007 and 2008, respectively. Singapore, Johannesburg, South Africa and Sao Paolo would be next.

The strategic rationale for developing regional shows was strong and multi-faceted. Instead of making the buyers come all the way to Hong Kong, the company would instead take the suppliers to them. The shows would be attended by importers in each market but the shows would also enable Global Sources to penetrate deeper into each buyer community, such as to retailers and wholesalers that did not yet import. The shows would be high value to attendees because exhibitors would show products that were particularly relevant to each country. In addition, the shows enabled

exhibitors to focus on growing their business in a particular country.

The Global Sources sales team would prioritize presenting the Hong Kong shows to suppliers and then ask the supplier which of the regional shows they were interested in. It was a very attractive suite of products to sell and most suppliers had an interest in one or more of the regional shows.

Following the financial crisis in 2008, Chinese exporters were 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.

In 2010, Global Sources brought its *China Sourcing Fairs* to Singapore. Opening at the Suntec Singapore International Convention & Exhibition Centre, the shows encompassed more than



To help buyers meet growing market demand for quality, competitively priced merchandise, Global Sources expanded the *China Sourcing Fairs* to India and the Middle East. This also gave suppliers a chance to increase their sales in fast-growing new markets.

Birthing the show business

580 booths of gifts and premiums, home products, garments and textiles, hardware and building materials, auto parts and accessories, and food and beverage products.

Attending the opening ceremony were Li Minglin, minister and counselor of economic and commercial Section of the Embassy of the People's Republic of China in the Republic of Singapore; Ruan Weixing, vice-chairman, Fujian Chamber of Commerce of Import & Export; and Merle Hinrich, Global Sources' Chairman and CEO.

The shows were launched to serve trade with ASEAN. China's trade with ASEAN had soared by nearly 50 percent after a free trade agreement between the two sides became effective in January 2010. With costs effectively lowered and trade barriers removed in thousands of product categories under the agreement, China-ASEAN trade in the January-October period reached US\$235 billion.

In December, Global Sources opened its first *China Sourcing Fairs* in

Johannesburg. The exhibitions, which featured 640 exhibitor booths, were held from December 1-3, 2010, at the Gallagher Convention Centre.

"The response to this event has been overwhelming," said Tommy Wong, President of Global Sources Exhibitions. "Continental Africa and South Africa specifically are markets in which Greater China manufacturers are very interested. China trade with Africa expanded 39.5 percent to US\$27.92 billion in the first seven months of 2009, reflecting growing demand for China-made products.

In 2013 the Johannesburg *China Sourcing Fair* attracted 8,500 buyers. In 2014 buyer registrations were up 22 percent and a broad range of products were displayed in 600 booths from Greater China and other Asian countries.

Turning out the lights

However, a business initiative that seemed to have so much potential, ultimately did not work out. The company had made a huge effort and investment of time and



In 2010, *China Sourcing Fairs* were held in Hong Kong, Mumbai, Shanghai, Singapore, Johannesburg and Dubai. In addition, *IIC*, *Components Zone* and *China International Optoelectronic Exposition* shows were held in China.



Each *China Sourcing Fair* was staffed with knowledgeable team members ready to answer buyers' questions about the show or other Global Sources products and services.



money, to the point where it was running shows and “How to import from China” conferences on six continents. Despite many measures of success, the regional shows could not get enough regular commitment and renewals from exhibitors. Accordingly, the decision was made to shift all energies and resources towards growing the Hong Kong shows. Around the same time, the *China Sourcing Fair* name was phased out to accommodate the growth in exhibitors from India, Korea and other countries and the shows took on the brands of the primary three business unit verticals: Global Sources *Electronics*, *Gifts and Home*, and *Fashion*. The Hong Kong shows have subsequently grown in revenue and attendance.

Merle on the role of trade shows:

“If the buyer pays to get on a plane to Hong Kong, this by itself indicates a serious commitment to sourcing. I was prepared

to risk moving into trade shows because I saw that if you have no way to qualify the supply side, you should find a way to qualify the buy side. Shows provide a natural filtering of buyers, one that every supplier can immediately understand.

China is no longer the world’s cheapest production base. China suppliers now have to work harder to justify the added value they provide beyond low prices. As a result, I think our community of suppliers is increasingly realizing 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, 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.”

Birthing the show business

Buyers' testimonials

† *This is my first time to be at this show. I learned about it from my suppliers, who told me to be here. I have used GlobalSources.com before and it is quite easy to use. Most of the information [I need] is there. I'm very interested in visiting this show next time.*

Ivan Weller
Managing director, Wireless Marketing Pte Ltd, Singapore

† *We have been attending this show for many years already. We are here to meet our current suppliers to see if they have new products, and also to find new suppliers and products in the market. GlobalSources.com is a good place to talk and make first contact with suppliers.*

Luc DeMeyer
Sales manager for Benelux-Sweden, Velleman, Belgium

† *I've been visiting the show for the past five or six years. It seems that this is a must-visit event: there is a good selection of products and it showcases what are available from different parts of the world. GlobalSources.com is very informative and I download the magazines all the time.*

Daniel Aghaee
Axess Products Corp., U.S.

† *I've been here about 10 times already. Here, I can meet many Chinese suppliers and find many new interesting products. GlobalSources.com is very convenient. I also receive the magazine monthly and find many interesting innovative products. It helps me find new suppliers.*

Anton Serebryakov
Project manager, Car Electronics Department, Russian Game, Russia

† *This is the second time [I've been at the show]. There is a very good selection of suppliers. I hope [to see] some of our competitors to be able to benchmark our products against them. I also search for suppliers in GlobalSources.com.*

I've used [MessageCenter] about 10 times already. So far, I've got good quotations... I've already been working with some suppliers and had a few very good experiences.

Alejandro Solana
Tinitell, Sweden

† *I have visited the show many times already. We are visiting our suppliers and looking for new products that we can introduce. Global Sources' show in Hong Kong is the one we visit regularly; we keep attending this show every year.*

Marco Tellez
President & CEO, King Cargo, Panama

Suppliers' testimonials

† We have been attending the show for the past 10 years. Global Sources offers trustworthy services and it is our exclusive export-marketing platform.

Many of the buyers we meet at the show contact us afterward. We also reach quality buyers through GlobalSources.com. The combination of online and offline channels brings us more sales opportunities as we efficiently receive buyer information and understand their sourcing needs. I believe that we will benefit more from Global Sources' O2O (online-to-offline) solutions in the future.

Sabrina Chiang
Sales specialist, Cherng Weei Technology Corp., Taiwan

† We find many of our target buyers at Global Sources Exhibitions: this is what distinguishes it from other trade shows.

We are also using the six-star online package, which is a supplement to the trade show promotion. Buyers often search for exhibiting products before their sourcing trip and come directly to our booth when they arrive at the show. We met almost all our clients through both the online and offline platforms, which combined is the most effective marketing channel for us.

Bamboo Zhou
Director, All Best Technology Limited, mainland China

† We have been attending the show [since] 2004-2005. We keep coming back because we reach many of our target buyers from all over the world and achieve satisfying results at each show.

Jack Zeng
Marketing manager, Shenzhen DNS Industries Co. Ltd, mainland China

† We have been at the show twice a year for eight years in a row. We used to attend CeBIT, IFA, and CES but we find buyers at Global Sources Exhibitions more professional. Many of them come from big companies with specific sourcing needs. They are exactly the quality buyers we are looking for.

Cammy Xie
Sales manager, RSH-Tech Co. Ltd, mainland China

† We have been attending the show since 2011 and we are a six-star advertiser at GlobalSources.com. The show only lasts four days, but the online promotion offers year-long exposure. The combination of online and offline channels address buyers' sourcing habits and has generated excellent results for us.

Jacky Kang
Vice general manager, Shenzhen Golf & Feihuang Technology Co. Ltd, mainland China





CHAPTER
EIGHT

**Transition,
team building
and success**

Transition, team building and success

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

– Epictetus

Merle on CEO transition:

In my mind there are three levels to getting a CEO transition right: You need the person to embody the corporation's culture and personality; you need the person to have a full 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 a nine-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.

A CEO candidate must answer difficult questions: Do you really want to do this? 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



Miriam and Merle Hinrich at the company's 20th anniversary gala in Hong Kong

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?

Leadership

From the beginning, spurred by the unexpected death of Ray Woodside, Merle had striven to make sure the company was an entity larger than any one individual.

Out of the goals and objectives of one man, the company had taken on its own identity. Restructuring had laid the groundwork for another generation of people to carry out the aims of the organization.

As Merle elaborated at the time:

“Our 20th anniversary is a milestone and testament of our success so far. It is also an announcement that I will step aside as CEO. From the beginning, our success has depended not on any one person, but on the success of the publications.”

“My role is changing. At 50, I feel it is essential to realize that I am not going to be able to continue at the levels I have maintained.”

But with the growth of the company, Merle was not passing the baton to an individual, but to a board of publishers with whom he had shared his personal objectives.

As he explained:

“To communicate this ethic or mission to a wider group is critical. The publishing board and the staff must understand this kind of commitment to a guiding principle.”

“This is probably the most exciting and fulfilling time of my life, and one of the most

important. To see the objectives and benefits to both readers and advertisers continued on beyond my day-to-day involvement is going to be the greatest reward of my life.”

Driving the vision

Merle Hinrich has long been recognized by his team and by outside observers as a visionary. He has moved Global Sources from his early vision to become a large, multidimensional media company that connects many thousands of buyers and suppliers through an integrated platform of online, print and trade show media. He has also led the organization from its beginnings as a private business to become a public company whose financial performance must be justified on a regular basis to shareholders, financial analysts and regulatory authorities.

Moreover, he has overseen three very successful CEO transitions; first to Sarah Benecke, then to Spenser Au, and then to Craig Pepples.



The 20th anniversary was not only an announcement of the company's success, but of Merle Hinrich's decision to pass the baton to a board of publishers capable of fulfilling the ASM Group's mission.

Transition, team building and success

CEO transition one

When the team came together to celebrate the company's 20th year in publishing in 1991, it was operating with great cohesion. Merle used the 20th anniversary to talk to team members about the organization's future under new leadership. A 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 among the publishers.

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



Management consultants John DeFoore and Marion Sue Jones assisted in establishing the process to select Merle's successor.

stating whom they felt was best suited for the position of chief executive officer. Their clear and unanimous choice was Sarah Benecke.

Sarah led the organization for nearly six eventful years. Today she remains an active and invaluable director of Global Sources.



Since joining the company in May 1980, Sarah Benecke, pictured here with husband Ron Koyich, has contributed greatly to the success of Global Sources.

CEO transition two

Spenser:

Merle set a very good example for us with his commitment and focus and by consistently demonstrating the importance of effectively addressing both the buy side and the sell side. From being a purely print publishing company we evolved to become an online company and then we added the trade show business. In the last five years, the most significant thing has been the disruption of the distribution channels, which really impacted the way that we serve our buyers and suppliers. There's some expectation of change, and there are some behavioral changes in terms of the way people source, and the way the suppliers market their services. B2B online marketplace product and supplier content became very commoditized. And with the flood of information, people want to know how to get the right source and the most appropriate content. This has always been the challenge but it is more extreme today. And we know that in the internet world today the big challenges are security, reliability, truth and trust. Our challenge is to help online users have more trust and security.

Honestly, I've never imagined I could work for a single company for such a long time when I was young. My career with Global Sources was exciting and filled with constant change. We used to serve [the Four Asian Tigers] and more than 80% of our revenue came from Taiwan and Hong Kong. We then shifted to China which became more than 90% of our revenue. So, we changed the battlefield and we changed the supplier customer base, not a small or minor accomplishment. And recently the disruption of the retail market from e-commerce impacted quite a



Starting out as an Account Executive for Asian Sources Electronics magazine, Spenser Au was CEO of the company from 2011 to 2015. He has a deep knowledge of Greater China and other markets where the company operates.

few things on the supply side and the buy side. So that gave me a lot of challenges and opportunities to adjust our services. That has been exciting and I enjoyed it so much.

In an excerpt from Merle's speech at the retirement celebration for Spenser Au, he spoke of Spenser's successful 39-year career at Global Sources.

Merle:

In 1978 the company was just seven years old; a mere infant at the start of its long journey to maturity. Our business was centered on Japan and the Four Asian Tigers: South Korea, Taiwan, Singapore and Hong Kong.

No one in those days thought of China as being a comparable exporting market. Mao Zedong had died only 18 months earlier and his eventual successor, Deng Xiaoping, had yet to unlock the vast manufacturing potential that had been hidden from

Transition, team building and success

the rest of the world's gaze. Diplomatic ties with the United States were still frozen. China remained isolated and Hong Kong still had 20 years to run before becoming a special administrative region of China.

Few people's stories are so closely interwoven with the history of Global Sources as Spenser's and none has brought to senior management a greater grassroots feel for the problems and needs of the sales organization.

When Spenser joined us he was the youngest account executive in the company and in the space of less than a year rose to become one of the top earning salespeople. He said then that he saw no limit to the income he could enjoy if he was prepared to put in the effort. Selling was in his blood and his first sale for Asian Sources so excited him that he called his girlfriend with the news that he had sold a half-page black-and-white ad for an LED digital wristwatch.

His stellar early record paved the way for promotion and his move into

management and the challenges of launching Asian Sources Electronic Components as a spinoff from the hugely successful mother magazine Asian Sources Electronics.

Since then Spenser's upward path took him through associate publisher and later publisher positions, until now when he retires from the Chief Executive Officer's post full of honors at the end of a long and illustrious career spanning 39 years during which he and the company have witnessed the transformation of the business world: from print to online and to tradeshows and mobile apps.

What are the key secrets to such success? What lessons can we draw from what he has achieved and what should we pass on to others?

The first is to do something you believe in. If you are without belief my advice is to do something else. And if you believe in the role and contribution of trade, as Spenser has, what better place to make that a reality than by scaling the heights at Global Sources?



Spenser received his 35-year service award from Merle in 2013.

Second, once you've found your calling, give it every ounce of your strength and commitment. And whatever the challenges, whether it's in traveling by public transport to sell advertising space door-to-door in the back streets of Kwun Tong, Mong Kok and the New Territories, or in two-year postings to Manila, you have to stick to the task.

When Spenser took over the CEO's role in 2009, I said that it was a proud and important moment not just for the company but for me personally. Today as he nears the end of his long service I am touched by a moment of sadness that a unique time in our shared history is drawing to a close.

Spenser, you have my thanks for your unequalled sales ability; your excellent planning and execution skills; your deep commitment to our clients, investors and staff; your friendship; and for carrying the banner of Global Sources with so much integrity and distinction. You have been an example and inspiration to us all.

We wish you all the very best and look forward to your continuing relationship as a member of the Global Sources extended family.

Spenser held various positions, progressing from Sales Manager to Regional Sales Manager, Associate Publisher, Publisher and from 2000 to 2010, President of Asian Sales and then Deputy CEO before becoming CEO.

Spenser comments: "In my 39 years with the company, 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 kept me fired up and ready to keep doing my job. This company has kept changing in order to cope with new developments, and I could see clearly how I could 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."



Spenser just completed a long and illustrious career spanning 39 years.

Transition, team building and success

CEO transition three

Succeeding Spenser as CEO in January 2017, Craig Pepples had served as Deputy CEO since October 2016. Craig joined Global Sources in 1986 and has been with the company for more than three decades. During his career, he has moved up the ranks to become manager of the company's China sales operations from 1989 to 1992, serving as the China Country Manager from 1992 to 1999, then as Chief Operating Officer from 1999 to 2010. He has also worked as Global Sources' President of Corporate Affairs and Publisher of *Chief Executive China* and most recently was responsible for all of the company's supplier facing operations. He has extensive B2B media experience and deep industry knowledge of Greater China and other markets where the company operates. He is widely respected for his B2B industry expertise and leadership skills.

Merle notes, "Craig 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."

Building a global team

There is a plaque hanging in Merle's office



Before assuming the CEO role in January 2017, Craig was responsible for all supplier-facing operations.

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.



Dedication and professionalism are two major elements that keep our Taiwan sales team successful. Many of them started working at Global Sources more than 30 years ago, and the company has benefited greatly from their commitment and loyalty.

In January 2001, the Global Sources team totaled almost 2,000 people. Most were located in offices in Hong Kong, Manila, Singapore, Taipei, Shenzhen and Shanghai.

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 operated as a cohesive team with a clear focus on developing and delivering the services required for today's global marketplace.

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, recalled that first transition to electronic commerce and remembered the difficulties people faced keeping pace with the changing technology.

“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 estimated the company lost 15 percent of its sales people in 1995 to 1996 simply because they were unable to adapt. “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” magazine publishing 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, and who had the skills necessary for copywriters,



Rob Nelson moved from the post of circulation manager of the Consumer Products Group to become general marketing manager of the Electronics & Timepieces Group in 1994.

proofreaders and editorial staff. When the organization made the transition into electronic commerce, its skill needs changed considerably. Editorial strengths were still critical, but a new breed of writers had to be introduced to meet the different demands of the web.

Multicultural team

Philip has organized and attended many team member seminars held in various offices over the years. “We had 40 people at a seminar and I looked around the room and counted 12 different nationalities,” he says. “We have always been a cosmopolitan organization. It feels like the United Nations.”

Operating across different national boundaries and cultures has its own challenges. Former team member Armando Mojica, who ran Interactive Media and who was later with eMedia, worked closely with team members in Asia and all over the world.

“The challenge is really about understanding cultural barriers that are

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Global Sources Tidal Wave seminars, held in 2001, were facilitated by John Patterson to help reinforce the history and shared purpose among teams throughout China and across Asia.

often put in place unintentionally,” he said. “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 email but someone can take a different message than was intended.”

People selection

Dr. John Walsh was a longtime friend of Merle and a professor of international business studies at Washington University. He was closely involved in the recruitment process in the organization’s early years and remains a trusted consultant today. He commented: “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. 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 one of the best places to start potential new leaders was as an Account Executive in sales. In this frontline role, they would learn how suppliers think and behave – and how and why they pay the company for its services. From sales, many people then moved into other disciplines within the



Dr. John Walsh was an important contributor to Global Sources’ training and planning programs for over 25 years.

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. The company has had numerous MBAs who come straight out of graduate school and say they want to go into strategic development or business development. But the company tells them, “We want you to go and sell, visit clients, accompany the sales people and listen to what clients say.” Dr. Walsh described this as “the perfect training background for someone to run a company.”

Individual and team development

Human resources within the company has continued to emphasize individual development as well as team building. “The team is composed of individuals. Once an individual is aware of the strengths and weakness of others on his or her team, the team itself becomes more effective,” Craig says.

Management consultant John Patterson has led team-building exercises in mainland China, Hong Kong, Singapore, Manila and Korea. The mainland China exercises were focused on ensuring that people understood what is required to be a successful leader of Global Sources.

As Philip recalled, “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, as these team members move through the ranks, and it becomes clearer to everyone how everyone’s role fits into the larger puzzle.”



Philip Chatting, Vice President of Corporate Human Resources in Hong Kong.

The JOA management process

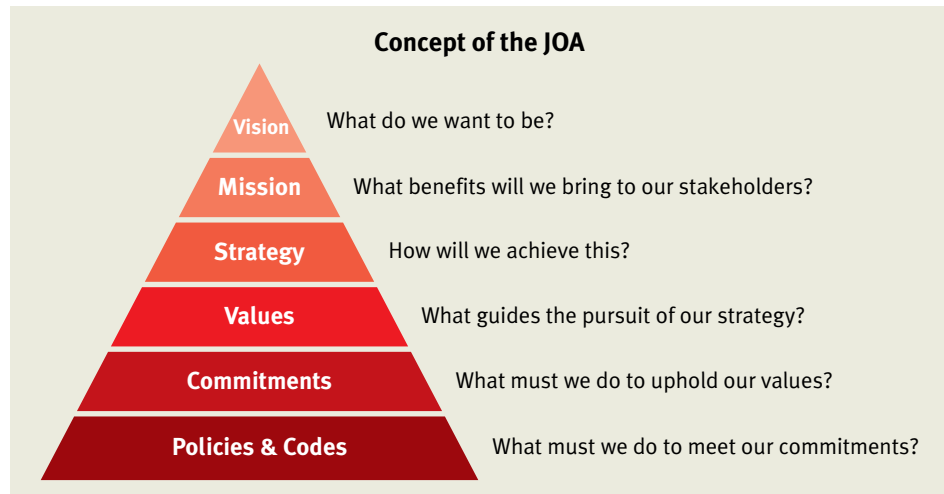
Merle introduced the Job Objective Analysis (JOA) to the company several decades ago through materials and training led by Professor John Walsh of Washington University. The process is vital to the company and it continues to evolve and be refined in particular under Craig in his years as COO and more recently under Brent as COO.

What is the concept of the JOA? The JOA is several things including:

- A structured dialog to review all aspects of the business and the company’s work
- A shared forum for discussing possible objectives for the longer term
- An integrated way to prioritize objectives for the immediate six-month period

The company considers the JOA to be absolutely fundamental to effective management. Once the JOA is finalized, core managers commit to achieve certain objectives. Management, in turn, confirms that these objectives are the critical ones for the period. Both are then freed to get

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on with the job.

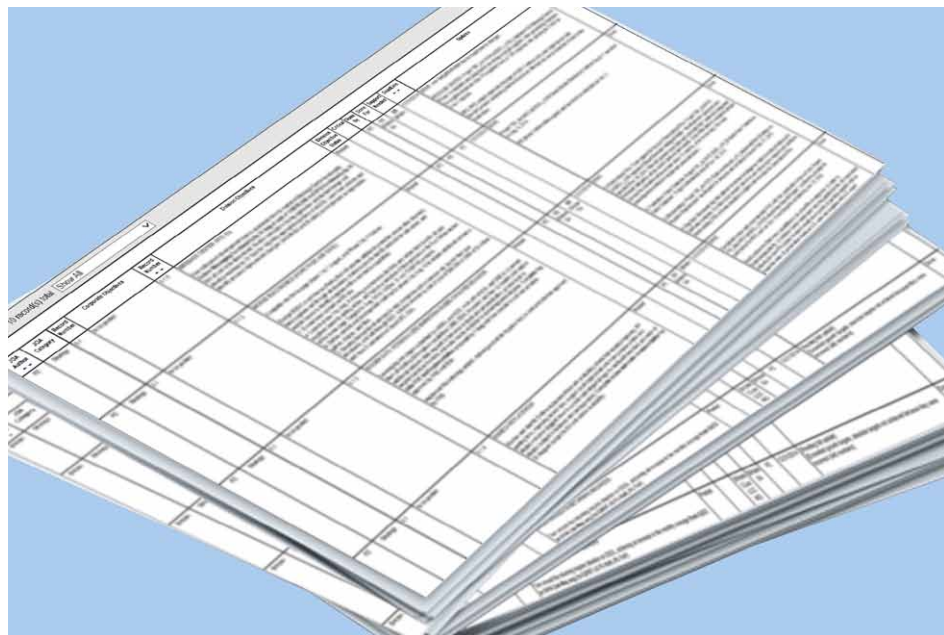
The JOA is “bottom up & top down.” Two-way input and agreement on priorities prepare the foundation for action. The JOA is prepared by the individual author ultimately responsible for its implementation. Corporate objectives set overall direction and are then supported by more specific division objectives.

A critical requirement of the JOA process is to use “SMART” Objectives

which are defined as follows:

- **Specific:** who and what and why
- **Measurable:** quantified with numbers
- **Achievable:** at a stretch
- **Results-oriented**
- **Time:** a deadline for completion

Another vital requirement is that the JOA be focused on the objectives rather than the activity. In other words, a JOA objective focuses not on “what is to be done” (an activity) but on “why it is to be



Merle introduced the JOA to the company several decades ago through materials and training led by Professor John Walsh of Washington University in St. Louis.

done” (a business result). For example, not the number of sales calls each day, but the amount of new sales revenue sold. Activities as JOA objectives are acceptable only when there is a direct correlation between the activity and the result. Also, the person completing the JOA must ask themselves: “Why am I carrying out this activity?” The answer must be the result or objective sought by the company.

The following list contains the nine JOA objective categories for each author to consider when drafting the JOA:

- Strategy
- Revenue, Profit & Shareholder Value
- Content & Buyer Value
- Community & Supplier Value
- Sales Effectiveness
- Brand & Product Marketing
- People & Management Structure
- Technology
- Partnerships & M&A

In the vital Strategy section as an example, here are the key guidelines.

Aim to suggest the top 5 “homerun” items that address:

- What do you want to become?

- What is your differentiation in the market vs others?
- What benefits/value will you bring to stakeholders (ROI)?
- How will this be achieved?
- Why are you here? Increase sustainable efficiency, productivity, profitability. . .

Brent describes how the process works and how it has evolved to meet the company’s changing needs:

“The concept of the JOA is universal and every successful company has some mechanism by which the corporate priorities are proposed, agreed upon, communicated, and, ultimately, measured. Our version has served us well, but over time the process had become overly bureaucratic and focused too much on execution details rather than discussion and debate about directional options. Related to that, and consistent with our desire to empower people at the middle and lower levels of management, we have put more emphasis on the “bottom up” conversations to ensure that appropriate attention was being



Merle Hinrich (third from right) with the DHL/SCMP Enterprise trophy in 2000. Global Sources was the only company to be recognized in the DHL/SCMP Hong Kong Business Awards three times.

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given to feedback from the front line and directly from customers. The JOA process will never be perfect, but in the past couple of years I believe that we have managed to achieve an improved process based upon shorter JOA meetings focused on directional discussions, that result in alignment and ownership and leave the management team empowered to do whatever it takes to achieve the agreed objectives.”

Unlimited growth potential

Today, as the examples of Spenser, Sarah, Craig and others show, Global Sources remains an organization that allows the best people to restrain themselves. There are many examples at various levels.

Brent Barnes is a primary example. After joining as a market intelligence intern in Phoenix, he moved to Hong Kong to become Executive Assistant to Merle in May of 2000. Since 2003 he has spent time managing each of the core operational departments and assumed the role of General Manager of Content & Community Development in



Catty Ren was a general manager who valued the personal, corporate and national growth, resulting from her work with Global Sources.



Jarvis Wang was Chief Representative in Taiwan for the Technical Electronics Group.

January 2010. He was appointed as Chief Operating Officer, succeeding Peter Zapf, in January 2012. Effective 2016, Brent was responsible for the company’s worldwide operations, including community development, content development, trade show operations, and a special brief covering all buyer-facing services.

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 lead sales all of the Technical Electronics Group magazines.

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 worked as a Copywriter, Marketing Executive, Sales Executive and Chief Representative - first for India, then Europe, and from 1999 to 2005 in Singapore.

Catty Ren joined as an Account Executive and quickly contributed to the



Mentor programs have given newer team members the opportunity to learn from more experienced colleagues – and vice versa.

growth of the business. For her, the rewards of the job came 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 remarked.

Mentoring team members

Craig explained the role of mentoring: “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.”

There is a huge emphasis on training for management skills, technical skills and decision making. It is part of the continuing ethos of promoting from within, so people are trained to take on new tasks and new roles. This benefits team members, and in

most cases it benefits the company as well.

A mentoring program involves the nurturing of recently recruited potential talent by senior management on a one-to-one basis. The program requires all mentors to spend time with the newer team members discussing work-related issues and personal aspirations.

Cameron Walker, President of Global Sources Gifts, Home and Hardware Group, describes his mentor’s incredible patience during his early days at Global Sources. “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 just moved into the role as the GM for North China 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.”

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Spenser:

“For me, a personal accomplishment has been having a special strength to coach, to grow people. You look back today and we have a large team of long-

serving team members, many of whom I have personal ties to. I trained a few young stars who are doing quite well today on their own. I worked for a short time with Cameron, who has become a

Ben’s school-work journey

Ben:

My journey with Global Sources started in 2009 when I joined the company one year after I graduated from school. I joined Global Sources in Shenzhen as a copywriter. I did copywriting for about a year and a half and then I got promoted to being the content supervisor and then eventually a content manager. Then I moved to Hong Kong and served as Merle’s Executive Assistant for two years. And then after two years, there was the question: What’s the next step? And I said, I can either work for another department and learn a new trade or better my skills

in the finance sector and think about getting a master’s degree. At the time, Merle also felt that education would help me develop further. So I became a Hinrich Foundation scholar. That’s when I got my MBA at the Chinese University of Hong Kong.

I left Global Sources and as a scholar, I was also getting paid, that was a new thing that Merle wanted to try. He wanted someone to go to school for a period of time, come back and work, not just for a two-month internship, but a much longer engagement which would develop necessary skills in a practical business environment which would then be reapplied at school to finish the degree. It’s typically called a sandwich program. I did a nine-month program, and then I came back to work for the company for six months. Within that six-month period, we researched e-commerce initiatives the company was considering. Having worked for Merle and spent so much time with him, I see how he always has hold on the market. He’s always pushing the entire company to think, “What is the next big thing?” Can we leverage our current know how and our current databases to offer better products and services, to offer something new to the market?



Ben Wong, former Executive Assistant to the Chairman, now is the head of Startup Launchpad.



Merle meeting with “Best of the Best” sales leaders discussing their potential role to help the sales team grow.

business unit President. I’ve also been working with two young Executive Assistants. Laura Xiao was with me for three years as Executive Assistant and she is now leading an e-commerce project. And I also had another young scholar, Celeste Zeng, as my Executive Assistant. She has since moved on to help Ben Wong to develop the Startup Launchpad business. Both of the ladies are scholars of the Hinrich Foundation. Bringing up people is a personal strength and source of pride because many of the people I have mentored have done well and like the company and are quite loyal.”

Passion for constant improvement

CEO Craig Pepples acknowledges that Merle’s passion for constant improvement and learning 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 20-year period or 30-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 company’s 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.

Merle has been intensely committed

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to 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 something that separates the wheat from the chaff. When a company can pass through the founder-led transition to a professional management team, it 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?

Our company culture of moving upward from within, of giving each

Characteristics of a team member

†
“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 am not totally comfortable with this and I am going to check it out.’”

-Merle †

After 45 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.”



In November of 2005, 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.

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.

Executive views on success

Sarah:

In the early years of my career here, two things kept me interested, 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 never got a "no." I had been with the company for over 30 years, but had 10 different

careers in the company during those years. I encourage every person in this company to keep putting up their hand and to create their next job – but after they have their successor in place.

The second thing was Merle. He is a brilliant businessman. I have learned a huge amount from him. Not just about financial matters, about making a sale and making a profit – he's very good at all those things – but he is also great because he really 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.

Craig:

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 more than 30 years because I'm always learning new

Transition, team building and success



The opening of the Shenzhen office in November 2005 saw Sarah presented Merle with a cake, celebrating his decades-long contribution to facilitating global trade.

things. Not because I need to increase my value in the market with new skills, 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.

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 leading the company because he saw that potential in me.

Eddie:

For me, even though Global Sources is a public company, the working environment is like a family and I felt comfortable working here. I didn't have interference from Merle or from

Sarah or from Craig. They left me very much on my own to do my work, and all I needed to do was to report the results, highlight issues and make 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 was like another day, another challenge, another excitement. Nothing was old or 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 competitors.

Merle really is a great leader, and he has always carried us through with his clarity. Sometimes when we have competition, some of our team members get confused about how we should respond. But Merle 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, and not just in sales. Then I became the General Manager under Sarah to learn publishing. Then I became an Associate Publisher and then Publisher in the 1990s. I treasure every different role and experience I have had here.

I also treasure that Merle gave us this freedom. I have deeply enjoyed my career with Global Sources. So when people ask me, 'Why have you worked for this company?' I can answer honestly: 'It is a great company. It's a great service, and it's a meaningful thing to do.'

Merle:

Success is about being comfortable with who you are, being comfortable with where you are in life, whether that be as a student, whether that be as an employee or employer, or in whatever capacity you fulfill in life. If

you are happy in that capacity, if you are happy in the duties of your day, then you're successful. It's all about fulfilling responsibilities – to yourself, to your family, and to the community in which you live. Each one of these is equally important. But you cannot fulfill any of these responsibilities without fulfilling the first, which is your responsibility to yourself.

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 be out of the office and meeting with our customers. Also, 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.



Merle, at the 45th anniversary party with four of the company's key people throughout the years: (from left to right) Craig Pepples, Sarah Benecke, Eddie Heng and Spenser Au.





CHAPTER NINE

Transformation

Transformation

Leaders establish the vision for the future and set the strategy for getting there; they cause change. They motivate and inspire others to go in the right direction and they, along with everyone else, sacrifice to get there.

– John P. Kotter

2011 to 2016

Primary forces, initiatives and developments

There were aggressive efforts and numerous initiatives between 2011 and 2016 focused on improving the business performance, with particular emphasis on improving the competitive position and the challenges to online revenue. These included multiple changes to the organizational structure, value proposition, positioning, advertiser packages and pricing.

The following is a summary of some of the most significant external and internal forces, initiatives, and developments that shaped and impacted the company between 2011 and 2016.

The revenue mix evolution

Magazine advertising revenue was the company's largest revenue stream for

many years. However, this revenue declined greatly over the years due to the internet, and on a trend line similar to other magazine and newspaper publishers worldwide.

For Global Sources, magazine advertising revenue was eventually overtaken by revenue from the online marketplace, GlobalSources.com. Online advertising revenue, in turn, ultimately became significantly challenged by the commoditization of supplier content online, and by intense competition. Meanwhile, trade show revenue – driven by the company's flagship shows each April and October in Hong Kong – continued to grow and in 2016 eclipsed online revenue to become the company's primary revenue stream.

While the company experienced the above revenue mix changes over many years, there were particularly dramatic shifts between 2011 and 2016.



Global Sources print and digital magazines highlighted advertisers' unique selling points and helped them project a professional image.

The role of magazines

2011 began with print magazines being a core part of the value proposition to advertisers, a significant differentiator from competitors, and an important contributor to average revenue per advertiser. The period also began with the hope that digital editions of the magazines would be a success and help make up for the inevitable decline of print. However, the role of magazines steadily reduced and digital editions have not been successful. In short, print was a significant revenue stream in 2011 but it was substantially diminished by the end of 2016.

Trade shows: from Hong Kong to regional to Hong Kong

Global Sources began with all of its export-related shows being held in Hong Kong. Then, within the span of just a few years, they were being held on six continents. It was a dramatic and powerful strategic initiative with large revenue growth potential. The intent with regional shows was to take the suppliers to the buyers and to more deeply penetrate the global buyer community to reach smaller and new importers. This had worked and the activity

and marketing had a positive knock-on effect for the magazines and the website. However, despite initially good sales performance, suppliers were unwilling to make long-term commitments to exhibit and exhibitor renewal rates were too low. Accordingly, the regional show initiative was eliminated and focus was shifted entirely back to the Hong Kong shows.

Horizontal and vertical

A core competence and competitive advantage from the company's publishing history was industry specialization, where Global Sources generally had more specialized media than its competitors. With the advent of the internet and keyword search, the buyer benefits of vertical specialization seemed diminished and the company served the market with its horizontal GlobalSources.com site. However, starting around 2014, the company embarked on an aggressive industry specialization initiative where it created 13 industry-specific vertical sites and magazines, with specialized sales teams. The primary focus was the online business and the belief was that specialized content would attract and



Global Sources' Hong Kong trade shows have grown to feature more than 16,000 booths annually.

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retain more buyers, increase value for advertisers and improve the company's competitive positioning. Buyer marketing drove traffic to the vertical sites and product development was focused on identifying vertical specific content, UI and functionality. However, the company could not uncover substantive differences in needs to justify an investment in vertical specific services. In addition, there was a lack of data to prove that vertical sites were more effective at attracting and engaging buyers. There was also a strong internal argument that the company could not afford to divert traffic that would otherwise go to the flagship mother site GlobalSources.com.

Two sales teams become one

The company had two distinct sales teams. One sold booths for the trade shows and the other sold packages comprised of online and magazine advertising. The two teams competed with each other, and often aggressively. The company fully realized this but felt that some of its media would not get effective representation from a single sales force. The view was that the sales team would

just sell what was easiest and that new, unproven and more challenging products would be neglected. However, with the aim of boosting sales productivity and giving suppliers one point of contact, the company ultimately made a major decision to combine the sales teams into one. The merging of the sales teams and their client and prospect databases, and the retraining of the account executives was challenging; but today, all account executives can sell all media services.

The end of “Design to Manufacture to Export”

For Global Sources, the vision of addressing “Design to Manufacture to Export” for the electronics industry had been viewed as a large business opportunity and significant amounts of blood, sweat and tears were poured into making it work. Over the years, Global Sources established a massive advantage over all competitors: operations and editions in China, Hong Kong, Taiwan, Korea and ASEAN; by far the best design and technical content for engineers; the leading IC show; *Electronic Components*, the bible for passive components; and a massive community of buyers and suppliers



“Source year-round” was a key message to trade show attendees, encouraging them to also use the company's online services.



“Design to Manufacture to Export” communicated the extensive range of services the company offered the electronics industry.

who used the company’s numerous export-oriented consumer electronics shows, magazines and websites. However it was not to be. Large shifts related to content, distribution channels, advertising and market consolidation converged to thwart the vision from being realized. It was a sad day indeed to see it finally end with the sale of the eMedia business unit in 2014.

China domestic and M&A

The company strategy had been to grow its business in the China domestic market, organically through its existing media, and inorganically through M&A. There were three significant trade show acquisitions in optoelectronics, fashion and machinery. The scale of the China domestic operation became quite significant during the period and included the eMedia shows, sites and magazines, the *Chief Executive China* magazine and site, and the acquired shows. However, two of the three trade shows were eventually sold, and the eMedia business was sold. The corporate strategy shifted to focus on more profitable opportunities and especially the core export related online and show businesses.

External consultants

Insigniam was retained to lead the company through a leadership development initiative with the focus on identifying breakthrough opportunities for the online business. Insigniam’s role was to provide coaching, training and consulting, and their program enhanced the bond between team members and provided the participants with new tools and frameworks for strategic planning. Spenser invited the following team members to join the meetings which began in Hong Kong in January 2012: Peter Zapf, Philip Chatting, Daniel Yeung, Cameron Walker, Livia Yip, Carol Lau, Edgar Loo, James Strachan, Proton Jan, Chen Jian, John Kao, Jenny Lee, Lena Dobreci, Seema Nirwal, Brent Barnes, Anita Qu, Claudius Chan, Bernie Holmbraker and Craig Pepples.

McKinsey was retained in the spring of 2014 to conduct an in-depth study of the online business, along with a consideration of overall corporate strategic alternatives. The project involved a particularly deep dive into the sales structure and processes. The primary objective was to strengthen operating and financial performance within the current year and to generate potential

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Craig worked closely with Spenser in the fall of 2016, prior to Spenser's retirement as CEO at the end of the year.

quick wins. The primary participants were Spenser, Tommy, Livia, Cameron, Craig and Brent. No significant changes or initiatives resulted from the study. The primary finding was the realization that the company was doing things pretty well in a very tough market and competitive situation – and that there weren't many things the company hadn't thought of or tried.

Organizational structure

There were ongoing efforts to optimize the structure. During 2011, the company continued to develop its senior management team. Mid-year, it announced plans for Peter Zapf and Brent Barnes to transition to

the positions of CIO and COO respectively, and Spenser Au succeeded Mr. Hinrich as CEO, as Mr. Hinrich transitioned to the role of Executive Chairman. Spenser initially had two distinct sales organizations reporting to him. However, in 2014, the company made two big moves. It decided to differentiate based on industry specialization, starting with the Mobile Electronics show, magazine and site – and it established the first sales teams that could sell both online and shows. Sites and magazines for all other verticals were launched during 2015, while all sales efforts were reorganized under three business units, with Tommy Wong leading Electronics, Livia Yip leading Fashion, and Cameron Walker leading Gifts & Home and Hardware. Brent continued to oversee buyer facing operations in addition to his role as COO and Craig led supplier marketing in addition to his other responsibilities. In 2016, seeking horizontal efficiencies and effectiveness, Craig was given responsibility for all supplier-facing business, with the three business unit heads reporting to him. Concurrently, Brent was given responsibility for all buyer facing operations including online, magazines and the trade shows. Lastly, after a fall transition period, 2016 ended with Spenser's retirement and with Craig taking over as CEO.

The following pages provide a year-by-year look at highlights of 2011 through 2016.

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2011 Fundamental beliefs and industry fraud

Business outlook

To provide context as the company began its fifth decade, Mr. Hinrich's letter to shareholders for 2011 described recent performance, the market situation, the company's fundamental beliefs and the growth strategy. Excerpts follow:

Global Sources had a solid year in 2011, once again delivering revenue and net income growth while maintaining our strong balance sheet and holding no debt. We achieved these strong results despite global economic uncertainty.

Operationally, we continued to

enhance our online services, develop new offerings and extend the global footprint of our trade shows. In March 2011, we completed an acquisition that extended our leadership position serving electronics manufacturers. We also substantially expanded our operations in China's domestic B2B market and completed several key management transitions.

Fundamental Beliefs

There are several core beliefs that we have about our industry that shape our focus and strategies.

- *China will continue to be the biggest export supply market of consumer products for the foreseeable future.*



Global Sources has the broadest and most integrated multi-channel offering for exporters and importers in the industry, addressing all stages of the sourcing process and enabling buyers to access Global Sources' content and engage with suppliers when, where and how they choose.

Transformation: 2011

Its products will move up-market and increasingly rely on design and branding for differentiation.

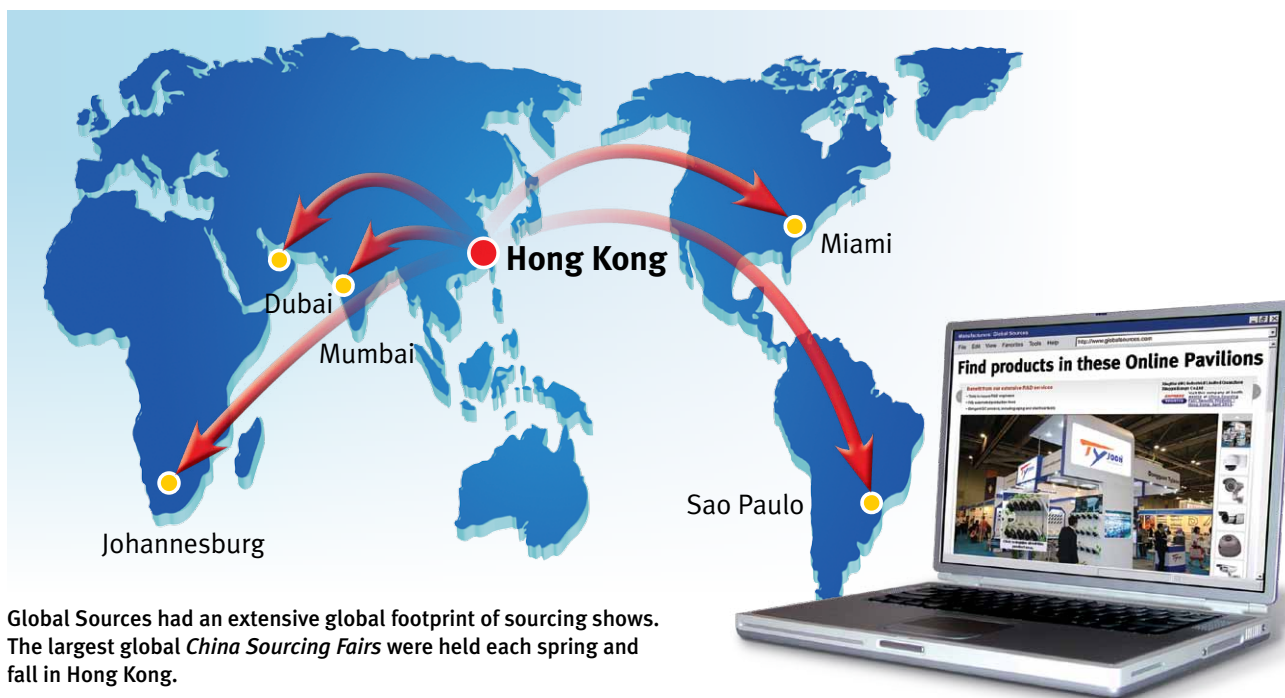
- *China represents unlimited opportunity. In addition to being the world's largest trading nation, exporter and manufacturer, it is the world's second largest importer.*
- *Consumer demand in emerging markets will continue to grow in importance. In 2011, growth in exports from China to Brazil, India and Russia in 2011 were 30%, 23% and 31%, respectively.*
- *Import buying power is relatively concentrated. For example, according to the U.S. Department of Commerce, in 2009 the top 2,000 U.S. importers accounted for more than 80% of total imports.*
- *For the foreseeable future, large volume international purchases will not be transacted on online*

marketplaces. There are numerous reasons for this, including the fact that manufacturers of many product categories will not produce before they have orders.

- *Various media formats play a different role at each stage of the sourcing process, and buyers are best served when they can engage with content and suppliers – when, where and how they choose.*
- *Trade shows play a vital role enabling buyers to reassure themselves about supplier capabilities and product quality. Getting face-to-face also uniquely enables supplier comparisons, negotiation and order placement.*
- *Online platforms and other digital services will extend the reach and life span of trade shows, and enhance the productivity of all participants.*



Global Sources introduced its new 'one-row' user interface in the fall of 2011. It provided buyers with much more information in fewer pages of search results.



Business and growth strategy

Our primary target market is professional buyers and suppliers. Our strategy is to serve our markets with innovative online, print and trade show media that address our customers' needs at all stages of the sourcing process.

Our goal is to be an essential provider of sourcing content for buyers – and accordingly – a vital component of a suppliers export marketing campaign. We will continue to focus on addressing suppliers' lead generation, branding and order generation objectives.

The Global Sources growth strategy is built around the following four key foundations:

- **Market penetration**

We anticipate continued strength from our flagship site GlobalSources.com and from our China Sourcing Fairs.

In our online business, we recently launched a unique “one-row” interface that provides buyers

with much more information in fewer pages of search results.

In our exhibitions business, our China Sourcing Fairs have gained a reputation for showcasing a distinctive group of manufacturers from mainland China and throughout the region.

We are focused on expanding our leadership position in various industries such as electronics and fashion.

Regarding our buyer community, we are extremely focused on quality versus quantity in order to help suppliers reach the right buyers. We are doing this by nurturing a core audience of more than 200,000 verified buyers that we have qualified face-to-face at our shows.

Another key initiative is to enable our customers to reach buyers in high growth emerging markets. Unlike any competing services, Global Sources' regional shows take suppliers directly to the rapidly growing regional

Transformation: 2011

sourcing hubs of Dubai, Mumbai, Miami, Johannesburg and later this year, Sao Paulo, Brazil.

- **New product and market development**

Our plans include increasingly specialized online marketplaces, magazines and trade shows, including entries into new geographies as well as entirely new media formats.

- **Expansion in China's domestic B2B market**

In the past few years, we have been expanding our operations organically and through M&A, with three acquisitions within the past three years. Our eMedia joint venture operates China's leading electronic systems design event, which is in its 14th year. We also now operate two of the top 10 shows in Shenzhen: CIOE for optoelectronics, and now SZIC in the fashion sector.

- **Acquisitions, joint ventures and alliances**

Our objective is to seek complementary businesses, technologies or products

that will help us maintain or achieve market leading positions.

Looking forward

We anticipate a challenging economic environment as softness in the European and U.S. import markets is expected to continue. Accordingly, we expect our revenue and earnings will be impacted.

In this environment, our focus is on striking the right balance between controlling costs while still investing in our business. We are cautiously optimistic that the business environment will improve later in the year and look forward to helping our buyer and supplier communities successfully move through the uncertain economic times ahead.

Our growth opportunities are based on a large and attractive market opportunity primarily focused on China's exports and domestic B2B market. Our market position includes leadership of the professional segment of the market, which is built on deep relationships with the largest and most active buyers, and a high quality community of export suppliers. Our services include the broadest multi-channel offering in the market. Backing it all up is a highly experienced management



Global Sources expanded its presence in China's domestic B2B market with the acquisition of *China International Optoelectronic Expo (CIOE)* and *China International Fashion Brand Fair (SZIC)*.

team, a very strong balance sheet and a 40-year-plus uninterrupted track record of profitability.

Industry fraud

In 2011, the industry had been shocked by incidents of fraud at Alibaba. The following are extracts from a story in the New York Times on February 21:

“Alibaba.com, a fast-growing Chinese electronic commerce site that is partly

owned by Yahoo, said on Monday that its chief executive and chief operating officer had resigned amid an internal investigation of fraud at the company.

The company said in its statement that 100 sales officers at Alibaba had helped perpetrate the fraud by allowing fake companies in China to register and sell products on Alibaba’s international web site as “Gold Suppliers,” which suggested that they

Board Member and former CFO

Eddie Heng has been a long serving Director for Global Sources since retiring as CFO in 2009.

At the retirement celebration Merle said: “I will greatly miss his timely support and wise counsel. We will also miss his kindness, humility and warmth. In addition to being a most dependable colleague, Eddie has also become a personal friend.”

During Eddie’s tenure and with his leadership, the Company went public in 2000 and was later included in the NASDAQ Global Select listing.

Eddie has also steered the company through the compliance complexities of Sarbanes Oxley and Securities and Exchange Commission, and the many quarterly earnings calls, while providing consistent and careful financial direction for the organization.

The Company’s achievement in obtaining numerous awards, including the IRGR “Best IR Website” in 2006, 2007 and 2008; the IRGR “Best Financial Disclosure Procedures” in 2006, 2007 and 2008; and the “Best Corporate Governance Practices” in 2008, was realized under Eddie’s leadership.



Transformation: 2011

were among the more trustworthy.

According to the company's investigation, false companies listed on Alibaba.com often lured overseas customers, including some from the United States, into paying for consumer electronics, like laptops and televisions. Most of the transactions were for less than \$1,200, Alibaba said, but after the payments arrived in China, no goods were delivered.

This is not the first time the Alibaba Group has had to deal with accusations of fraud. There have been persistent reports over the years of Alibaba selling counterfeit goods or allowing sellers to defraud buyers.

Alibaba.com is one of China's biggest success stories. It is part of China's much bigger Alibaba Group, of which Yahoo owns approximately 40 percent. Alibaba.com, the group's

Information services

The information services (IS) department has been led by CIO Peter Zapf since January 2012. He began his career in software project management with the United States Air Force. He then joined Global Sources in Phoenix, Arizona, working on the company's early software and e-commerce products. Later, he worked as an analyst at Bear Stearns in New York, where he authored a very influential report on B2B online marketplaces. He rejoined Global Sources in 2001, and was Chief Operating Officer from January 2011 to December 2011. Peter holds a BS in Electrical Engineering from Carnegie Mellon University, an MS in Computer Science from Troy State University, and an MBA from the Thunderbird School of Global Management.

Some of the bigger projects that IS oversaw during Peter's tenure included the following:

- In 2013, development of a Trade Show app for buyers and exhibitors.
- In 2014, development of a Spanish language site.
- In 2015, Data Center Virtualization virtualized and consolidated the physical servers hosted in the HK AT&T Hosting Site. This created

significant cost savings, enabled 100% system uptime, while also improving system performance by 20%.

- In 2015, building MessageCenter, a full messaging platform that enables both suppliers and buyers to manage their inquiries, responses and quotations.
- In 2015, rolled out enhanced personalization in search results to improve context and relevancy for individual buyers.
- In 2016, launched a real-time personalization platform providing relevant recommendations to buyers by leveraging behavioral data insights and predictive analytics.

Supporting Pete over the past few years were two senior general managers: Perry Yu, responsible for managing the development of enterprise applications; and David Lee, responsible for ensuring the availability, security & service quality of the technical infrastructure. Other key team members are Prajyot Doshi, John Ng, Su Benru, Jennifer Leung, Simon Lau, Samuel Shio, Simon Khor, Jasmine Soh, Lolita Tang, Freddie Tiu, Kimberly Tan, Mimi Chu, Lana Leung and Cecilia Wat.

flagship property, has 57 million registered users worldwide, including 14 million on its English-language web site.

Through the first three quarters of last year, the web site had revenue of close to \$600 million – all from registered users seeking to sell goods online.

In a statement Monday, Mr. Ma – who is chairman of the Alibaba Group – said about 2,300 companies that registered as Gold Suppliers in 2009 and 2010 had committed fraud on the site.

“Our company has determined that the vast majority of these storefronts were set up to intentionally defraud global buyers,” Mr. Ma wrote. “The methods of the perpetrators suggest that they have engineered an organized and systemic attack on the integrity of the Alibaba.com platform for illegal gains.”

Global Sources verification

The Alibaba incidents heightened the importance of Global Sources having adequate systems, processes and internal controls in place.

Said Mr. Hinrich: “For 40 years, Global Sources has worked at the time diligently to provide our buyers comprehensive, accurate and verified information about our suppliers and their products. Doing this helps buyers make informed decisions about which suppliers are most appropriate for their sourcing needs. We verify and validate suppliers through personal visits as well as independent third-party checks on business registration, credit status and supplier capability. We also include a star ranking system to reflect the extent of verification we provide about our suppliers. To further safeguard buyers and minimize fraudulent activity, we

have a clear separation of the sales team and supplier review processes. We use reputable third-party services to confirm and validate each supplier, and provide clear policies to address complaints received about suppliers.”

40 year celebrations

The company began 40-year anniversary messaging starting with video ads in Times Square in New York.

“Source with more confidence. Choose verified suppliers at GlobalSources.com.” This was part of the message that flashed on the electronic billboards of the NASDAQ MarketSite Tower.

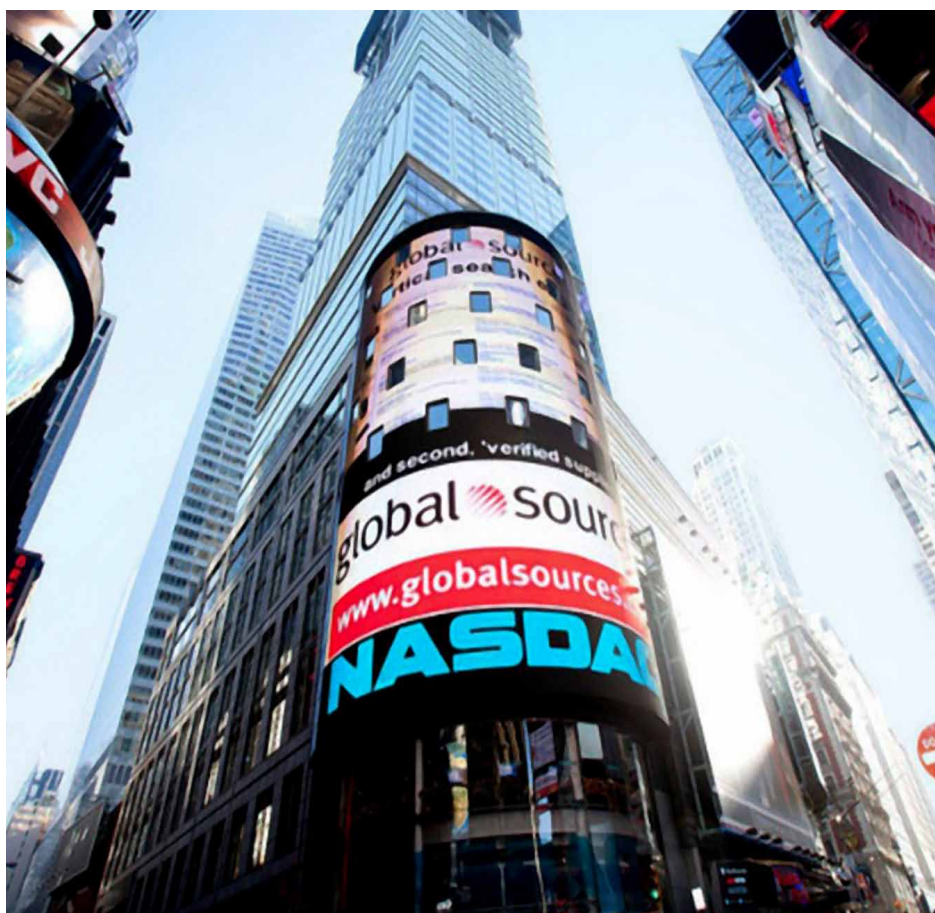
“We provide information that is critical to both the buyer and the supplier,” Chairman and CEO Merle Hinrich explained in the video. “In doing so, we help both increase their sales and their profits.”

In the other video, Global Sources underlined its advantages in providing solutions to problems associated with product sourcing – lost sales, lost profits and lost customers: “First, a vertical search engine delivering the largest selection of suppliers and products on the web; and second, ‘verified suppliers’ – pre-qualified through face-to-face visits and third-party verification.

On Jan. 17, 2011, at The Regent Taipei hotel, Global Sources’ Taiwan office hosted an anniversary banquet. Sales President Daniel Yeung of eGSOL kicked off the party with a motivational opening speech, which was followed by Chief Representatives Jarvis Wang and Penny Cheng who wished everyone a prosperous Year of the Rabbit.

To demonstrate the sales force’s determination to achieve the target this year, Daniel and all sales leaders were invited to the stage to break a specially made ice sculpture which said, “YOY+40%”, to signify a good omen for even more sales breakthroughs for 2011.

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As part of its 40th anniversary, Global Sources had video ads flashed on the NASDAQ MarketSite Tower in New York.

The Beijing office hosted a party on February 24, 2011, at Grand Mercure Hotel. With the theme Fantastic 40, Rebecca Li, hostess of the event, presented Chairman and CEO Merle Hinrich's opening video. Department managers, including Grace Tian, Anne Zhang, Paul He, Calvin Cao and Sunny Sun, also came up on stage to express their gratitude to all the team members in their speeches.

The Korea office held its party on September 22 at the Westin Chosun Hotel. The affair was graced by the presence of Executive Chairman Merle Hinrich, who welcomed about 100 major clients. The venue was an auspicious choice as it was the hotel where the Korea office originally started.

Ms. Kim Hae-in, section chief of Biocera, a company that started advertising with Global Sources last year, was impressed with the Company's achievements. "I joined the party to give my sincerest congratulations, as I know how hard it is for a company to stay afloat and celebrate its 40th anniversary especially in this age of intense competition," she said.

The company's 40 year anniversary coincided with Mr. Hinrich's 70th birthday. Accordingly, a celebration of both milestones was attended by more than 100 guests on the last day of the *China Sourcing Fairs* on October 15 at the AsiaWorld-Expo in Hong Kong.

The affair, hosted by Christine Lee and Bennie Hui, kicked off with a slide

show presentation that chronicled Global Sources' 40-year history. In his opening speech, Mr. Hinrich looked back on his journey with Global Sources.

"We have come from being a publisher of a single trade magazine to a multimedia company that enables international trading," he said. "Today, we have 60 offices worldwide with more than 3,000 team members. Together, we help a community of over 1 million active buyers, who have a choice of more than 10,000 qualified advertisers. On the trade show front, we've had 63 shows this year alone, which altogether, showcased close to 7,000 exhibitors."

The quintet of Alfred Cheng, Bennie Hui, Claudius Chan, Daniel Yeung and Tommy Wong sang "You Raise Me Up." Judging by the rousing applause they received, each of these team members have

alternative careers in the entertainment industry to fall back on.

That is, if "The Assistants" don't beat them into it: The trio of Brent Barnes, Ben Wong and Felix Lee, former Executive Assistants of Mr. Hinrich, brought the house down by performing "My Boss" to the tune of The Temptations' "My Girl." Providing back-up vocals were chanteuses Alinda Ng, Lorna Yuen and Maggie Pang. Previous Executive Assistants for Merle including Howard Finger, Nick Muessig and Josh Ziegler called in via Skype to extend their best wishes to Mr. Hinrich.

"It was rather touching and you can feel how pleased Mr. Hinrich was at that very moment, receiving praise from all the guys who have worked so closely with him throughout all these years," shared Ming Wong, personal assistant to the CEO.

At the end of the night, everyone



In his opening speech at the company's 40th anniversary celebration, Mr. Hinrich looked back on his journey with Global Sources. Over 110 guests graced the affair.

Transformation: 2011

enjoyed the music of Grammy-nominated jazz singer Howard McCrary.

Alinda Ng, Mr. Hinrich's Personal Assistant, said she was excited to have been part of the event's organizing committee along with General Manager for Corporate Affairs Camellia So, Audio Visual Specialist Kenny Chan, Senior Corporate Communications Manager Canis Ho, Secretary Shiela Fan, and Ben Wong.

Spenser looks back on 2011

CEO Spenser Au, described highlights of 2011 to team members including the following:

- Successfully launched and executed the "Magic 40" sales initiative, resulting in a nearly 50 percent increase in paid suppliers and a 14 percent YOY growth in revenue.
- Introduced a new "ranking-based star package" offer and "one row per supplier" concept. Both were instant successes and brought in 2,096 signed new contracts in the first month.
- During the fall, held the largest-ever shows with increased booth sales of 17 percent YOY for electronics and 28 percent YOY for the fashion and garments verticals.
- Content & Community Development exceeded a 1 million audited buyer community, with more than 10,000 verified suppliers, 450,000 "eMagazine" subscribers and 100,000 Facebook fans.
- eMedia held the largest ever CIOE show, with 35 percent growth in revenue. Also, EDN was successfully acquired to give Global Sources the top four magazines in this market space.
- *Chief Executive China* achieved improved cash sales of 11 percent and a BPA-audited print and digital circulation record of over 400,000 active readers.



Global Sources celebrated its 40th year by holding parties in key offices. Pictured is the party that was held in Hong Kong.

2012 “Reliable exporters – Find Them and Meet Them.”

New positioning

The year got started backed by a bold new positioning: “Reliable exporters – Find Them and Meet Them.”

The message highlighted Global Sources’ reliable suppliers as well as the key differentiator from online-only competitors: its ability to help buyers meet suppliers face-to-face.

At the Spring Hong Kong China Sourcing Fairs, escalators, the Buyers’ Lounge, promotional flyers, trade show bags and hanging banners all featured the new branding message. In addition to trade shows, the promotions were also communicated through Global Sources Online and eDM campaigns.

SWAT team to seize China market

The sales organization also had a new initiative. On June 21, CEO Spenser Au officially announced the creation of a SWAT team of senior sales managers, who would execute a set of breakthrough sales strategies.

“Our goal is to build market share and achieve positive revenue growth in the

second half of 2012 and to prepare for a bigger growth in 2013,” Spenser said. “We also aim to strengthen account executives (AEs)’ confidence under the current macroeconomic conditions.”

Daniel Yeung, Livia Yip, Edgar Loo and Cameron Walker were lead members of the group tasked with giving support to China General Managers as they concentrate on delivering sales results. The SWAT team also reported directly to Spenser.

“The team will produce a new structured sales presentation (SSP) to stress the core value of Global Sources’ services,” he said. “Our verified buyer community – the quality of which is substantiated by our nine years of running China Sourcing Fairs, among our other services – has become our crystal clear differentiation against online-only competitors.”

Situation overview

Global Sources had a solid year in 2012, once again delivering revenue and net income growth despite continued global economic uncertainty.

Operationally, Global Sources had continued to enhance its online services, extend the global footprint of its trade



With Global Sources’ “Find Them and Meet Them” initiative, buyers can maximize their productivity by using online services to prepare for the show by previewing products and exhibitors.

Transformation: 2012

Supplier content, marketing and customer services



Carol Lau started in 2004 as a Business Analysis Manager on the online and magazine side of the business. She became Vice President, Supplier Content & Client Services at the end of 2016, reporting to CEO Craig Pepples.

Carol:

We have 100 client service officers in five service centers in Greater China including three in China, one in Taiwan and one in Hong Kong. Our ultimate objective is to help advertisers and exhibitors be successful and to renew their marketing programs.

Here are a few of our activities and highlights:

Our VIP supplier clients usually use all of our media channels to project their market positioning. We explain, and they believe, that if they want to be perceived as a key supplier in their category, they have to show up online, exhibit at our show and show up in the magazine –

with at least a full page ad. They appreciate our ad designs and our ability to highlight their unique selling point.

Many of our client service officers are hard-working, loyal and experienced. They know their clients very, very well. They act as marketing consultants to help the supplier stay ahead of competitors. Each exhibitor has a dedicated client service officer to support them before, during and after each show. We help suppliers create and maintain their website and update their product photos and profiles.

Two years ago we rolled out MessageCenter to help suppliers manage their sales leads. We provide the online version and an app so that suppliers can check inquiries through their mobile device. We also help suppliers validate and qualify buyers. We help suppliers by providing more information on buyers such as their search terms, show attendance and sourcing activity history.

We have a VIP buyer service that generates valuable sales leads for our advertisers and exhibitors. We validate supplier content and help the buyers to shortlist and meet suppliers. We work with a lot of famous brand names like Best Buy, Dollar General, Raspberry, Brookstone and Li & Fung. For a recent show, we managed sourcing projects for more than 32 VIP buyers and we generated more than 400 sales leads for suppliers. In the last 6 months, we completed more than 400 sourcing projects and generated more than 1,000 sales leads.

shows, and further integrate its online services and trade shows. The company also completed a show acquisition in March 2012 that extended its position in the fashion industry and expanded its footprint in China's domestic B2B market.

The market in the company's core business of global trade had changed dramatically in the past few years with demand from Europe down substantially, soft demand in the United States, and emerging markets continuing to grow in importance.

Understanding buyer needs

During the year Global Sources had conducted over 9,000 face-to-face interviews with buyers to keep ahead of their evolving needs. The biggest need was for help in filtering through the overwhelming quantity of export suppliers that are online. Or to put it another way, finding lots of potential suppliers was not the problem for buyers. Their problem was finding the right suppliers.

The Global Sources "Find Them and Meet Them" initiative had three primary objectives:

- To integrate the best of online media with the best of trade shows;
- To overcome the limitations of the online-only environment; and

- To develop content, communication, user interface and other innovations to simplify and enhance sourcing and marketing.

Recognition for social responsibility and investor relations

A highlight during the year was more third-party recognition. Since becoming a public company in 2000, Global Sources had been recognized numerous times for excellence in corporate operations.



In 2012, the company was recognized again, this time with The Asset's Corporate Awards for excellence in social responsibility and investor relations.

Looking back on 2012

In December, 2012 Spenser addressed team members and summarized

Key site and show initiatives in 2012

- Launched mobile-friendly GlobalSources.com site to optimize the experience of the rapidly increasing community of buyers using smartphones to access the site.
- Redefined the value proposition of Supplier List search results by displaying up to 48 products from each supplier, featuring standard-sized product images and key product details.
- Organized shows in six locations – and on all continents: Hong Kong, Dubai, Mumbai, Miami, Sao Paulo and Johannesburg
- Partnered with New York-based "Fashion Snoops" to create "Style Guide" for Global Sources Fashion exhibitors and buyers.

Transformation: 2012



Global Sources' "Find Them and Meet Them" initiative aimed to provide buyers with the best of online media integrated with the best of trade shows. The goal was to overcome limitations of online-only environments and provide unique and essential sourcing content and services.

achievements of the past year. Extracts follow:

It has definitely been a challenging year for many companies due to the turbulence within the world economy. However, I am pleased to report that Global Sources has maintained steady growth.

I am proud of the many achievements we have accomplished together this year and would like to share with you some of the key highlights:

- *Content & Community Development exceeded a community size of 1.18 million audited buyers, with more than 160,000 verified suppliers, 600,000 "eMagazine" subscribers and 100,000 Facebook fans.*
- *We offered our supplier community access to buyers who had been "verified" at China Sourcing Fairs.*
- *China Sourcing Fairs were launched in Sao Paulo, Brazil.*
- *The fall 2012 electronics trade shows*

featured a record of 4,000 booths and it has been evolving into one of the largest consumer electronics shows in Asia.

- *Acquired an 80 percent interest in the China (Shenzhen) International Brand Clothing & Accessories Fair, one of the largest fashion shows in Asia.*
- *Chief Executive China celebrated its 20th anniversary of serving China's business elite by providing advanced management ideas and information.*
- *More than 65 Private Sourcing Events were organized, creating more than 1,500 high quality, one-on-one selling opportunities for Global Sources suppliers.*
- *Held more than 10 supplier forums, which attracted more than 2,000 exporters, while generating over 1,700 press mentions and US\$2 million in sales revenue.*

2013 China Expansion: SIMM and Machinery

SIMM

Global Sources partnered with and acquired an interest in the *Shenzhen International Machinery Manufacturing Industry Exhibition (SIMM)* and its related shows which were founded by Mr. Yao Jiguang.

Established in 2000, SIMM had grown and developed each year to the point where the 2012 event hosted approximately 4,400 booths, and more than 70,800 visitors. In March 2013, the event included the categories of mold manufacturing technology and products, cutting machines and tools, machinery automation, and metal processing.

Here is how Merle introduced the

acquisition: “Our ownership interest in SIMM further assists us to establish a strong presence in a fast-growing market in China. The machinery industry is one of the strategic pillars of China’s national economy. It is also the foundation of the manufacturing sector, supplying to a wide scope of industrial production such as automobiles, computers and electronics.

In order to improve their competitive positions, many Chinese manufacturers are increasing their investments in research and development of automation and precision machinery. With SIMM’s dominant presence in the machinery industry, combined with Global Sources’ globally established media platform, this partnership enables benefit for both parties.”



The 16th annual *Shenzhen International Machinery Manufacturing Industry Exhibition (SIMM)* covered 110,000 sqm of exhibition space, showcasing over 1,200 local and International exhibitors and 3,600 precision machines.

Transformation: 2013

Business overview

2013 was a challenging year for Global Sources. For the company's key export business, the year was characterized by substantial economic uncertainty with weak consumer demand in key developed markets, while the emerging markets generally continued to grow in importance.

Retail demand for consumer products was slow in most major markets which affected booth and advertising sales. This was reflected by an industry-wide decline in ad spending in Global Sources' key markets. The overall weakness continued into the early part of 2014 with China's exports showing a slight decline over the

previous year.

Operationally, Global Sources continued to integrate its online and trade show services. The company also announced the launch of new *China Sourcing Fairs* for the new vertical of *Mobile & Wireless* – and for the new location of Jakarta, Indonesia.

Right products and right suppliers

Aside from the macro issues, a big driver of trends, services and buyer behavior was the continued commoditization in the online marketplace sector, as evidenced by the sheer quantity of “products” and “exporters” that could be found online.

Corporate Affairs

The Corporate Affairs Department, headed by Vice President of Corporate Affairs Camellia So, is an ambassador and sometimes a “gatekeeper” for Global Sources. Camellia joined Global Sources in March 2000, following predecessors including Sheila Gibbs and Anne Hughes, and



has been instrumental in building a strong image for the Company. Camellia is very ably assisted by Senior Manager, Canis Ho.

The department oversees the company's corporate affairs and communications initiatives with its various stakeholders, including the news media, the government, and the business community across the region. In 2016 the department generated more than 700 instances of primary press coverage for the company from 160 news organizations in Greater China and around the world. Also, senior officials of China and the HKSAR regularly attend company events as dignitaries including in 2016 when Hong Kong's Secretary for Commerce and Economic Development Greg So and Permanent Secretary for Innovation and Technology Cheuk Wing Hing both officiated at the opening ceremony for the Company's *Startup Launchpad* Pavilion and Conference.

Buyers' No.1 Search Format*

Valuable information like certifications, customers and capabilities

Multiple products at-a-glance and expandable view

The screenshot displays a supplier profile for Hollyland Co. Ltd. The header includes the text: "We've been providing environmentally friendly products for more than 30 years ISO 9001:2008-certified | Sony and Canon green partner | PPM and TQM systems". Below this, it lists "Hollyland Co. Ltd" with a 5-star rating, "13th year", and "Hong Kong SAR". The staff size is noted as "1,000 to 1,499". A sidebar on the right contains icons for "Verified Supplier", "Credit Check", "Assessment", "Trade Show", "Sourcing Event", "Magazine", and "Major Customer". The main content area shows a product listing for "Fuses" (Power Fuses with G Type, 100A, 500V, TUV-certifies) with an "INQUIRE NOW" button. Below the product listing, there are links for "All matching products (45)" and "Go To Full product catalog (113)", followed by a row of five product thumbnails, each with its own "INQUIRE NOW" button.

Only here on GlobalSources.com

* Based on buyer surveys at the Hong Kong China Sourcing Fairs.

Global Sources' unique user interface provides the most content-rich row of search results in the industry. The "headline" features a primary buyer benefit and the search result also features an expandable product catalog and details about the suppliers credentials and capabilities.

Counterintuitively, the greater content available to buyers had in fact made it riskier and more difficult for buyers to find the right suppliers. Buyers could now find more than one million so-called "export" suppliers online and many millions of products. However, the challenge for buyers could be better understood by those who realized that there were likely fewer than 150,000 suppliers of consumer goods in China who had a background that would qualify them as a legitimate potential supplier for a volume import buyer.

Global Sources' primary strategy was to offer services that integrate the best of online with the best of trade shows.

For example, Product Showcases at the trade shows featured carefully selected products from hundreds of suppliers who did not have booths at one of the shows. In addition, Global Sources was connecting more suppliers with show attendees using unique matching services like the Personal Shortlisting Service. As another

example, for the *China Sourcing Fairs* in Hong Kong there were more than 130,000 products online for buyers to view before the shows opened.

Key site and show initiatives in 2013

- Launched unique selling points in search results and on supplier websites to highlight each supplier's competitive advantages to buyers.
- Launched bilingual English-Chinese inquiry emails for greater convenience to suppliers.
- Launched VIP buyer program at the shows to provide customized services to volume buyers including business matching services and office suites.
- Organized maximum-capacity, sold-out Electronics show at AsiaWorld-Expo

Transformation: 2014

2014 Mobile Electronics and Verticalization

Sales management kick off

On February 20, sales management teams of South China, Fujian, Ningbo, Shantou, and Xi'an offices gathered in Xiamen, to attend the three-day sales management meeting for the first half of 2014.

Senior managers in attendance included CEO Spenser Au; Executive Assistant Laura Xiao; Vice President of eGSOL Sales, Cameron Walker; Chief Information Officer Peter Zapf; General Manager of Client Service and Supplier Training, Carol Lau; Business Analysis General Manager Chen Zhiwei; General Manager of China Training & Development, Edgar Loo; and General Managers John Kao and Proton Jan.

Spenser stressed the importance of seeking breakthroughs in terms of sales ideas, approaches and actions. He pointed out that Step-up Program 2.0, the new sales package was not just a price adjustment, but an upgrade of the value Global Sources offered to its clients.

The participants also shared their valuable sales experience. Edgar stressed the practical use of iSPS for sales calls. General Sales Managers Jerry Gao and

Johnson Yang shared tips on improving productivity in generating new contracts. Sales Manager Matthew Xu and Sales Supervisor Jason Lin introduced ideas on increasing renewal rates.

Referring to the challenges facing sales people in their daily work, John Kao said that the key was to deal with them with a proper attitude. He shared that he put a reminder on his desktop to request himself “to be super positive, to discover the changes needed to achieve perfection, and to look for solutions instead of delivering an excuse.” He explained: “Everyone has excellent opportunities as well as frustrations in their work and personal life. With a positive attitude, you are the master of your own destiny.”

Brand advertising campaign

The 2014 brand campaign, valued at US\$1.5 million, urged suppliers to embrace value-based selling.

The background to the campaign was that transformation had become an inevitable business trend. Suppliers now needed to take the long-term view by shifting to value-based selling, apart from working with the right buyers. The new branding messages – “Critical times,



A decade of growth and glory



From the first *China Sourcing Fair* in 2003 the shows have grown tremendously and expanded to many countries.



From *Mobile & Wireless in Spring 2014*, the company made a huge leap forward launching *Mobile Electronics* show, magazine and sites in the fall of 2014.

critical buyers” and “Critical times, critical strategies” – prompted suppliers to reach the right buyers and achieve value-based selling.

China Sourcing Fairs open in Jakarta

China Sourcing Fairs opened in Indonesia from Aug. 7 to 9 at the Jakarta International Expo featuring more than 350 booths.

“Indonesia is the ASEAN’s largest economy with a population of 245 million and a growing middle class population set to reach 150 million in 2014,” said Spenser Au, CEO of Global Sources. “It is also the gateway to trade with Southeast Asian markets with 600 million consumers and where ASEAN is expected to enjoy five percent economic growth in 2014. Facing bright prospects for future growth, mainland China and Indonesian leaders are working to achieve \$80 billion in bilateral trade by 2015.”

Electronics show growth

“With seven percent growth over 2013, the spring electronics shows are the largest we’ve hosted,” said Tommy Wong, President of Global Sources Exhibitions.

“The shows included a *Mobile & Wireless* pavilion which was very well received by suppliers with more than

1,050 booths sold out two months before the show opening. This demonstrates the high level of demand for smart connected devices and related accessories – and the value Greater China and Asian suppliers attach to Global Sources’ world-leading trade fairs.”

Verticalization and Global Sources Electronics

In 2014, Global Sources grew its revenue during a challenging year.

Demand for consumer products from China and Asia improved in the United States, but most other markets were soft including the key European Union markets.

The company’s trade show business performed well with several extremely successful shows. Also, Global Sources repositioned its electronics shows under the *Global Sources Electronics* brand and launched four vertically specialized online marketplaces for the electronics industry in February.

Organizationally, the company brought the online and trade show teams together and aligned them according to the new vertical strategy and with the expectation that this reorganization would drive productivity and efficiency.

Transformation: 2014

Show operations, visitor marketing and development



Wendy Lai:

It's vastly different today compared to when we began. Now we have 3 phases and in 2016, we had 15,000 booths and buyer attendance of more than 150,000.

We have operations and visitor marketing teams. For operations, we have a small team of 14 in Hong Kong. We have some back-end support in Shenzhen, mainly handling booth booking, updating the sales floor plan, helping our sales team to train our exhibitors and also providing exhibitor support services.

The visitor marketing team is bigger, because we've got a very high target to hit. Every April and every October we have to bring in seventy or eighty thousand visitors from around the world. For visitor marketing, we have 34 team members and they are based in Hong Kong, Shanghai, Shenzhen and Manila.

The company is really very

serious about delivering value to both suppliers and buyers – and we put our heart and soul into serving their needs. We have to look at the trends ahead, try to sort out what will be the best selling items and then we bring that content into the show. We are not only providing a venue for buyers to meet the suppliers, but also a venue for buyers to see the next generation technology and to find the next best selling items.

On the supplier side we do everything we can to help them market their products using the magazines, an online presence on our websites, and now we have apps.

We put a lot of effort into marketing. For example, we flew in Titan, a robot from the UK, to be a special guest at our first Mobile Electronics show in Hong Kong. He drew lots of attention from media, buyers and suppliers which contributed to us having a very, very successful show. The buyer attendance in fall 2014 was huge – over 21,000 and booths have grown from 1,500 in the first show to an expected 2,600 in April 2017.

We also held the “2016 Hong Kong Drone Racing Championship” during our October 2016 show. It was a media highlight even before the event. However, it almost didn't happen. Suddenly, four days before our event, I was informed that our drone racing activities would be in violation of airport by-laws. Only with lots of discussion, negotiation, and reassurance did we finally get approval from the Hong Kong Airport Authority on the evening of the day prior to our actual race.



Global Sources' industry verticals serve their markets with five media formats and aim to provide buyers with the best of online media integrated with the best of trade shows. The goal is to overcome limitations of online-only environments and provide unique and essential sourcing content and services.

Spenser:

One important milestone is the restructuring to three vertical groups focused on facilitating the O2O (online-to-offline) model. The three vertical groups are Electronics, Hardware and Gifts & Home, and the Fashion Group.

We provide online and shows together and we have buyer and supplier apps, mobile sites, as well as online tools like Message Center that provides an RFQ service. All these facilitate the O2O model. And among our major competitors in China, we are the only one doing our own show with an integrated online marketplace.

A big ongoing trend in the industry was the difficulty for buyers to knowing which products were new or important. Global Sources' response was to provide buyers with the industry's best insight into which products were new, important or innovative. Each vertical site led off with five sections of product coverage including *Analyst's Choice*, Top 20 Most Popular,

Top 20 Trending, Personalized Gallery and New From Exhibitors.

In 2014, the clear strategic priority was with the export media – and with the strategy of verticalization to most effectively attract and engage professional buyers – and to differentiate from competition.

The October 2014 shows in Hong Kong were the springboard for verticalization initiatives. The fall shows were very successful with more than 7,500 booths and buyer attendance exceeding 75,000 from more than 148 countries and territories.

The flagship *Electronics* show and the brand new *Mobile Electronics* show – which showcased the latest smartphones, tablets, wearables and accessories – were the most notable performers. Combined, the two shows were an overwhelming success with overall buyer attendance up by more than 36%.

The *Mobile Electronics* show launch complemented the vertically specialized site that had been launched as the first step. The *Mobile Electronics* initiative was the first step of an aggressive verticalization

Four electronics verticals sites were comprised of the newest products, most qualified supplier database and exclusive reports, research and analysis.



Transformation: 2014

strategy for the company that involved extensive internal reorganization plus the beginning of the roll out of verticals for other sectors.

Launch of *Mobile Electronics*

The company announced the renaming of *Mobile & Wireless* to *Mobile Electronics*, which describes the integrated offering of the online portal, trade shows, and magazine. The tagline of “devices, wearables, and accessories” described its primary product categories.

Global Sources officially unveiled the *Mobile Electronics* ecosystem in a glittering affair at the AsiaWorld-Expo in Hong Kong on October 20. Led by Executive Chairman Merle Hinrich and CEO Spenser Au, the event was graced by key exhibitors, buyers, and VIP guests.

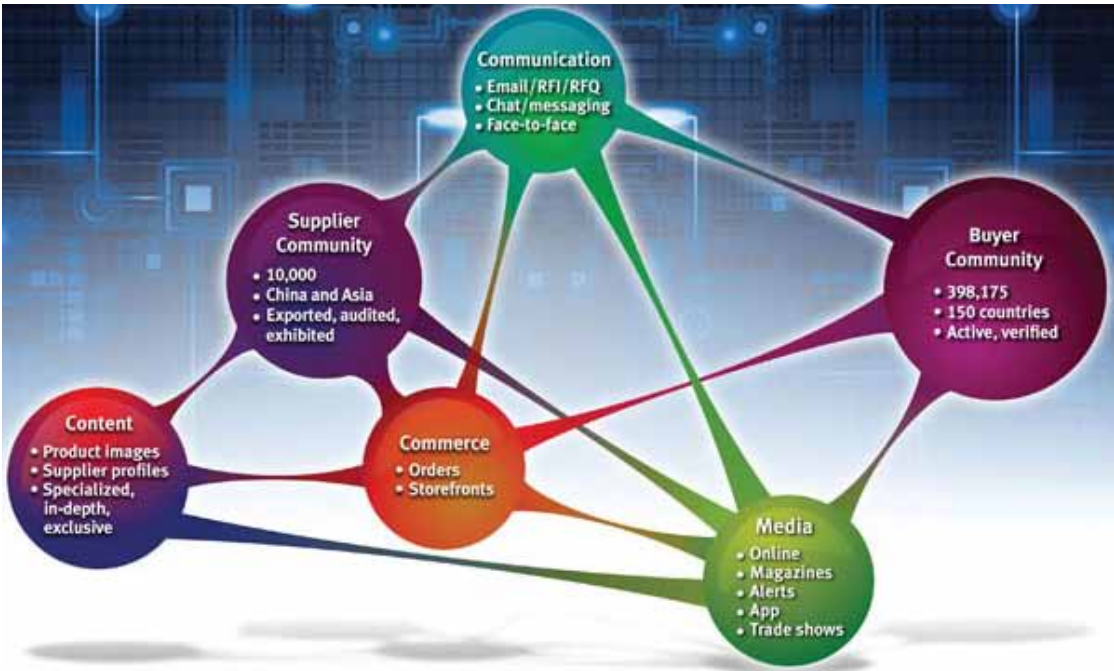
“*Mobile Electronics* has been launched to address the specific needs of buyers and suppliers in this industry,” said Merle. “This is an industry-specialized community of

buyers and suppliers connected through content, communication, and five media channels – an online marketplace, a magazine, alerts, an app and trade shows.”

In his speech, Spenser described the unique characteristics of the mobile electronics industry, where “opportunities can be quickly won or lost.” He said that in such a rapidly developing, technology-based market, product and profit lifecycles are short and are driven by the rapid innovation of Apple, Samsung and other market leaders.

“We interviewed buyers face-to-face at our shows and followed up with online surveys,” he continued. “Many buyers are overwhelmed by the millions of products and thousands of ‘exporters’ online. They need to find a way to see through the fog to identify the new and important products – and the legitimate suppliers.”

To address these concerns, the *Mobile Electronics* ecosystem offered the best resources and platforms for buyers and suppliers in the industry:



The *Mobile Electronics* ecosystem was comprised of buyer and supplier communities, commerce, media, product and supplier content and communication.

Transformation: 2014



The launch of the *Mobile Electronics* show was a huge success for its size and attendance. Also, Titan the robot helped energize the launch.

- 400,000 buyers worldwide, including more than 100,000 verified at shows;
- 10,000 suppliers, focusing on those who have exported, exhibited, or been audited;
- The number one site for the industry, featuring exclusive product reports, research and analysis; and
- The number one sourcing show each April and October in Hong Kong.

After his speech, the CEO, together with the Executive Chairman and

other Global Sources management and VIPs, toasted to the success of *Mobile Electronics*. They include Craig Pepples, President of Corporate Affairs; COO Brent Barnes; James Strachan, Executive Vice President; and Tommy Wong, President of Global Sources Exhibitions. They were joined by Brandon Smith, eMedia President; Livia Yip,

Vice President of Vertical Sales; Camellia So, Vice President for Corporate Affairs; Daniel Yeung, Senior General Manager of East and West China; and Bennie Hui, General Manager for Electronics.

One of the highlights at the launch reception was the attendance of Titan, an eight-foot tall 'robot' from the U.K. His appearance created excitement among the guests as they took the opportunity to take pictures with him and immediately share these moments and photos on social media.

Key site and show initiatives in 2014

- Launched the first of 13 specialized industry marketplaces, featuring the richest array of vertical-specific content in the market.
- Redesigned the Supplier Marketing website to help buyers easily find the highest value information and suppliers' spotlighted products.
- Started automatically registering trade show registrants for GlobalSources.com to enable easy online access after the shows and year-round.
- Launched first round of product curation with the Top 20 Most Popular and Trending products by vertical.
- Launched first trade show mobile app for *Mobile Electronics*
- Organized first shows in Indonesia
- Organized *Electronics* show spin-off of *Mobile Electronics* in October 2014 with 1,500 booths. Achieved very strong attendance in a brand new time slot 4 days after the *Electronics* show.

2015 Messaging, Verticalization, eMedia

Launch of groundbreaking MessageCenter

January, 2014 marked a new era for inquiry services. Global Sources took a large step when it introduced a new messaging service to help buyers and suppliers communicate more effectively – and to give the company insight for the first time into the vital activity that takes place between buyers and suppliers after an initial inquiry is sent.

Global Sources MessageCenter is an innovative cloud-based inquiry management system with unique features to help buyers and suppliers communicate more easily and close orders more effectively. The new system is now used for all inquiries sent from GlobalSources.com.

Among many other benefits, the system would:

- Allow buyers and suppliers to check the status of their inquiries anywhere, anytime, on any device they choose;
- Provide suppliers with sophisticated analytics to evaluate sales leads and focus on those with the best potential; and
- Enable managers in export companies to monitor the communication and effectiveness of their sales teams.

“In today’s international trade marketplace, there is an overwhelming glut of often questionable information online,” said CEO Spenser Au. “The problem is how to filter and qualify the most reliable trade partner to work on a specific sourcing project. We have invested in this state-of-the-art system to improve the RFI communication process and further improve our reputation as the best platform for getting real business done.”

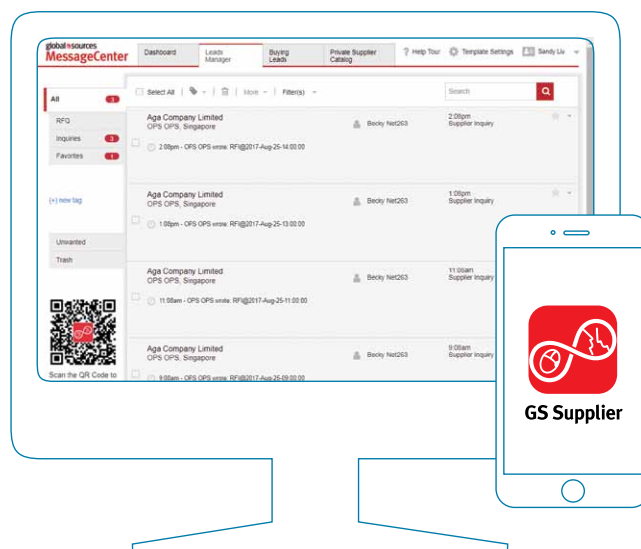
To develop the platform as quickly as possible management authorized a new

development approach. The project team engaged an external vendor who follows the Agile methodology.

Agile emphasizes flexible, iterative development that directly collects and incorporates feedback from real-world users. The result is an interface that promises a user experience superior to other B2B communication platforms in our market.

Bernie Holmbraker, Vice President of Community and Content and business sponsor for the project, said: “I want to thank all of the members of the project team. In particular Sandy Liu, product manager, who juggled complex requirements, a new methodology and an external development team; and Ginny Lee, who was key stakeholder for the buyer-facing functionality. Cameron Walker, Seema Nirwal, Carol Lau and Redcliff Zhao also made indispensable contributions to the requirements, design, testing and promotional plans. Meanwhile in IS, David Lee, Samuel Shio, Kimberly Tan and Lolita Tang kept the technical process moving smoothly.”

Cameron Walker championed these



The *Global Sources Supplier* app allows exhibitors to scan buyer badges at shows to capture their profile. It also enables them to view, manage & reply to RFQs in real-time.

Transformation: 2015

Content, Community and Shows



Brent Barnes, Chief Operating Officer, has overseen the company's online website content and development and the buyer marketing for those websites since 2010. Effective January 2015, his brief expanded to encompass all buyer facing operations, which added trade show operations, including the show sites and show marketing. The online and trade show operations business units are managed by Bernie Holmbraker and Wendy Lai respectively.

Bernie Holmbraker is Vice President of Content and Community and is based in Singapore. Bernie oversees the online side of buyer operations and in particular, the GlobalSources.com flagship website, and the marketing of that site to buyers. He is responsible for the buyer engagement that generates exposure, leads and eventually orders for suppliers. His primary team leaders include Lim Chern Chern (Buyer Marketing), Meghla

Bhardwaj (Content Marketing), Seema Nirwal (Customer Service), Kelvin Hong (Product Development), and Chen Zhiwei (Business Analysis). This group is primarily focused on engaging the more than 1.4 million active buyers that the company had as at the end of 2016.

Wendy Lai is Vice President of Global Sources Exhibitions. She oversees show operations and marketing under Brent and they are both involved with show development along with each business unit leader. The operation involves holding two months of trade shows each year encompassing more than 16,000 booths and attracting attendance of some 165,000 visitors annually – from more than 150 countries and territories. Wendy is assisted by Joseph Chan, Yvette Alegre, Elaine Law and Yvonne Luk.

The growth and success of the Hong Kong shows has been notable. There were 16,360 booths and attendance of 166,000 at the Hong Kong shows in 2016. This was up 18% and 35% respectively compared to the 2012 shows, which had 13,890 booths and 123,000 attendees.

The scale of the visitor marketing operation can be somewhat appreciated when one realizes the kind of effort that was required to achieve 180,000 show pre-registrations during 2016. This was accomplished with hundreds of different print and eDM campaigns in multiple languages; search engine marketing, remarketing, social media marketing; and extensive outdoor advertising programs including taxis, buses and billboards.



The marketing of MessageCenter described the many benefits it offered to buyers.

services for the sales organization and summarized his views:

team was very excited and eagerly awaited the rollout.”

MessageCenter:

“The idea was to put data in the hands of our advertisers and also our sales team. We wanted the advertisers to be able to have data that would show their performance, the performance of their team, and their performance in relation to the rest of their competitors. With this information, they could improve their behavior closer to that of the best practices, get better results and ultimately make our buyer community more satisfied. At the same time, our sales team could have meaningful conversations with advertisers telling them what they were doing well and what needed improvement in order to get the best results from our services. Transparency on all sides was the goal.

“I did a road show to the sales team to tell them what was coming and to share the concepts. There was huge excitement because everyone could see that it would change the conversations. In the past, we never knew the results of the ads we put in our magazines. With MessageCenter, there was not perfect clarity, but we had much better insight. The sales

RFQ:

“The goal with RFQ was to create a channel for buyers to ask the entire supplier community if they could make or supply a specific product. In the past, our RFI channel would only allow a buyer to inquire on a product that the supplier had advertised, but not on a buyer design or something the buyer was looking for but couldn't find. RFQ was a much better way to do this. It also kept all the information and data in our systems, which similar to MessageCenter, allowed us to get better data on good and bad behaviors by both buyers and suppliers.”

Verticalization initiative

In early January CEO Spenser Au formally announced the implementation of the ‘Verticalization Initiative’ to combine all services related to the electronics industry into one Electronics business unit in the initial phase; and the creation of Fashion and Home/Gifts/Hardware business units in the upcoming phases.

“This is designed to provide our buyer and supplier communities the benefits of the deepest industry specialization in the

Transformation: 2015

market,” Spenser said. “In support of this major initiative, I am pleased to announce the following management changes:

“Global Sources Exhibitions President Tommy Wong will leverage his deep experience to head up the new Electronics unit.

“Vice President of eGSOL Sales Cameron Walker and Vice President of Vertical Sales Livia Yip will continue in their current roles but will take on additional ones during the first quarter. Cameron will be responsible for the non-electronics sales in China while Livia will handle all non-electronics *China Sourcing Fairs*. In the second quarter, their roles will expand to allow Livia to take up leadership of the Fashion unit while Cameron would head the Home/Gifts/Hardware unit.

“James Strachan, Executive Vice President for Strategic Marketing, will build on the success of the Mobile Electronics launch to direct the strategy for buyer marketing and content of the expanded Electronics business. He will also help prepare the rollouts of the additional two verticals. He will continue working closely with Wendy Lai, Vice President – GSE, and Bernie Holmbraker, Vice President – Community & Content, and will report to COO Brent Barnes.

“Wendy will continue in her present trade show operations role but will now lead a horizontal service that will support shows across each of the verticals. She will also report to Brent.”

Boosting marketing, training, and sales support

In February, Craig announced the following changes in marketing, training and sales support for the Global Sources ‘verticalization’ plan:

“Jenny Lee takes up responsibility for *Chief Executive China* community and product development.

“Anita Qu will take responsibility to

coordinate Corporate Marketing (managed by Vicky Zhao), Supplier Marketing (managed by Redcliff Zhao) and Supplier Education (managed by Chloe Huang).

“Edgar Loo will manage the combined Sales Training department, incorporating the two teams which previously provided separate training to CSF and eGSOL sales. Similarly, Edgar will also lead a merged iSPS team.

“In addition, Livia Yip will assist in restructuring the Market Intelligence/Business Analysis team and Danny Wong’s Exhibition Finance & Budgetary and Business Analysis team.”

Cameron Walker on verticalization and show repositioning

“One of the biggest changes in recent company history was the structural change during the fourth quarter of 2014 and first quarter of 2015 where we moved to a vertical organizational structure from the previous online and show structure.

“I was appointed president of Gifts & Home and Hardware group unofficially in December 2014 and officially in March 2015. We launched the verticalization in Shanghai in March 2015 where we brought a large part of the sales team together. We focused on how could directly help the sales team in their daily work and how we could give them more data to talk to clients, how we could more clearly explain how we are superior to the competition. Also, we tried to get closer to the team by creating a more open channel of communication, telling them that they could directly contact us with comments. We also started a WeChat group for all the sales people where they could get answers to their questions and get feedback from the vertical leadership. We wanted to communicate a more open relationship with the sales team than before.



Cameron attended the South China CPG sales management meeting held in Zhongshan office in August 2015.

“The biggest challenge during that time was putting together my team. I had a vertical leader for Hardware, Samson Fung who had a lot of experience in eGSOL and management, but I didn’t have a leader for the Gifts & Home team. I went through a bunch of different possibilities and ended up asking Laura Xiao, who at the time was Spenser’s assistant. She joined me as the head of market development, Gifts & Home. In this role she would organize the trade show planning especially. While not having vast experience, I thought Laura had the right tools for the job. She knew a lot about the company through her work with Spenser, and had a great education with an MBA from Thunderbird.

“We have made much progress in the last few years since verticalization, but one of the biggest was the turnaround of the Gifts & Home show back to growth and something that we are proud of. This was due to a lot of hard work by the team, mainly Laura, Meely

Chang, Joe Lee and Monica Xuan. The high-level turnaround strategy was to focus on getting the best, newest, most environmentally friendly, smartest and design-focused products at our show. We thought that by curating products and focusing our sales team on quality over quantity, the buyers would recognize the value of our show. This has proven true as the show is now healthy and growing again.”

“CHANGE 2015”

Global Sources team members from all over the world participated – either onsite or through online broadcast – in the launch of “CHANGE 2015”.

As part of “CHANGE 2015,” CEO Spenser Au announced the solution – a verticalized online-to-offline package.

Mobile Electronics had set the tone by developing into a brand new vertical with a specialized website, trade show, and a unified sales team. As a pioneer vertical, Mobile Electronics demonstrated the power of verticalized media offerings by turning ‘mission impossible’ into ‘mission possible’ in just a few months.

Transformation: 2015

'Change 2015' workshops reiterate online-to-offline

CEO Spenser Au conducted the first workshop in Shenzhen with Sales General Managers on December 18; Craig Pepples, President of Corporate Affairs, did the second in Qingdao on January 16; and Bernie Holmbraker, Vice President for Community & Content, ran a third in Singapore on January 30, together with COO Brent Barnes, President of Global Sources Exhibitions Tommy Wong, and Corporate HR Vice President Philip Chatting.

“Change always brings excitement as well as anxiety,” said Craig. “The verticalization strategy builds on a core competence of Global Sources – knowledge of buyer demand trends and product trends. It also builds on the strength of an advertising and marketing plan for suppliers that integrates shows and online.”

At the Shenzhen workshop, team members cited our genuine online-to-offline (O2O) solutions as Global Sources' core strength. (The rest included verified buyers, tradition of verticalization and long B2B history.)

Lim Chern Chern, General Manager for Buyer Marketing and Customer Service, added: “What I liked best about this workshop was our involvement in the discussions and having the CEO and COO listening in. It was also significant to see Global Sources Exhibitions being involved in the discussions as we usually don't get to interact with them at this level. This helps foster a closer working language. Overall, I feel that the quality of participation is very high.”

Hong Kong champions 'Change 2015'

On May 29, the Hong Kong office celebrated with a cocktail party at the Aberdeen Marina Club. The event's theme was “Change.”

The party kicked off with a special video showing some of the important Global Sources milestones. Senior management and team members also shared their views on “change,” specifically, what it meant to them and to Global Sources, and how change can help the Company further develop in the coming years.

“Change represents opportunity,”



CEO Spenser Au conducted the first 'Change 2015' workshop in Shenzhen.

Executive Chairman Merle Hinrich said in the video: “An opportunity to improve and make the necessary adjustments – either in what we do as a corporation or personally as we adjust to changes. This is something we should grasp and use to improve the company and individually.”

CEO Spenser Au added: “Change means to make a difference, to let go of some old practices and traditions. But it also means an opportunity to create a new world; sometimes, people call it a rebirth.”

In addition to the company-wide verticalization changes, the Hong Kong office also announced changes in the workplace including dress-down Fridays, Danish and snacks Fridays, and quarterly business pitches.

Philip Chatting, Vice President for Corporate HR, explained the value of these projects: “We aren’t pretending Global Sources is Google or Apple, but we do want to foster the idea that this is a place where

young people can be stimulated and thrive and if that means dropping some formalities and inviting ideas, then now is the time. Energy, invention, and a willingness to try something new is symbolized by the changes Spenser has launched.”

Following the speeches was another highlight of the evening, the Long Service Awards. Mr. Hinrich and Spenser presented the awards to 46 team members with at least 10 years of service and thanked them for their commitment.

The most distinguished awardees, Associate Publisher Claudius Chan and Shenzhen General Manager Sandy Ng, were presented with the 35-year award for their loyalty and continuous contributions. Senior Operations Manager Raj Gopinath was likewise honored for his 30-year commitment.

The success of the cocktail party was made possible by the hardworking committee composed of Alfred Cheng,



Executive Chairman Merle Hinrich presented long service awards to three key corporate executives: Claudius Chan, Sandy Ng and Rajendar Gopinath.

Transformation: 2015

Andy So, Barry Chow, Ben Wong, Canis Ho, Celeste Zeng, Cindy Fung, Florence Chan, Helen Lam, Lee Man Chi, Selma Chan, Vicky Lam and Will Tan. Special thanks must go to Kenny Chan who helped prepare the very special opening video.

Agreement to sell eMedia

Executive Chairman Merle Hinrich announced the sale of Global Sources' 60.1 percent interest in its eMedia Asia Limited subsidiary to UBM, the 39.9 percent shareholder, effective on June 30, 2015. This sale represented approximately US\$9 million in cash.

Mr. Hinrich said: "The sale of eMedia Asia is consistent with our strategy to focus

on our strong core business of cross border B2B trade and on addressing the markets we believe offer the greatest opportunity for growth. By divesting this subsidiary, we are redirecting resources to enhance our multichannel platform and to improve the services we provide to both our buyer and supplier communities. We also believe that eMedia Asia's customers and team members are better served by combining eMedia Asia with UBM's U.S.-focused electronics business."

eMedia Asia's business includes the *China International Optoelectronic Expo (CIOE)* and print and online publications serving Asia's electronics community, namely various Asian editions of *EE Times*, *Electronics Supply & Manufacturing* and *EDN*.

"I also wish to take this opportunity to thank Brandon Smith, Suzanne Wang, Connie Lai, Adrian Sim and Philip Chatting for their hard work in leading and completing this complex transaction," Mr. Hinrich added.

New O2O services to drive sales

On August 25, sales teams in mainland China, Hong Kong and Taiwan participated in a webinar as the Company introduced new strategies aimed at boosting sales.

Hosted by Edgar Loo, General Manager of China Training & Development, the meeting first tackled the question, "What kind of new tools could we adopt to successfully seal a sales deal?" Craig Pepples, President of CBG and Corporate Affairs, unveiled the answers in his speech by analyzing the market environment and inquiry trends.

Craig introduced three reasons that would motivate suppliers to work with Global Sources:

- Suppliers should take advantage of the peak sourcing season of the year as well as RMB depreciation to stabilize and boost export sales.

Here is what senior management had to say about change:

† *Change 2015 represents an integration of different resources in providing a unique and enhanced O2O service to the market.*

– Claudius Chan, Associate Publisher for
Electronic Components

† *A better life, huge business opportunities and unleashing our potential.*

– Carol Lau, General Manager for
Client Service and Supplier Training

† *Specifically, in my mind, it means taking the best of shows and the best of online, and combining them to make a unique, superior solution: what I like to call, "one plus one equals three or O2O.*

– Brent Barnes, Chief Operating Officer

† *Change needs a champion right at the top of the Company and it needs champions in every part of the Company.*

– Philip Chatting, Vice President for Corporate HR

- The company will launch a series of new online-to-offline (O2O) services during the fall exhibitions, including Request for Quotation, and Buyer and Supplier Apps, to enable buyers and suppliers to make the most of the shows.
- Qualified suppliers will receive a special subsidy for visiting the shows in October this year and personally witness how they can profit from the O2O services we offer.

“The feedback we have received from internal teams and the outside market proves that we are moving toward a correct direction,” said Tommy. “I believe that the new O2O services will become a strong motivator to drive buyer and supplier engagement and to accelerate sales in September and October.”

“We have made many enhancements to our websites, mobile apps and trade show platforms in the past six months,” added Cameron. “We are looking forward

Corporate structure, finance and M&A



Connie Lai joined the company in 2007 and was appointed CFO in 2010.

Prior to joining Global Sources, Connie had more than 10 years of senior financial management experience in mainland China and Hong Kong. She had been chief financial officer and an executive director of HC International, a China-based B2B media company that was listed on the Hong Kong exchange.

Working closely with the board, Connie played a crucial role in leading and designing the realignment and streamlining of the organization’s

legal, financial and employment structures. The evolution from print magazines to online and then to shows had resulted in a totally separate organization for the shows, with their own staff, structures and reporting.

Trade shows have since been fully integrated with online, and third party service providers and sales representatives have been reduced. Connie also led the structuring whereby the online operations are headquartered in Singapore while the trade show operations are headquartered in Hong Kong. Today, thanks largely to Connie, the company enjoys an administratively cleaner and more efficient organization.

In addition to her ongoing role handling Investor Relations, Connie has been deeply involved in the company’s M&A activities. She was central to the activity resulting in the successful sale of the eMedia Asia subsidiary and she has been a Board member for several Global Sources acquisitions in China. Effective in 2016, Connie took on additional responsibilities and now also oversees HR, headed by Philip Chatting; Legal, headed by Adrian Sim; and China Administration & Regulatory Affairs, headed by Sandy Ng.

Transformation: 2015

Verticalization and Global Sources Fashion



Livia Yip:

The biggest transformation of our approach and of our team has been the transition to organize into three verticals.

In our 40th year, I was doing vertical sales. I was also leading the MIBA, Market Analysis and Intelligence Department.

We supported the company on all the competitor research and on all the sales strategy formulation, as well as all the sales reports and business rules. It was vertical in terms of content and knowledge, but horizontal in terms of sales data support.

Since then we've achieved a great deal and just celebrated our tenth anniversary of the Fashion Show. We gave out appreciation awards to 79 suppliers who have been with us for every single show for the past 10 years. We also have some online clients who have been with us since day one.

That's a very big achievement. And another one is that we have finally overtaken TDC to be the largest fashion sourcing show in Hong Kong.

My major responsibility is to develop the supply side. TDC is one of our big competitors and they are very well established and government sponsored. They have very deep pockets and they have control of the Wanchai exhibition venue. And only because the AsiaWorld-Expo was built by the airport did we have the chance to start the Fashion Show in 2006 in Hong Kong.

We began with about 500 booths and now we have some 1,700 booths including all the new content we have developed including the fashion catwalk, and the young and rising designers. I feel honored to be part of the team that made that happen.

The scope of my past work made me well prepared to lead the Fashion business unit. I was involved with customer service, corporate marketing and strategy, and I was also the associate publisher for Fashion Accessories magazine. Fashion is also my interest and passion.

In the past five years we went through a lot of changes. Mainly the consolidation of the business units and a reorganization of the sales teams.

The verticalization has been the key. We used to have many more account executives and sales managers but now we have use one team to sell both online and the shows.



The Electronics Group launched the Young Birds program to help new account executives.

to inviting more existing and prospective clients to the show and helping them see how our O2O services differ from our competitors.”

Young Birds program

Senior managers, sales supervisors, and team members of the Electronics Group launched the E-Group Young Birds Program, a training scheme specifically designed for new sales team members, at the 35th floor of the Shenzhen office on November 12.

“The new members of our sales teams play an important role in accelerating the Company’s sales growth,” Tommy Wong, President of the Electronics Group, said. “The new program is designed to pull together the effort of everyone – from sales management to frontline teams – to help the new staff quickly become part of the Global Sources family and grow as fast as they can.”

Sales Manager Matthew Li, head of the Young Birds Program, shared the details in his presentation.

“The program not only focuses on sharpening sales skills, but also helps

‘Young Birds’ build strong interpersonal relationships,” Matthew said.

Executive Chairman on 2015

Mr. Hinrich summarized 2015 in his annual letter to shareholders. Extracts follow:

I am pleased with the progress we made in 2015. We enhanced our offerings, while closely managing costs. We continued to drive the integration of our online and trade show services with the belief that the combination can provide unique and higher value to our customers.

We completed several actions that provided significant value to our shareholders. In the second quarter, we completed the sale of our eMedia subsidiary to focus more on our core business and on the markets and products that offer us the greatest opportunities for growth. In June, we conducted a cash tender offer, returning approximately \$50 million to shareholders. During the fourth quarter, we closed the sale of an

Transformation: 2015

Electronics Industry Strength



Electronics is the company's largest and strongest business – and perhaps its largest opportunity. For the company's Hong Kong export shows, the electronics shows encompass some 12,000 booths annually, approximately two-thirds of the overall total.

Tommy Wong was formerly the president of Global Sources Exhibitions and he is now President of the Global Sources Electronics business unit which has the shows and the complementary magazines and online services. He is strongly supported by the respective leaders for components, consumer electronics, mobile electronics and smart living: Claudius Chan, Sam Hui, John Kao and Roger Chen.

In October 2016, Tommy described the success and highlights of the electronics business unit:

We have tremendous strength in the electronics sector including: 40,000 suppliers online; 950,000 buyers – including 220,000 verified

at the shows; specialized sites for consumer electronics, electronic components, security products, drones and robotics, and mobile electronics; and the world's largest electronics sourcing show each April and October in Hong Kong.

We are excited and proud to have overtaken the electronics show organized by the Hong Kong Trade Development Council. At one time their show dominated the industry and they have the advantage of being in town at the convention center, which certainly helps traffic. However despite their advantages, in terms of prestige, reputation, size and content, we are now the clear leader.

Global Sources Electronics is the world's largest electronics sourcing show and the fall 2016 edition will be held in two phases at Hong Kong's AsiaWorld-Expo. The first phase includes 3,500 booths and will focus on consumer electronics, security products and electronic components. The second phase, Mobile Electronics, will include some 2,500 booths showcasing the latest smartphones, tablets, wearable devices and mobile accessories. Both shows include Startup Launchpad, the largest collection of consumer electronics startups in Asia.

Global Sources Electronics is the world's leading sourcing event where global buyers can discover the newest and most creative electronics from China and Asia. Our commitment to drive innovation makes the show an important platform for technologies and idea exchange.



Global Sources had its highest-ever attendance at its Hong Kong shows in 2015 and expected further growth for its 2016 shows. Being at the shows enables buyers to evaluate products and suppliers, negotiate and place orders.

investment property in Shenzhen for a total consideration of \$21.1 million.

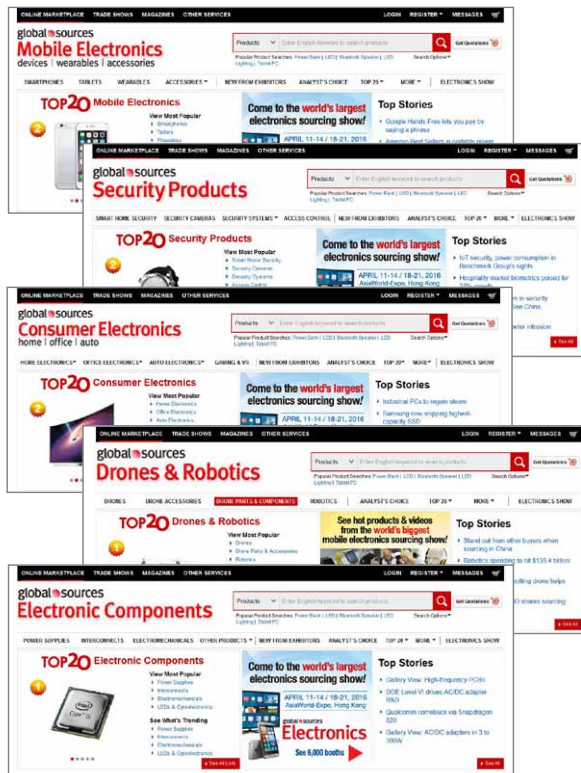
2015 was a challenging year in many respects for Global Sources. Global demand for consumer products from China and Asia was weak in most markets. There were also significant shifts in exchange rates, including the depreciation of the yuan. In addition, some of Global Sources' clients in China were directly or indirectly impacted by the major turbulence in China's stock markets.

Distribution channel disruption and conflict had emerged as a key trend, due to the increasing proportion of online sales. More buyers and suppliers were selling online. Both needed to develop new capabilities, business models and distribution channels, some of which were in conflict with their current business partners. In addition, survey results revealed that both buyers and suppliers were expecting new business models like eDistributors to hurt their businesses.



GlobalSources.com is a unique online marketplace that includes trade show sites, extensive trade show coverage and is complemented by an app with trade show features.

Transformation: 2015



Global Sources Electronics is the world's largest electronics sourcing show and it is complemented by five industry-specific websites.

The net effect of all of these factors and trends was a high level of uncertainty for Global Sources' customers – and significant change. Buyer relationships – both who they sell to and buy from – were being disrupted by e-commerce. Also, suppliers were facing new threats and needed to develop new customers and channels to be successful. It was Global Sources' role and opportunity to help its buyer and supplier customers overcome their challenges and be successful.

Business Strategy

The company's strategy had remained focused on the core business and the product development focus continued to be on developing services that integrate online marketplaces with the trade shows.

The company believed that for buyers to source most safely, confidently and

profitably, they should take advantage of both trade shows and online services. Online marketplaces were searchable, comprehensive and fast. On the other hand, trade shows enabled buyers to personally evaluate products and suppliers, negotiate, and place orders.

Various developments were underway to further expand the integrated trade show experience with a focus on adding online services for the show attendees; pre-show services to help them prepare; at-show services to help them be more productive; and post show services to help them follow-up effectively.

Another online and offline initiative was the launch of an app that would help buyers maximize productivity at the shows – and help suppliers more effectively engage with potential customers. Buyers could scan the QR code of an exhibitor to create a record. Buyers could then add pictures and notes to each exhibitor record. To keep the companies connected and to keep the buyer up-to-date with the exhibitor, after the show buyers would receive Alerts whenever the exhibitors post new products or update their company profile.

Curated content

During the year the company had greatly expanded its *Analyst's Choice* editorial content, which had been rated by buyers as the most valuable content.

Analyst's Choice is an unbiased and exclusive selection of new, cool and innovative products selected by Global Sources' analysts. It included products from exhibitors, advertisers, non-advertisers, start-ups, and even major brands in the region – and coverage spanned 12 industry sectors.

Global Sources was also unique in the industry for pushing out its content through an extensive series of industry-specific newsletters with delivery based on site, show, registration profile and



Analyst's Choice is highly rated by buyers and is the industry's only curated product content. Its objective is to highlight new, "cool" and innovative products.

email behavior. The combination of new and unique content, personalization, and marketing was contributing to strong double-digit growth in buyer engagement with advertisers.

At the shows Global Sources was continuing to emphasize and showcase product innovation with a multi-faceted approach including:

- *Analyst's Choice* – where selected products were visible at exhibitors booths – and with an Analyst's Choice Buyers Guide.
- Experience Zones which included VR and Gaming, Smart Home, Creative Design, Young Designers, Next-Gen Components; Personal Electronic Transporters; and Drones.
- *Startup Launchpad* showcased the latest tech products from emerging hardware startups.

Spenser looks back at 2015

"It has been a very eventful year at Global Sources. The team has worked very, very hard and we have accomplished a lot under challenging circumstances.

"From a macro perspective, 2015 has been the year where e-commerce has led to the most dramatic distribution channel disruption in decades for us, our buyers, and our suppliers.

"Internally, we have gone through business unit, sales force and legal restructuring. Operationally, this has been a year of big change as we fine-tune our strategy.

"2015 was also a year in which trade shows overtook online as our primary revenue stream. The trade show business has strong momentum while the online part of our business has been challenged in a China market that is to a large extent commoditized."

Transformation: 2015

Spenser also described some of the company's key highlights and accomplishment in 2015.

- Reorganization that established the Electronics, Gifts & Home, and Fashion business units.

- Launch of 11 specialized vertical sites (after Mobile Electronics in 2014)
- Showcasing new, important and innovative products.
- Launch of MessageCenter and RFQ.
- Very successful October shows in Hong Kong, which had healthy revenue and attendance growth.



Global Sources led the industry with various services to help buyers identify new, important and innovative products.

Key site and show initiatives in 2015

- Launched MessageCenter platform enabling suppliers and buyers to manage their GlobalSources.com communication.
- Launched “online-to-offline” (O2O) app in iOS and Android versions that uniquely enables users to navigate our trade shows and access online content year-round.
- Integrated best-of-breed 3rd-party personalization and recommendation engine to customize and optimize each user's online and email experience.
- Launched Request for Quotation (RFQ) inquiry channel enabling buyers to share their product requirements with multiple suppliers at one time and receive 10 quotations for easy comparison and follow-up.
- Launched show daily newsletters featuring live video and the hottest products at each show.
- Rebranded shows from “China Sourcing Fairs” to “Global Sources Exhibitions”.
- Organized *Global Sources Electronics*, in two phases and with 5,500 booths, making it the world's largest electronics sourcing show.
- Organized *Startup Launchpad* exhibition and conference within both phases of *Global Sources Electronics* show.
- Launched new show sites with enhanced show and exhibitor information.
- Published *Analyst's Choice* booklet featuring new, cool and innovative products at the shows.
- Launched supplier and buyer mobile apps to boost productivity of customers and to strengthen connection between show and online services (O2O).

2016 Executing on O2O and Startup Launchpad

Background and plans heading into 2016

Heading into 2016, the company felt optimistic about many opportunities within China's export and domestic B2B market. The company had a very strong balance sheet with no debt, an excellent set of products and services, a large and influential customer base and a dedicated and experienced team – all which positioned it well to capitalize on those growth opportunities.

The company was focused on meeting the changing needs of its buyer and supplier communities, and leading with a uniquely valuable O2O service that was integrating the best of online with the best of trade shows – and with positioning around a reputation for curated, innovative and cool products.

The company set out to strengthen its differentiation in the market by enhancing the value it delivered. It would position firmly around cool and innovative products; make O2O even stronger by growing verified buyer and big buyer engagement; and expand buying activity from Amazon and other online sellers.

On the supplier side key objectives were to improve the ratio of clients who were O2O – and to improve lead value and delivery mechanisms.

On the product side, the company continued to advance its key value proposition of helping buyers find suppliers online and then meet them at the shows.

Online product enhancements were to include the O2O app; RFQ in the supplier app; and enhancing product image selection logic online and for Product Alerts. To better satisfy big buyers, the company would launch an assisted RFQ service, and expand the pre-show exhibitor shortlisting service.

At the April 2016 shows there would be an O2O upgrade including booth fascia enhancements and integrated QR codes. And the plan was to boost supplier value and drive up renewals by delivering more 1:1 RFIs, more inquiries from Verified Buyers, and more leads from Amazon and similar entrepreneurial buyers.

'Cool 2016' brand workshop evokes inspiration and motivation

“Why do you work? To earn a living, build your social circle, find your purpose, or because of passion for your job?” Starting with these questions, the “Cool 2016” brand



Startup Launchpad had a well-attended conference track on the show floor adjacent to the booth.

Transformation: 2016



Craig Pepples led the 'Cool 2016' workshop held in the Shenzhen office, where he shared his perspective on the current export environment.

workshop encouraged team members to tap into their value and maximize their enthusiasm for the jobs they do.

Debuting in the Shenzhen office on Feb. 29, the "Cool 2016" brand workshop featured more than 50 events led by nearly 50 brand ambassadors. Ultimately, the event would be attended by over 2,000 team members across 28 cities in mainland China, Taiwan and Hong Kong.

The background was that we are living in a world of constant change. Intelligent manufacturing, innovation, startups and digital marketing that used to be new concepts are now commonly applied in everyday life and bring dramatic change to the global trade environment. The brand workshop aimed to update team members on these new changes as well as the latest efforts of the company while encouraging everyone to discover the value of their jobs.

Craig Pepples, President of CBG and Corporate Affairs, spearheaded the brand workshop and shared his perspective on the current export environment. "Buyers no longer focus on low prices and imitations because consumers today are looking for personalized and innovative products that

feature constant change," he said. "A cool product is key to shaping the future of China manufacturing."

Edgar Loo, General Manager of Sales Process Development and Training, hosted most of the brand workshops and inspired team members with his enthusiasm and 15-year experience with Global Sources.

Xi'an Telesales gains strong morale in 'Cool 2016' brand workshop

Xi'an Telesales held a three-day "Cool 2016" brand workshop on April 6 at the Xi'an office. Led by Edgar, the event was attended by about 200 team members from the Hardware, Gifts & Home and Fashion Groups.

Electronics Group rallies 70 supervisors in Shenzhen and Xi'an

The Electronics Group held its first supervisors' meeting of the year in Shenzhen on March 23 and 24, and in Xi'an on April 1, bringing together a total of nearly 70 team members to discuss effective sales strategies.

CEO Spenser Au, who welcomed the delegates in Shenzhen, recognized

the achievements of the Electronics Group in the past year and encouraged everyone to “cope with the ever-changing market environment by carrying out our ‘Cool 2016’ strategy, developing our cool buyer community and enhancing sales performance.”

In addition to Spenser and Tommy, participants included Associate Publisher of *Electronic Components* Claudius Chan and the Electronics Group’s Johnny Chau, Regional Sales Manager; John Kao, General Manager; Sam Hui, General Sales Manager; Roger Chen, Regional Sales Manager, and over 50 sales managers and supervisors from the South China offices.

Electronics Group targets sales growth

The Electronics Group started the second half of 2016 with plans to deliver increased sales growth for the rest of the year. About 60 sales managers and supervisors from mainland China and Hong Kong participated in the sales management meeting held at the Sheraton Bailuhu Resort in Huizhou City on July 21 and 22.

“This is a great opportunity to exchange sales experience and wisdom,” said CEO Spenser Au, who headlined the gathering. “I hope that we can maximize our online-to-offline (O2O) advantage and communicate the true value of Global Sources to our clients.”

Development of Startup Launchpad

With the advent of new technologies and ecommerce, the needs of both buyers and suppliers had been rapidly changing. New companies with new products receive funding, but many don’t succeed at scaling up or getting products in volume to the marketplace. Scalability, sustainability and the many challenges around sampling, pricing, packaging, manufacturing, marketing and distribution can be daunting. Based on these dynamics, Global Sources decided to help startups succeed and Merle entrusted this project to Ben Wong.

Ben:

After my MBA, I came back to the company to work for Global Sources Direct. We were trying to develop a service and business model to help



Startup Launchpad has a conference track and pavilion of exhibitors in both phases of the Global Sources Electronics show.

Transformation: 2016

manufacturers that wanted to build their own brands. However, we soon realized that at their core, most were OEM manufacturers. They weren't really designing their own products. Also, they were focused on near-term sales and were not committed to do what it takes to truly build a brand.

Developing an offering for them proved difficult but it led us to the startups.

We realized there was a lot of startup momentum, not just in China and Hong Kong, but all over the world. There were many startups and most were struggling, even with all the governments around the world providing financial support and pushing innovation.

We decided to focus on startups that have a product. We also focused on hardware or (IoT) Internet of Things startups. We considered various business model possibilities including co-working spaces, and becoming an incubator or accelerator, but that space was crowded, and most players were not making money. We realized

startups have one big problem that we were uniquely able to solve, and that was access to distribution through the thousands of worldwide buyers that attend our shows.

Startup Launchpad has a conference program and exhibition pavilion integrated within both phases of the *Global Sources Electronics* show. It is unique in the market in that it brings together startups with the investors, manufacturers, and global buyers who can validate the products and place orders.

The startup companies showcase the newest technologies in electronics hardware categories including audio-visual, fitness & health, Internet of Things (IoT) solutions, drones & robotics, VR & AR and more.

“We are excited to be back exhibiting at *Startup Launchpad* to launch our new product line,” said Christian Yan, COO of Nanoleaf. “At the last show we reconnected with one of the largest consumer electronics distributors in the United States and as a result, our new product, the Aurora, will be sold in more



Peter Zapf led the launch of the *Global Sources Summit*, a three-day seminar and workshop for online and Amazon sellers.

than 500 retail outlets in North America this winter.”

Ben described a few of the success stories. “A company called GoKey was trying to scrape together enough money to exhibit at our show. They were on the brink of losing everything they had dreamed of, but they wanted to give it one last shot by joining our show. At the show they were able to get an order of intent for twenty thousand units. Where else are you going to get an order for twenty thousand units? Another company from the U.K. called Choose Blocks exhibited and received a one million dollar investment.

“*Startup Launchpad* gives an important new dynamic to our Electronics show. Not only do startups get access to distribution, but now the manufacturers and the buyers see first-hand that IoT is real. We are on the brink of something even bigger. In the future there will be IoT 2.0, 3.0, and 4.0.”

Global Sources Summit

Global Sources pioneered again by launching a summit for the fast growing segment of buyers that were selling online. *Global Sources Summit* is a three-day paid conference for Amazon and online sellers. It is held every April and October in Hong Kong, co-located with the shows.

The Summit has been featured on Forbes as one of the top business conferences in China.

Key business objectives of the Summit are to raise awareness of Global Sources among Amazon and online sellers, and to attract more buyers to the show venue and to GlobalSources.com. The event has also helped generate buzz about Global Sources on social media.

The first Summit was held in April 2016 with 18 speakers and 65 paid attendees. The October 2016 edition had 20 speakers and was attended by 76 online sellers. Ticket prices ranged from US\$499 to US\$699.

Networking meetups open to all Amazon & online sellers and service providers were held during both events, and attracted more than 150 sellers.

CIO Peter Zapf spearheaded the first Summit with support from Content Marketing Head Meghla Bhardwaj and Marketing Executive Sam Li.

The Summit had high praise from attendees including in the following posts:



Looking back at 2016

Throughout 2016, the company continued to focus on its core business of connecting buyers worldwide with suppliers in China and Asia. Global Sources also steadily strengthened the integration of online and trade show services and sold a greater proportion of contracts that combined trade show and online services. The company also grew its trade show revenue, carefully managed costs and continued to enhance its products, services and operations.

Transformation: 2016

Key industry trends

The foundation of the business is that buyers worldwide rely heavily on suppliers in China and Asia, and they source from online marketplaces and trade shows. In addition to macroeconomic issues, there were three primary industry trends shaping the company's future.

E-commerce was having a major impact on distribution channels. Online and Amazon sellers were growing their market share, disrupting long established distribution channels and becoming a larger segment of our buyer community. Although they had a wide variety of business models, many of these emerging sellers were young, small, entrepreneurial and new to importing. Meanwhile, the traditional import manufacturers, wholesalers, distributors and retailers were increasingly involved with selling online through B2C marketplaces, their own websites and other channels. In Asia – and from the supply market perspective – traders, middlemen and traditional original equipment manufacturers were developing ways to sell overseas through new channels including B2C platforms such as Amazon,

eBay and Jet.com.

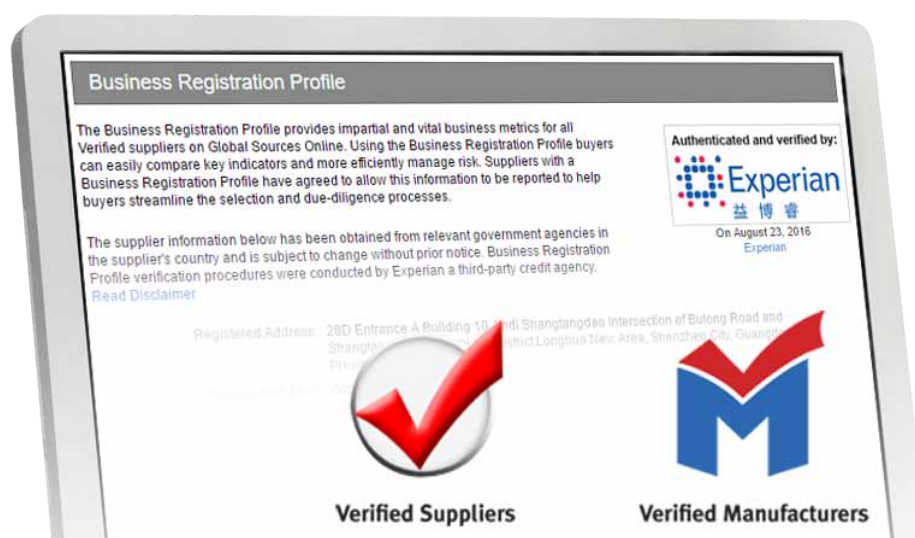
“Trust” was another key issue.

Fake and counterfeit products was an ongoing risk for buyers. Beyond the obvious incidents of fraud, many buyers worried about consistency in product quality. How could they trust the accuracy of product information and the validity of factory certifications? How are buyers – including many who are never able to visit their suppliers – supposed to identify reliable suppliers? How can they identify companies that are manufacturers as opposed to traders or middlemen?

There were more than a million “exporters” online, and many millions of products. The sheer quantity is overwhelming, making product discovery a huge challenge. How can a buyer expect to effectively and efficiently identify truly new, important and/or innovative products?

Business Strategy

Global Sources' strategy was to stay focused on the core business. The primary strategy was an increasingly integrated



Verified Suppliers are advertisers and exhibitors whose business registration details have been verified by independent third parties such as Dun & Bradstreet, Ease Credit and Experian. **Verified Manufacturers** are suppliers who have been licensed to manufacture goods.

Transformation: 2016

of online advertisers were now Verified Suppliers. Verified Suppliers – which include Verified Manufacturers – are companies whose business registration details have been verified by independent third parties such as Dun & Bradstreet, Ease Credit and Experian. In addition, GlobalSources.com had begun to indicate when other information like product certifications had been verified.

Curating to help product discovery.

Global Sources was “curating” for buyers to help them identify new, important and innovative products – using humans and algorithms. At the shows, analysts identify *Analyst’s Choice* products which are new, important or innovative. Online, and specific to each vertical market, *Analyst’s Choice* was complemented

with other curated content including the Top 20 Most Popular, Top 20 Hot New Releases, Next Gen Insider and New From Exhibitors.

Growing show content. By year end there was strong visibility into the 2017 spring trade shows. They were scheduled to be held at Hong Kong’s AsiaWorld-Expo from April 11 to April 30. The company expected approximately 9,000 booths along with tens of thousands of buyers from more than 150 countries. For the China domestic market the FashionSZ show continued to be challenged although the SIMM machinery shows continued to perform well.

Specializing by industry. The company was serving 16 industry verticals. The flagship show is *Global Sources*

Spenser:

We have deep knowledge of how to serve the B2B market. We also have the strong belief that online is not the only way to serve that market. Trade shows offer hugely important content, and they provide a critical face-to-face element. Our introduction of the O2O, online and offline model, is a demonstration of our vision to serve the market in a way that is most appropriate to today’s situation.

We started using the O2O terminology back in 2014. We launched a big communication initiative to let people really understand the value of O2O. We were the first to introduce this O2O concept in our industry, and as usual most of our competitors have attempted to follow us. But compared to our online-only competitors, we provide real O2O,

because we have our own shows and we have our own website.

There is pride and excitement about how our shows have developed, and we are particularly proud that our Electronics show has overtaken the TDC show in Hong Kong, which had previously dominated the industry. In terms of size and content, we are now way ahead and our show is truly focused on consumer electronics including mobile electronics, while TDC’s show mixes in home appliances.

And in terms of reputation as an industry event, on both the buy and the sell side, our show is acknowledged as the leader and the innovator, which is great. And we keep expanding which is really exciting. Also, our Fashion show has now exceeded the size of the TDC Fashion Week show, which is a great source of excitement and pride.

Electronics, the world's largest electronics sourcing trade show, which features some 6,000 booths. Complementing this show were specialized sites for consumer electronics, electronic components, security products, drones and robotics, smart living and mobile electronics. At year end, the electronics community included more than 43,000 suppliers online and 1,130,000 buyers worldwide.

Showcasing innovation. Startup Launchpad was growing and continuing to showcase the latest tech products. The company was also showcasing innovation at its shows with Experience Zones such as Virtual Reality and Gaming, Smart Living and Personal Electronic Transporters.

Integrating the best of online with the best of trade shows. On the flagship site GlobalSources.com, buyers could easily filter to view all exhibitors. Also, the company continued to develop its app to help buyers maximize productivity at

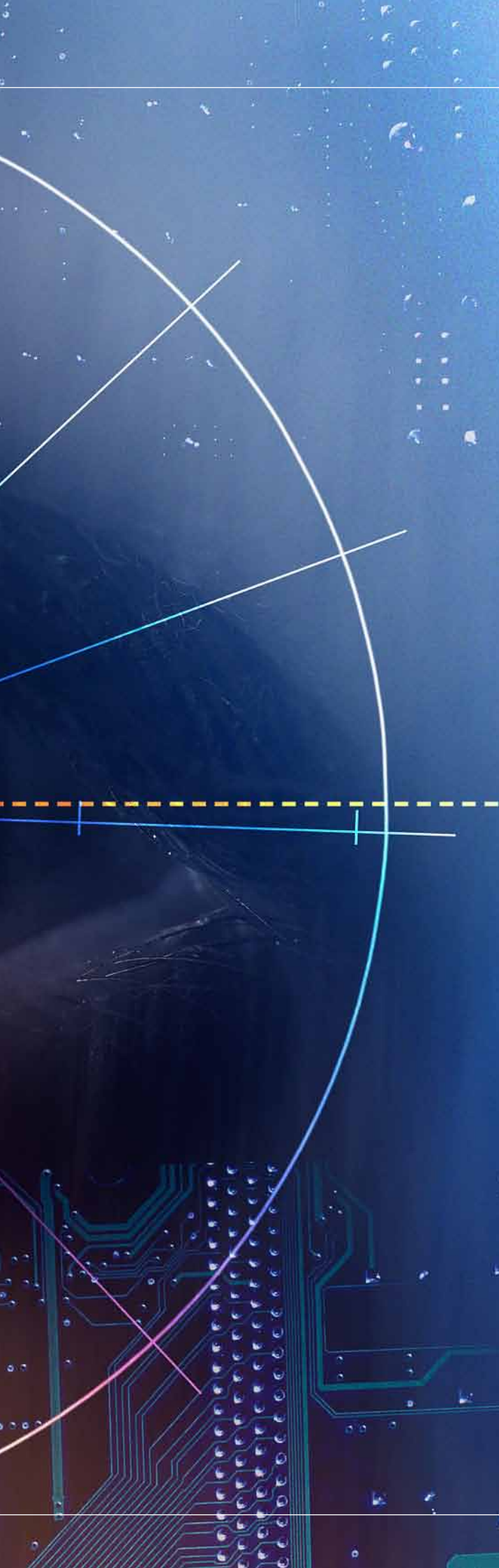
the shows. Buyers can scan an exhibitor's QR code to create a record, then add pictures and notes. To keep its entire buyer community informed about the shows, Global Sources published daily e-newsletters for each show with live videos and reports on the hottest products.

Looking to 2017

Through 45 years of experience in the industry, Global Sources had managed its business through a wide variety of competitive challenges, political upheavals and economic cycles. Looking toward 2017, the company expected continued macroeconomic uncertainty with the establishment of a new political landscape following elections in the United States and throughout Europe. As it has done in the past, the company planned on meeting the challenges – by maintaining an intense focus on helping customers be more successful.

Key site and show initiatives in 2016

- Expanded *Analyst's Choice* product curation program, showcasing innovative products on GlobalSources.com, in regular e-newsletters and at the shows.
- Introduced Verified Manufacturers credential and filter – the industry's only designation of suppliers whose government-approved business license has been independently verified as allowing them to manufacture goods.
- Launched Gallery View as primary search results layout on desktop site, giving users easier access to high-res product images, key product details and important supplier information.
- Organized Asia's biggest VR/AR event across both phases of *Global Sources Electronics* show with pavilions, experience zones and the "VR/AR/MR Ecosystem Summit"
- Launched "Smart Living" Pavilion
- Organized "Hong Kong drone racing championships" at the *Global Sources Electronics* show
- Organized three-day *Global Sources Summit* to help online and Amazon sellers source and grow their business
- Organized the expanded *Global Sources Fashion* show, now Hong Kong's biggest fashion sourcing event.
- Organized the repositioned *Global Sources Gifts & Home Products* show to feature "creative, curated and innovative" products.



CHAPTER
TEN

What's Next?

What's Next?

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

– Peter F. Drucker

The change was dramatic. The children had left the parent and they were on their own.

On August 27, 2017 the company was a 46-year-old media company with a long and admired track record of success and profitability. It was a public company with all the related requirements and reporting. Global Sources was run professionally and tightly, with most major financial and strategic decisions made by Executive Chairman and co-founder, Merle Hinrich. The company maintained a strong balance sheet with a large cash position and no debt. One might say the company had been daring yet conservative. Over the years, it had made some huge bets on pioneering initiatives, while on the other hand it had prided itself on having no debt and on achieving a steady, reasonable profit.

On August 28, 2017 the company belonged to global private equity firm Blackstone, and it was no longer a public company with the related obligations and encumbrances. It had the benefit of all of its history, values and learnings but it now had the freedom to go beyond where it would have traditionally gone. It also had the opportunity to do a zero-based look at how it operated and was structured. It had the explicit offer of deep pockets for investments, and a mandate from Blackstone to take care of the core business while looking aggressively at organic and inorganic growth opportunities. The new owners set an expectation for strong, consistent annual growth and challenged the management team to be bold in defining the future.

Blackstone acquisition

(Note: The following are shortened and repackaged extracts from the Proxy Statement.)

Background leading up to the agreement

The board and senior management had been reviewing periodically the company's long-term strategic plan including asking Mr. Hinrich to consider potential strategic alternatives considering his age and potential retirement in the coming years.

In late 2014, the board started consideration of such alternatives including 11 potential financial and strategic investors. This initial consideration of strategic alternatives was later suspended because management of the company decided to focus on the challenges the company faced and on improving the performance of the company.

In September 2016, discussions

about possible strategic alternatives were reopened and discussions were held with Blackstone and Party A. In January 2017, Blackstone and Party A provided initial non-binding indications of interest. In late February both parties submitted updated non-binding indications of interest.

In March Mr. Hinrich updated the board and indicated his intention to sell all his shares and remove himself from any ongoing interests or activity. Accordingly, the board gave its approval for Mr. Hinrich to proceed with further discussions.

Valuation and preliminary offers

On March 24, the company sent a response letter to each party which set forth a requested price of \$17.00 per share and a request that all unvested shares would immediately accelerate and be fully vested in connection with any proposed transaction.

On March 29, Party A further revised its non-binding indication of interest to



Global Sources management team met Blackstone representatives at the Sheraton Dameisha Resort near Shenzhen to discuss the way forward following the completion of the amalgamation deal on August 28. Not shown are Edward Huang, Senior Managing Director, Private Equity; and Bob Llamas, Operating Partner, Private Equity.

What's Next?

\$16.00 per share and on April 3, Blackstone further revised its non-binding indication of interest to a price range of \$15.50 to \$16.00 per share.

In April the company provided Blackstone and Party A access to non-public due diligence materials.

During the months of April and May 2017 there were extensive discussions and analyses on the respective advantages and disadvantages of an asset sale transaction as compared to a sale of the company. As a consequence of such discussions and

analyses, the board determined that an asset sale transaction would need to be at a substantial premium over a sale of the company to be further considered as part of the sale process.

Binding offers

On May 10, Party A submitted its binding offer at \$17.50 per share and Blackstone submitted a binding offer at \$17.25 per share. On May 16, 2017, Mr. Hinrich sent a letter to each party with a draft of an amalgamation agreement and which included a requested

Press releases on agreements and completion of acquisition

Global Sources enters into definitive amalgamation agreement

NEW YORK, May 23, 2017 – Global Sources Ltd (NASDAQ: GSOL) (the “Company”) today announced that it has entered into an Agreement and Plan of Amalgamation...

Subject to the terms and conditions set forth in the Amalgamation Agreement, at the effective time of the Amalgamation, each issued and outstanding common share of the Company (each “Share”) will be automatically cancelled and converted into the right to receive an amount equal to US\$18.00 (the “Amalgamation Consideration”) in cash, without interest.....

Global Sources enters into amendment to amalgamation agreement to increase amalgamation consideration to US\$20.00 per share

NEW YORK, May 25, 2017 – Global Sources Ltd (NASDAQ: GSOL) (the “Company”) today announced that the Company, Expo Holdings I Ltd. (“Parent”) and Expo Holdings II Ltd., a wholly-owned subsidiary of Parent, have entered into an amendment to the previously announced Agreement and Plan of Amalgamation (as amended, the “Amended Amalgamation Agreement”) providing for an increase in the amalgamation consideration from US\$18.00 per share in cash to US\$20.00 per share in cash.

Global Sources announces completion of acquisition by funds affiliated with Blackstone

NEW YORK, Aug. 28, 2017 / PRNewswire/ – Global Sources Ltd. (NASDAQ:GSOL) (the “Company”) today announced the completion of the acquisition by funds affiliated with Blackstone by way of an amalgamation (the “Amalgamation”), contemplated by the previously announced agreement and plan of amalgamation (the “Amalgamation Agreement”) by and among the Company, Expo Holdings I Ltd (“Parent”), which is an affiliate of the funds managed by Blackstone, and Expo Holdings II, Ltd., which is a wholly-owned subsidiary of Parent.

price of \$17.50 per share.

On May 18, each of Blackstone and Party A reverted with its comments on the company's draft of the amalgamation agreement and Blackstone revised its offer price to \$17.75 per share.

On May 19, the board instructed management to finalize all transaction documents with Blackstone, but also to continue discussions and make progress on the transaction documents with Party A.

On May 20, Party A raised its offer price to \$18.00 per share. On May 21, Mr. Hinrich had a meeting with Blackstone, informing them that their offer was no longer the highest bid.

On May 23, the board convened a meeting to evaluate and consider the offers. Shortly before the meeting, Party A raised its offer to \$18.10 and Blackstone also raised its offer to \$18.00.

Immediately after the board meeting on May 23, Party A raised its offer to \$18.60. Later that day, the company issued a press release announcing its entry into the Original Amalgamation Agreement.

On May 24, Party A raised its binding offer to \$20.00 per share. Company management informed Blackstone of the May 23 Offer and the May 24 Offer later on the same day.

On May 25, 2017, Blackstone raised its offer to \$20.00. The board discussed and deliberated, and did not view the May 24 Offer submitted by Party A as being sufficient to constitute a superior proposal.

Later that day, the company issued a press release announcing its entry into the Amendment No. 1 to the Original Amalgamation Agreement.

Rationale to accept the Blackstone offer

The board considered the following substantive factors and potential benefits of the offer from Blackstone:

- (a) the all-cash Amalgamation

Consideration, which would allow all shareholders an opportunity to immediately realize a fixed amount of cash;

- (b) the fact that the US\$20.00 per share represented approximately a 66.7% premium over the closing price of US\$12.00 on May 22;
- (c) the US\$20.00 per share represented approximately a 131.2% premium over the closing price on January 13, 2017, which is the date when the initial preliminary offer was received by the board;

May 23, 2017

Dear Colleagues,

I am delighted to announce plans for a major investment in the Company. This move aims to accelerate growth and to secure a long-term future for Global Sources beyond today's management and ownership structure. Blackstone, one of the world's leading investment firms (managing over US\$360 billion in assets), has agreed to acquire all Global Sources outstanding stock at a price of \$18.0/share.

This valuation is an acknowledgment of our brand, of our management team, and of our track record over the last 45 years.

Our Board of Directors has reached this momentous decision after careful consideration of many factors, specifically:

- What price can best reward existing shareholders?
- How best to reward Global Sources employees and team members and provide them with ongoing opportunity?
- How to further build value for our customers?
- How to ensure the long-term future growth of Global Sources in a manner consistent with its mission and purpose?

It is our firm belief that Blackstone offers the best solution in all these respects. With their investment and commitment, Blackstone will bring us new expertise and inorganic opportunities not available to us otherwise.

Blackstone wishes for continuity of the operation, and invites the current management team to continue building the new future for Global Sources.

Please join me as we embrace this change and work towards a bright future.

Sincerely,
Merle A. Hinrich
Executive Chairman

What's Next?

- (d) the fact that Blackstone had increased the offer from US\$18.00 to US\$20.00;
- (e) the fact that Blackstone's proposal was more favorable than Party A's, for the following reasons: (i) greater financing certainty (ii) no requirement to restructure the real estate, and (iii) experience with real estate and other portfolio companies in similar industries as the company which likely would be beneficial to the company's business after the closing.

Business and operational highlights in 2017

8,800 booths in April 2017

April 2017 saw Global Sources feature 8,800 booths across its four shows at the AsiaWorld-Expo in Hong Kong. The shows were very successful and achieved growth in booths and attendance.

Leading the way was *Global Sources Electronics*, the world's largest electronics sourcing trade show. Set in two phases, the show featured 6,200 booths. The first phase, *Consumer Electronics*, ran from April 11 to 14 with 3,600 booths focusing

on consumer electronics. The second phase, *Mobile Electronics*, ran from April 18 to 21. It's the world's largest mobile electronics sourcing event with 2,600 booths.

It also hosted Asia's biggest VR/AR trade event – with more than 250 related booths, the second VR/AR/MR Ecosystem Summit, and an experience zone.

Spanning both phases of *Global Sources Electronics* was *Startup Launchpad*, Asia's largest collection of consumer electronics hardware startups.

Held concurrently with *Mobile Electronics* was the *Gifts & Home* show which was marching steadily towards a market position that highlighted creative, curated and innovative products. Also held concurrently was the *Global Sources Summit*, a three-day conference and workshop for online and Amazon sellers.

Wrapping up April trade show season was *Global Sources Fashion*, Hong Kong's largest, one-stop fashion sourcing show. Key appeals for the show included 500 brand new exhibitors and 600 exhibitors who accept small orders.

Overall, Global Sources' April trade shows attracted over 90,000 buyers from more than 160 countries and territories.



Global Sources' April shows featured 8,800 booths of electronics, gifts, home and fashion items from Verified Suppliers from China and across Asia.



Over 90,000 buyers from over 160 countries and territories attended the Global Sources trade shows in April 2017. They included volume-buyers and purchasing decision-makers from leading brands, the world's largest retailers, importers and wholesalers – and a fast growing group of online sellers.

Custom services for online and Amazon sellers

During 2015 and 2016 the company had been targeting online and Amazon sellers, the fastest growing segment of retail. At the shows, there was a major effort to survey these buyers to more deeply understand their specific sourcing needs and challenges. Also, at the shows Global Sources spoke directly and loudly to these buyers describing custom services to help

them source most effectively.

New GlobalSources.com homepage design

In August 2017, the GlobalSources.com homepage featured a fresh, modern and distinctive new look.

The site aimed to address the following key buyer needs and challenges: to get the right product on the shelf at the right time and at the right price, from the right



A huge welcome center and dedicated booths throughout the shows were set up to help online and Amazon sellers.

What's Next?



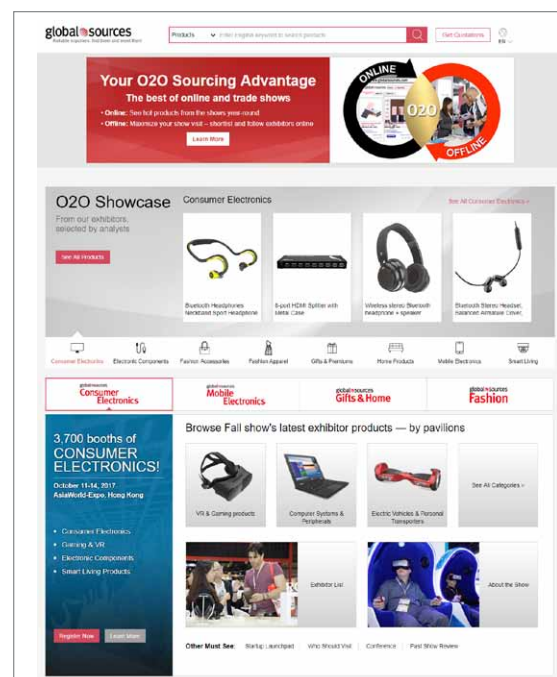
The O2O image above was designed to support the headline: Your O2O Sourcing Advantage – the best of online and trade shows. It also aimed to communicate the meaning of “O2O” without supporting language – and to communicate that the most productive sourcing area is in the overlap area where the two media integrate.

supplier; to determine which suppliers are reliable, experienced and potential partners; to determine what supplier and product information can be trusted; and to identify new, important and innovative products from the millions of products that are online.

Led by Bernie Holmbraker, the goal was simple – to further improve users’ online sourcing experience while more effectively communicating the unique value proposition of Global Sources’ O2O (online to offline) solution. To help decide what it needed to offer, the company carried out a 360-degree review of usage metrics, and sought input from buyers, suppliers and internal stakeholders. And two web design houses were hired to provide concepts to draw from.

Designed with a clean and simple interface, the new homepage let the content come to the fore, while combining the best of trade shows and online.

Each user experienced a personalized view of the product and supplier information most relevant for them, based on their browsing history. The site also included the O2O Showcase section which features products from O2O suppliers. The page



The new GlobalSources.com homepage was launched in August 2017 and featured a clean, modern interface.

The company's primary differentiators were an integrated online and show service (O2O) – the curation and highlighting of new and important products – and the claim that its content and suppliers are more trusted.

immediately generated very positive reaction from customers.

Over the previous year, the site had been achieving an increase in key usage metrics. These included increasing one-on-one RFIs, ensuring that more suppliers reach or exceed benchmark thresholds of inquiries, rapidly growing the one-to-many Request-for-Quotation channel and driving more inquiries from mobile platforms and online sellers.

New positioning: Your O2O Sourcing Advantage

Effective with the launch of the new homepage the company seized the O2O positioning for its buyer facing marketing. The rationale included: it concisely described Global Sources' market position, value proposition and product development direction; it represented strong differentiation from competitors; it was bold, interesting and modern; and it complemented how the sales organization was presenting to suppliers.

Key objectives of the positioning included communicating the combined value of online marketplaces and shows – and establishing a strong anchor value proposition that would enhance the company's ability to attract and retain buyers.

Fundamental beliefs related to O2O

Further underlying the O2O positioning

were a number of key beliefs:

- A buyer can be most productive when they use shows and online in combination.
- Global Sources' online marketplaces are better than other online marketplaces because of show content.
- Global Sources' shows are better than other sourcing shows because of the online services.
- Exhibitors unveil their newest and latest products at our shows and this is high value content online.
- Products that have been exhibited are generally more valuable than products posted online.
- Exhibitors are generally more reliable than online-only sellers.
- O2O Suppliers (who exhibit *and* have an online presence) are generally better than other suppliers – because they physically present themselves and maintain a year-round presence online.

Product strategy

As of fall 2017, the company's primary differentiators were an integrated online and show service (O2O) – the curation and highlighting of new and important products – and the claim that its content and suppliers are more trusted.

Globally, Global Sources was leading the way on integrating the best of a show with the best of an online marketplace. No media, marketplace or trade show

What's Next?

company in the world had more O2O scale and functionality. Moreover, primary product development and marketing was O2O-centric and a steady stream of enhancements were scheduled.

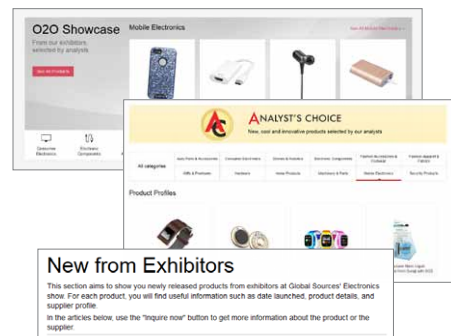
Another key aspect of product strategy was the company's commitment to "trust" – and especially as exemplified through its verified suppliers, manufacturers, exhibitors – and verified content on the supplier websites.



The company also had a strong and growing commitment to curated products at the show and online including *Analyst's Choice*, Top 20 Most Popular, Top 20 Hot Releases and New from Exhibitors.

9,000 booths expected in October

In October 2017, Global Sources was scheduled to hold its fall trade shows in Hong Kong.



According to data in August 2017, expectations were high for bigger and better shows than ever. The company expected to feature 9,000 booths and attract an attendance exceeding 90,000 including buyers from more than 150 countries and territories.

Global Sources Electronics, the world's largest electronics sourcing show would again be set in two phases. *Startup Launchpad* was still rapidly growing and was scheduled to run across both phases of the *Global Sources Electronics* show.

Rounding out the October schedule are the *Global Sources Gifts and Home* show – the largest edition in the last 5 years with a strong commitment to creative, curated and innovative products – and *Global Sources Fashion*, the largest-ever fashion sourcing show in Hong Kong.



Global Sources runs a multi-channel, multilingual visitor marketing program that includes search engine marketing, social media, newspaper ads, outdoor ads, plus direct mail to the company's vast online and visitor databases.

What's next?

As of Aug. 28, the completion date of the acquisition by Blackstone, the company's management team was deeply engaged in strategy discussions and Global Sources was now at its most important turning point.

There were expectations for significant annual growth going forward – to come from the existing services – plus new services yet to be determined. Some of the questions senior management was asking itself included:

- Which parts of its culture, structure and processes should it retain?
- What new capabilities does it require?
- How to add more value for our buyer and supplier customers?
- How much growth would have to come from acquisitions or new services?
- What were the three or four areas to focus on for growth?
- Should the company acquire or launch new trade shows?

- What were the core competencies that the company should leverage?
- Should the company focus on buyers or suppliers?
- To what extent should the company be focused on sourcing services?
- How much investment should go to the O2O vision?
- To what extent should the company focus on tradeshows versus online services?
- How much focus should be on Greater China?
- What is the mission? Is it still to provide the right information, at the right time, in the right format?
- What does the company want to look like in three years?
- How does the company define itself now?

The answers to these questions and others would determine the company's future development.

What's next? Stay tuned...







APPENDIX

- **Team member snapshots**
- **Long-service team members**
- **Board of directors**

Dynamic Careers: Selected Team Member Snapshots



Alegre, Yvette

In 1999, Yvette joined Global Sources in Manila as a Franchise Coordinator before being promoted to Partner Marketing Assistant in 2000, in a department called New Business Markets. She relocated to Hong Kong in 2002 to take up a position of Assistant Marketing Manager of eCommerce. Continuing to gain experience, she transferred in 2003 to Global Sources Exhibition's visitor marketing team, which has been her home ever since and where she now heads the department.



B.V.R., Sudhakar

Destiny met Sudhakar one day in 1993 on Wong Chuk Hang road in Hong Kong when he walked into Vita Tower looking for a job. Such were his credentials that he was immediately hired as an Accountant and not long after shipped out to Singapore. Today, blessed with 24 years' service and an encyclopedic memory of all that has happened in our financial world, Sudhakar works closely with the CFO as a Chief Accountant, responsible for SEC filings and financial audit.



Barnes, Brent

In 2012 Brent was appointed Chief Operating Officer responsible for the company's worldwide operations. In 1999, the recent Thunderbird graduate worked as a Market Analyst in our Phoenix office before becoming Executive Assistant to the Chairman and CEO. From 2003 to 2009 he managed areas including *Private Sourcing Events*, Client Service Center, and the User Experience team, before taking over leadership of Content and Community Development in 2010. In 2016, and in addition to his COO role, he acquired responsibility for all buyer-facing services.



Bhardwaj, Meghla

Before joining the Manila team in 2003, Meghla worked for Global Sources as an editorial consultant in India. Showing unmistakable characteristics for success, she relocated again to Shenzhen and rose to Editor-in-Chief of content development before moving to Singapore to head up content marketing. Along the way she was involved in landmark events, including the launch of the *China Sourcing Reports*, the launch of the *Mobile Electronics* vertical, and the launch of all of the company's vertical websites. At the start of 2017 she became Head, Content Marketing.



Catalla, Del

Over the space of 23 years Del has risen from an assistant officer in the Manila Human Resource Department to become one of its key managers in charge of compensation, benefits and Exchange, the company's must-read Intranet. With a major interval along the way in charge of human resource affairs in Singapore, she is now in Hong Kong managing compensation surveys and pay scales, and researching esoteric issues such as the cost of living in Ho Chi Minh City. She is one person in the organization everyone ought to know.



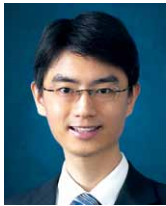
Chang, Meely

Fifteen years ago Meely was a client service officer; today, after six intervening promotions, she is heading the company's entire telesales operation in Xi'an. In early 2007 she took her first step into telesales supervision with a team of seven generating a half year's revenue of US\$150,000. The latest Xi'an result for 2H 2016 telesales collections is US\$13.0 million. Meely, who now holds the title of General Manager, Telesales and her team of close to 200 Account Executives, have come a long way.



Chen, Jian

In Ningbo in 1996, Chen Jian was thinking of resigning after working for three years in the life of an Account Executive. Having made the fateful decision to stay, he was soon promoted to Supervisor and not long after to Sales Manager responsible for Zhejiang and Shanghai. By 2008 he had been appointed General Sales Manager of Zhejiang and then into the position of General Manager for East and West China. Presently, he is General Manager of Fashion, Apparel & Garments in East & North China.



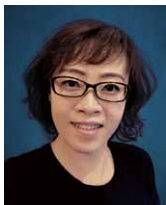
Chen, Zhiwei

A man at his happiest among the numbers, Zhi Wei was recruited in Singapore in 2005 as a business analyst. He's enjoyed many promotions over the years with his first management position coming in 2008. Now as Head, Business Analysis, he runs the entire Singapore business analysis division responsible for tracking and analyzing client behavior on the company's flagship website and providing reports to senior management to facilitate informed buy-side business decisions.



Cheng, Alfred

The Global Sources story says no one leaves the company for good; at some point they all come back. Alfred first joined Global Sources in 1984 as an Account Executive before taking four years out. In 1992 he was back in regional sales. In 1997 he became Computer & Telecommunications Group's General Manager and then in quick succession, Associate Publisher, Chief Representative for Hong Kong, General Manager for SZIC, and General Manager, International Business Development – the position he holds to this day.



Cheung, Amy

In the course of her 23 years with the company, Amy has enjoyed frequent advancement through the accounting team's ranks. Starting in Shenzhen as a newly-minted Accountant and only months after the China government endorsed the creation of Special Economic Zones and the Company opened its first representative offices, she moved up and, over time, became an Accounting Manager. She has since relocated to Hong Kong. Today she is a Chief Accountant enjoying special responsibility for China.



Deng, Coral

Hired as Shenzhen's Assistant Human Resource Manager in 2003, when we had 448 team members in southern China, Coral runs a department as Senior Human Resource Manager with a team of sixteen people based in Shenzhen and Xi'an, covering the whole of South and West China, where we now have a combined work force of 1,123 team members. If anyone in the region has joined or worked for the company in the last fourteen years they will have been through Coral's systems.



Fung, Samson

A sales veteran, Samson began his career as an Account Executive in 1991. His first eight years saw him promoted from Assistant Sales Manager to Sales Manager and then to Regional Sales Manager. Samson worked on a range of verticals including *Fashion Accessories, Machinery Sources and Hardwares*. In 1998, Samson relocated to Shenzhen as General Sales Manager for Guangdong. He later returned to Hong Kong as Regional Sales Manager. Since April 2015, his position has been Chief Representative Gifts & Homes and Hardwares.

Dynamic Careers: Selected Team Member Snapshots



Holmbraker, Bernie

There are others who have been with the company as long as Bernie Holmbraker, but there aren't many with such a varied story to tell. In the business arena he has done it all, with editorial, marketing, business services, sales, supplier training, buyer events and community and content development all part of his career. Hong Kong, Shenzhen, Korea and Singapore are the backdrop for a journey from Assistant Editor to being Vice President of Community and Content, managing all online buyer-facing services.



Hong, Kelvin

Although Kelvin is a ten-year veteran he really came to the fore in 2016, when he was given the opportunity to take charge of online product development. His narrative, however, goes back to 2006, when he joined the company in Singapore as a young product dictionary executive. Since then he has progressed through supervising ontology and product management, until today he fills the key role of Head, Online Product Development, providing critical buy-side services.



Hui, Sam

Hired as a Hong Kong Account Executive in 1992, Sam was given his first promotion to Assistant Manager two years later. He then worked in Shenzhen before moving back to Hong Kong, first as a Special Project Manager and, then an Area Sales Manager. After a two year break, he was back in 2008, as a Regional Sales Manager in Shenzhen. After returning to Hong Kong in 2012, he was promoted to General Sales Manager, leading the launch of the *Mobile Electronics* trade show and online vertical. He is now General Sales Manager, *Consumer Electronics*.



Kao, John

Without people like John, Global Sources would be a very different organization. He joined the company as an Account Executive in 1989 on a voyage that's moved in step with the wider business, both in terms of going where the suppliers are, from Taipei to Taichung, and then to Shanghai, Xiamen and Shenzhen, and from the lowest possible sales position to one of the highest and most critical appointments we have in the sales organization department. Since 2015, he has been the General Manager for *Mobile Electronics* sales.



Kwai, Tracy

The closest thing Global Sources has to a founding team member is from among the small band of staff with over 35 years' service. Tracy is one of the longest serving, having joined as a Bookkeeper in 1978, when the company was still in its infancy and Deng Xiao Ping was beginning to launch his economic reforms in China. Later she became an Assistant and then Group Accountant, focusing on China Accounts, and in 1999 she was appointed Chief Accountant, China.



Lai, Connie

Connie joined Global Sources in 2007 as Financial Controller for China and Hong Kong. Prior to that she was CFO at HC International and before that she spent four years at PricewaterhouseCoopers. She was appointed CFO of Global Sources in 2010. In 2016 her role was expanded to encompass human resources, legal and China administration and regulatory affairs. Over the past several years she has played a crucial role in significantly modernizing the company's legal and financial structure. Today, thanks to Connie, Global Sources enjoys an administratively cleaner and more efficient organization.



Lai, Wendy

In her 13 years with the company, Wendy, an expert in trade show operations, has been a key member of Global Sources Exhibitions since its inception. Her first position was as Senior Event Manager in 2004, soon after moving up the ladder first to Group Event Manager and then General Manager, until becoming Vice President of Global Sources Exhibitions with responsibility for running trade show operations and visitor marketing across the three vertical trade shows.



Lau, Carol

In 2010, Carol came to the company as a manager responsible for business analysis. That same year she was given her first promotion to lead the Market Intelligence and Business Analysis team. In 2013, her responsibility expanded to include Client Services and Supplier Training and at the start of 2017, she became Vice President of Supplier Content & Client Services, with MIBA back under her wing and the additional responsibilities of supplier training and marketing.



Lee, David

Hired in Hong Kong in 1992 for a systems developer's job in Singapore, David was one of the first employees in the new office to where many operational functions, including IT development, were transferred early in the decade. Since then he has been a Project Leader, Systems Manager, a Business Systems Manager, a Corporate Systems Manager, a General Manager and, finally, in 2004 a Senior General Manager, where he is responsible for enterprise architecture and infrastructure.



Lee, Jenny

Famous for being unflappable in the face of the unexpected, Jenny has been a pillar of the sales force and, more recently *Chief Executive China (CEC)*, since joining the company as an Account Executive in Shenzhen in 1995. By 2004, she had been promoted to an Area Sales Manager's position for Electronics and by 2005 and, after relocating to Qingdao, to be the General Manager responsible for the whole of northern China. By 2014, she was back in Shenzhen, but this time for CEC sales, and at the start of 2017 she'd moved up again to be the Publisher of CEC.



Leung, Jennifer

Fresh from university, she joined the Human Resource Department 26 years ago and has since worked in circulation marketing and for one-and-a-half years in Manila. After returning to Hong Kong, she became Training Manager for Asian Sources eTrade and later was involved in early eCommerce development and other projects, including client service and product development. In 2006, she joined *Global Sources Direct* as Product Manager, until becoming its General Manager in 2008. Currently she is the General Manager of User Experience.



Li, Matthew

Part of a younger generation of sales people joining Global Sources in China as our business expanded, Matthew began his career with the company as an Account Executive in 2006. Showing early promise, he was rewarded by promotion to Executive Assistant in 2008 and, at intervals after, to be first a Sales Supervisor and then a Manager and in 2016 to a General Sales Manager, for *Mobile Electronics*, one of the company's most exciting new verticals.

Dynamic Careers: Selected Team Member Snapshots



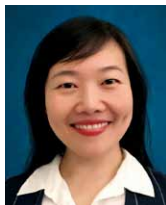
Lim, Chern Chern

One of the stalwarts of buyer services, Chern Chern joined the Singapore company in 2000 as a customer service administrator responsible for documenting and coordinating various initiatives, such as a 24-hour service, and became one of its most familiar faces. Steady promotions followed, taking her through the site team's ranks and up the marketing and customer service ladder, until in 2014 she was put in charge of and, later, in 2017, became Head of Buyer Marketing.



Loo, Edgar

Edgar has covered a lot of ground in 17 years. Beginning in 2000 as the Asian Sales Support Manager in Hong Kong, he rose in 2004 to become its Business Manager. A keen interest in sales took him into the General Sales Manager's job for north Guangdong. In 2006 he transferred to Shenzhen, responsible for the region's Consumer Product Group sales. He then began running the Training and Development Department, until becoming General Manager for Sales Processes, Development and Training. Today, he is Head, Education and Training.



Lu, Jane

Flexibility counts for a lot and Jane's long career is a good example, having worked in Shanghai, Shenzhen, Dongguan and, most recently, Xiamen. She's climbed from being a field Account Executive in 1999 to a supervisor and through the management steps to a Senior Sales Manager of telesales, well known for her electronics expertise. In 2014 she was a joint winner of the Global Sources-Hinrich Foundation MSc scholarship at the Hong Kong Polytechnic University. Today, she is a much valued General Sales Manager in charge of the Fujian and Shantou regions of China.



Ng, John

One of the longest-serving members of the Information Services Department, John is an acknowledged expert on Global Sources' legacy IT systems. If you want to know what Pubplus does, he's your man, having worked on its development since joining the Company in 1988 as a Systems Consultant. Today he is Head, Systems Development & Training, after journeying through many of the levels in between including stops at Systems Manager and Information Services Manager.



Ng, Sandy

Sandy joined the company as a Production Clerk in 1980, in the days when Global Sources was just a trade publisher and success was often measured in the number of pages in a magazine. With that sort of experience the question could be asked what career choices are there in times of rapid technological change. Sandy found the answer in China and in managing our growing presence in Shenzhen where she has now risen to be General Manager of China Administration and Regulatory Affairs and an indispensable part of the company apparatus.



Nirwal, Seema

At the beginning of the dot.com boom in 1999, when Global Sources was expanding into new technologies and markets, Seema joined the company in Manila as a License Coordinator, relocating briefly to Hong Kong in 2002. She then moved to Singapore in 2003, where she began climbing the product development ladder and led the online product development team for many years. In 2016 she was appointed Head, Customer Services and Buyer Needs Analysis, bringing all of her years of experience together to better serve our buyers.



Pepples, Craig

When new recruits ask about opportunities for career growth in the company, they are often told about Craig. After starting in the editorial department in 1986, he has risen through many steps to become Chief Executive Officer in 2017. His roles in between have seen him as Publisher, President of the China Business Group, the company's man in China, where he ran the entire Mainland operation from Shanghai, and, Chief Operating Officer in Manila. Before becoming CEO, he was dividing time between Hong Kong and China in charge of all supplier-facing activity.



Prajyot, Doshi

A 26-year veteran of the Information Services Department, having joined the company in 1991 and, before IT development moved from Hong Kong to Singapore, Doshi is another familiar face among the Company's technology team. From early days as a Systems Developer and six subsequent promotions through Senior Systems Developer, Project Leader, Systems Manager, Senior Systems Manager and General Manager, he is now Head, Database Design & Management.



Qu, Anita

If rising from the bottom to the top in a single company is a measure of success, Anita, along with a few others known collectively as "China's Old Timers", has probably done it all. Starting in 1998 as a Marketing Assistant working on client service projects, she eventually moved up to lead the China Corporate Marketing and Supplier Marketing teams. But that's not all; in January 2017, while still Head of Corporate Marketing, she added the market development of the Gifts, Home and Hardware business to her growing portfolio of experience and responsibility.



So, Camellia

The very public face of Global Sources almost inevitably is Camellia So, the Vice President of Corporate Affairs. Whether hosting the media or visiting VIPs at the Hong Kong trade shows, representing the company at Lantau Development Alliance or Hong Kong General Chamber of Commerce events, she is always there adding charm and poise to every occasion. Internally, Camellia issues press releases that keep the media and investor communities informed of major events in the company's progress. Camellia joined the organization in March 2000.



Strachan, Jim

Starting in Japan in 1979, Jim advanced in sales until becoming VP, Sales and Marketing. He introduced structured sales presentations and became a Group Publisher in 1992, overseeing publications including the 1,000-page *Computer Products* title. After returning to the U.S., in 2000 he was part of the NASDAQ listing team, he handled U.S. investor relations and has co-authored all earnings releases. After returning to Hong Kong, he led the launch of the *Mobile Electronics* show and website in 2015 and the online vertical websites. Today, he is EVP for strategic marketing.



Walker, Cameron

Throughout its history Global Sources has brought educated young talent to the organization steering it through work rotation towards higher levels. Cameron has been a successful traveler along this path, having joined the company in 2005 as an Executive Assistant to the then Beijing General Sales Manager and later to building our first telesales team in Shenzhen and the telesales centre in Xi'an. By 2014 he was back in Shenzhen heading up eGSOL sales and in 2015 he became President of the Gifts, Home and Hardware Group.

Dynamic Careers: Selected Team Member Snapshots



Wang, Suzanne

If people wonder how eMedia was sold, and SIMM and the Shenzhen Fashion Show were acquired, Suzanne, who joined Global Sources as a Financial Analyst in 2003, can tell you, because she has been at the heart of all those negotiations in her role as Vice President of Corporate Development and Investments. At the beginning of 2017, she took on the completely new task of managing the Company's China domestic trade show businesses, which she helped the organization to acquire.



Wong, Ben

Hired as a copywriter in China in 2009, promotion followed, first to supervisor and then manager and next to being the Chairman's Executive Assistant. After graduating with a Hinrich Foundation-sponsored MBA from the Chinese University of Hong Kong, this opened the door to developing his ideas and leading *StartUp Launchpad*, which soon enters its third full year, aiming to offer clients Asia's largest consumer electronics hardware startup event.



Wong, Danny

Prior to 2005, Danny Wong had been a fixture in the Hong Kong Accounts department, moving along a familiar career track from the Accounts Clerk's position where he started in 1990, until, in 1999, he became an Accountant. Some while later, to give weight to the *China Sourcing Fairs'* financial monitoring system, he joined the team as a Cost Accountant making steady progress until, in 2011, he became the Senior Finance Manager. Today, after a long and eventful journey, he supports sales as Head, Market Intelligence and Business Analysis.



Wong, Tommy

Starting as an Account Executive in 1986, Tommy became General Manager in 1991. In 1995 he moved to Canada, later returning to Hong Kong to take charge of local Consumer Product Group sales. He then moved to Manila, coming back to Hong Kong in 1999 with a promotion to Associate Publisher. When *China Sourcing Fairs* got under way he headed up sales and, later, took over the trade show BU president's job. Today he is President of the Electronics Group, responsible for the largest share of the company's revenue.



Xiao, Laura

A graduate of the Thunderbird, Laura joined Global Sources as a management trainee in Singapore in 2010, later transferring to Shenzhen, on a rotation programme designed to give her buy and supply-side experience. In the following year, she moved to Hong Kong and became the Chief Executive Officer's Executive Assistant. Since then she has taken major steps and, in turn, held the positions of Head of Market Development for the Gifts, Home and Hardware verticals and this year leading a new ecommerce initiative.



Yang, Johnson

Recruited into Changping, one of the company's remote China sales offices, in 2002, Johnson has learned our business as an Account Executive in the trenches and thrived. Based on an excellent sales performance, he was first promoted in 2005 to sales supervision and then in 2009 to a Sales Manager's position with responsibility for Dongguan, Changping and Huizhou. Now 11 years on, he is the General Sales Manager for Dongguan, Changping and Guangzhou.



Yeung, Daniel

Colorful characters abound in the Global Sources sales team and with 29-years' service, albeit in two pieces, Daniel lays claim to being one of the better known. Like so many others in the company he started as an Account Executive, and since has enjoyed a track unlike any other, taking him up the tree and from Hong Kong to Korea and China, and to regional, general and country management, and then President of eGSOL. He is now Senior General Manager in Shanghai, steering sales for Zhejiang and West and North China.



Yip, Livia

Within the space of a year after joining the Company in 1993, Livia received her first promotion. Soon, others followed in a passage from the Hong Kong marketing department to Manila and back again, until she became a General Manager in charge of Private Supplier Catalogs and later Client Service Centre. Further big steps carried her through an Associate Publisher's role to her present position as President of the Fashion Group.



Yu, Perry

In the 28 years from joining the company in 1989, Perry has progressed through almost every position available to an employee in the Information Services Department. Starting as Programmer in 1989, he has held in turn the positions of Developer, Technical Support Manager, Research & Development Manager, and Assistant General Manager for IS & Electronic Commerce, General Manager, and Senior General Manager, Enterprise Applications – a post he holds to this day.



Zapf, Peter

Another graduate of the Thunderbird School of Global Management, Peter was hired by Global Sources for the second time in 2001 and came to Hong Kong as Vice President of eCommerce. After relocating in 2003 to Singapore as Vice President of Community Development, he moved back to Hong Kong in 2010, first in the position of Deputy Chief Operating Officer and later as the Chief Operating Officer a position he held until the end of 2011. He then became Chief Information Officer, responsible for all of the company's technology issues, before retiring in August 2016.



Zhang, Sam

Another member of the new generation of leaders, Sam began his Global Sources career in 2007 in Shenzhen as a *China Sourcing Fair* Account Executive. Throughout the time of a separate China Sourcing Fair sales force, he was one of the department's most robust performers, progressing to an Executive Assistant and later on to Supervisor, Manager and, lastly, General Sales Manager for Shenzhen and Longgang. In 2015, when CSF and eGSOL sales departments began integrating, he became General Sales Manager for *Consumer Electronics*.



Zhao, Heidi

From graduation in 1996 Heidi Zhao has made Global Sources her home. Her first job in the company was as a sales support clerk, but being tempted by the front line's prospects of greater career growth, she made a move that she never regretted. In the years since making that decision, she has risen step by step until becoming General Sales Manager of Jiangsu and Anhui regions of China.

Long-serving team members

Team members listed here are recognized for their years of service and ongoing contributions to the company.

MAINLAND CHINA

30 years

Kwan, Jenny

25 years

Kao, John

Po, Samson

Yeung, Daniel

20 years

Cao, Jeffrey

Hu, Yuhua

Lin, Catherine

Wu, Vivian

Chen, Jian

Huang, Lucia

Lin, Helen

Xian, Linda

Chen, Linda

Ilagan, Rina

Lin, Hongjing

Xu, Emma

Chen, Yammie

Jiang, Angel

Lin, Xipeng

Xu, Shindy

Ding, Jimmy

Li, Jenny

Ling, David

Zeng, Gary

Ding, Jun

Li, Yaning

Su, Benru

Zhao, Heidi

Fang, Fang

Liang, Angel

Wang, Baker

Zhao, Jenny

Fung, Siu Kei

Liao, Susanna

Wu, Lydia

15 years

Chang, Meely

Li, David

Qiu, Yuzi

Ye, May

Chen, Cecilia

Li, Leana

Qu, Anita

Ye, Owen

Chen, Hansen

Li, Nolan

Quek, Melissa

Yu, Amy

Chen, Holland

Li, Richard

Ruan, Bill

Yu, Vera

Chen, Hui

Li, Vianie

Shi, Cheng

Zhang, Babrara

Chen, Yanxia

Li, Zuochun

Tian, Grace

Zhang, Fanny

Deng, Tina

Liang, Yoyo

Tian, Mengting

Zhang, Richard

Ding, Ivy

Lin, Winer

Wang, Ellen

Zhang, Sunny

Dong, Wenye

Lin, Xiaodan

Wei, Fannie

Zhang, Sunny

Gan, Ruby

Liu, Sandy

Wu, Sam

Zhao, Hui

Gu, Yueping

Loo, Edgar

Xin, Yi

Zhong, Helen

Huang, Lina

Ma, Mary

Xu, Wuhan

Zhou, Lucy

Kong, Annie

Pan, Rong

Xu, Xiushow

Zhu, Jie

Li, Becky

Peng, May

Yang, Lucy

10 years

Chan, Simon

Du, Lilian

He, Jason

Jie, Li

Chen, Iris

Fan, Frank

He, River

Jin, Rita

Chen, Lisa

Feng, Nancy

He, Samantha

Jin, Tracy

Chen, Sarah

Fu, Gail

Hou, Huaizhi

Lang, Jamie

Chen, Sky

Gao, Seesea

Hu, Ella

Lao, Bright

Chen, Vincent

Gao, Sherry

Hu, Sunny

Leung, Lester

Chen, Yang

Guan, Sunny

Hu, Vincent

Li, Candie

Cheng, Xiaowei

Guo, Martin

Huang, Allen

Li, Crystal

Deng, Coral

Han, Aki

Huang, Lily

Li, Ivy

Deng, Denny

Han, Henry

Huang, Sunny

Li, Jessica

Deng, Ira

He, Cassily

Ji, Elina

Li, Karen

Deng, Kiki

He, Jacky

Jiang, Sammi

continued on next page

10 years continued from previous page

Li, Kristin	Sheng, Vivian	Wei, Amaya	Zhang, Cathy
Li, Matthew	Shi, Bodhi	Wu, David	Zhang, Cathy
Li, Rebecca	Song, Tony	Wu, Nancy	Zhang, Ceissy
Li, Winny	Su, Susanna	Wu, Sigrid	Zhang, Cindy
Liang, Allen	Su, Zoe	Wu, Wendy	Zhang, Jane
Liang, James	Sun, Eleanor	Xiao, Jacky	Zhang, Jessie
Liang, Jianzhang	Sun, Sugar	Xiao, Jessie	Zhang, Niky
Liao, Sabrina	Sun, Sunny	Xing, Awei	Zhang, Sara
Lin, Jason	Tan, Helery	Xu, Jojo	Zhang, Ying
Ling, Jay	Tan, Taya	Xu, Renny	Zhao, Anne
Liu, Ben	Tang, Anna	Xu, Teresa	Zhao, Vicky
Liu, Hermes	Tang, Fion	Xu, Yuki	Zheng, Azona
Lu, Jane	Tang, Grace	Yan, Anchy	Zheng, Genda
Luo, Rachel	Tao, Sunny	Yan, Hibi	Zhou, Annie
Luo, Terence	Tian, Vincent	Yang, Johnson	Zhou, Bob
Lv, Jenny	Walker, Cameron	Yang, Pauline	Zhou, Crystal
Ma, Mavis	Wang, Audie	Ye, Annie	Zhou, Danae
Ma, Yaxing	Wang, David	Ye, Cathy	Zhou, Echo
Ma, Youny	Wang, Doreen	Ye, Micky	Zhou, Jerry
Mo, Joan	Wang, Eric	Yu, Charles	Zhou, Jessica
Pan, Eda	Wang, Hal	Yu, Jessie	Zhou, Jory
Pang, Joy	Wang, Lihua	Yuan, June	Zhou, Muton
Qiu, Nicole	Wang, Maggie	Zhan, Christine	Zhu, Beiqi
Ren, Sanny	Wang, Min	Zhan, Jenny	Zhu, Benson
Shan, Leil	Wang, Tinna	Zhang, Aileen	Zhu, Jeken
She, Yannic	Wang, Vivian	Zhang, Alice	Zhu, Vincent
Shen, Chen	Wang, Wenyan	Zhang, Anne	Zhuang, Wendy

5 years

An, Angela	Chen, Stephen	Duan, Coffee	Guan, Xingcheng
Bao, Mickey	Chen, Vicky	Duan, Eline	Guo, Amanda
Cai, Can	Chen, Wendy	Fan, Summer	Guo, Jianqing
Cai, Harris	Chen, Xiangzhong	Fang, Evan	Guo, Lucia
Cai, Jodie	Chen, Yongchang	Fang, Franca	Guo, Serena
Cao, Calvin	Cheng, Mastha	Feng, Maggie	Guo, Sherry
Cao, Jennifer	Cheng, Shining	Feng, Phoebe	Guo, Wing
Chen, Ally	Chong, Tony	Feng, Yuyi	Han, Joanna
Chen, Cassidy	Cui, Lani	Fu, Amy	Han, Joyce
Chen, Cherry	Cui, Lisa	Fu, Lina	Han, Vicky
Chen, Cindy	Deng, Iris	Fu, Linda	He, Ada
Chen, Coco	Deng, Pheobe	Fu, Yoyo	He, Hery
Chen, Coco	Ding, Christina	Gao, Rebecca	He, Lily
Chen, Colyn	Ding, Danna	Gao, Sunny	He, Lu
Chen, Darwin	Dong, Cindy	Gao, Theresa	He, Lucky
Chen, Echo	Dong, Shirley	Ge, Jessie	He, Melody
Chen, Faye	Du, April	Ge, Ziwu	He, Selin
Chen, Flower	Du, Martina	Geng, Amanda	Hong, Miya
Chen, Jack	Du, Minjie	Gong, Wei	Hou, Cathy
Chen, Linda	Du, Sherry	Gu, Shunshun	Hu, Angelia
Chen, Rongfang	Du, Summer	Gu, Venus	continued on next page

Long-serving team members

5 years continued from previous page

Hu, Echo	Li, Stanley	Ma, August	Wan, Terry
Hu, Halley	Li, Stephanie	Ma, Eva	Wan, Tingting
Hu, Serena	Li, Summer	Ma, Linda	Wang, Amanda
Hu, Shunjia	Li, Vivian	Ma, Michelle	Wang, Anne
Hu, Sophie	Li, Yuyu	Ma, Mona	Wang, Bruce
Hua, Irene	Lian, Liyun	Ma, Wenjie	Wang, Cong
Huang, Becky	Liang, Julie	Mao, Andy	Wang, Eason
Huang, Cristal	Liang, Manley	Mao, Becky	Wang, Elaine
Huang, Daisy	Liang, Yanfen	Meng, Jenny	Wang, Elisa
Huang, Divid	Liao, Changxia	Meng, Matthew	Wang, Fiona
Huang, Echo	Liao, Ken	Mo, Selina	Wang, Gami
Huang, Fiona	Liao, Vicky	Mu, Louis	Wang, Helen
Huang, Hanna	Lin, John	Nan, Nancy	Wang, Iris
Huang, Josie	Lin, Linda	Pan, Cherry	Wang, Jason
Huang, Landy	Lin, Sen	Pan, Christina	Wang, Jimmy
Ji, Bridgette	Lin, Vanessa	Pei, Sharrie	Wang, Lester
Ji, Candy	Lin, Xiqin	Peng, Kelly	Wang, Naja
Ji, Jessica	Liu, Arissa	Qiao, Crotus	Wang, Nancy
Ji, Sunny	Liu, Bessie	Qin, Peggy	Wang, Phenix
Jia, Anny	Liu, Betty	Qiu, Alex	Wang, Rain
Jia, Helen	Liu, Brian	Qu, Telly	Wang, Richard
Jiang, Abbey	Liu, Coco	Quan, Mingguang	Wang, Scarlett
Jiang, Chuan	Liu, Cuifen	Ren, Sindy	Wang, Sunny
Jiang, Cici	Liu, Echo	Shang, Della	Wang, Susan
Jiang, Grace	Liu, Jane	Shen, Alisa	Wang, Vivi
Jiang, Judith	Liu, Jany	Shen, Edison	Wang, Whitney
Jiang, Tracy	Liu, Joanna	Shen, Jenny	Wang, Winson
Jiang, Yaoming	Liu, Kindly	Sheng, Bessie	Wei, Christy
Jin, Rorna	Liu, Linc	Shi, Crystal	Wei, Ella
Kang, Jessie	Liu, Lydia	Shi, Huzhong	Wei, Eunice
Lai, Iris	Liu, Mandy	Shi, Jenny	Wei, Penny
Lai, Jolin	Liu, May	Shu, Joyce	Wei, Sweety
Lei, Joyce	Liu, Money	Si, Yuan	Wei, Yuki
Li, Ada	Liu, Ruby	Song, Ciccy	Wen, Sunny
Li, Betty	Liu, Sakuoro	Song, Sankey	Wo, Kitty
Li, Bruce	Liu, Sha	Su, Joey	Wu, Annly
Li, Cara	Liu, Shery	Su, Susan	Wu, Candy
Li, Charley	Liu, Xiaoli	Sui, Sandy	Wu, Hedy
Li, Connie	Liu, Yinjie	Sun, Echo	Wu, Jady
Li, Crystal	Liu, Yubo	Sun, Gina	Wu, Livia
Li, Darlene	Lu, Cindy	Sun, Jones	Wu, Rachel
Li, Dreaming	Lu, Eva	Sun, Sandy	Wu, Timon
Li, Jim	Lu, Jawene	Sun, Sophia	Wu, Wendy
Li, Joyce	Lu, Joyce	Sun, Sunny	Wu, Yanie
Li, Julia	Luo, Ally	Tang, Candy	Xian, Kelvin
Li, Malyse	Luo, Nancy	Tang, Candy	Xiang, Sandy
Li, Mandy	Luo, Roy	Tang, Li	Xiao, Dolphin
Li, Melody	Luo, Shakira	Tang, Suki	Xiao, Lucky
Li, Melody	Lv, Lycia	Tang, Tamy	Xiao, Minnie
Li, Nicole	Lv, Yun	Tang, Viola	Xie, Carol
Li, Seven	Ma, Amanda	Tao, Judy	continued on next page

5 years continued from previous page

Xie, Cham	Yang, Aaron	Zeng, Shirley	Zhao, Jason
Xie, James	Yang, Anson	Zhang, Carolyn	Zheng, Dori
Xie, Jenny	Yang, Apple	Zhang, Chengcheng	Zheng, Eric
Xing, Zhenyan	Yang, Candy	Zhang, Chocolate	Zheng, Jamie
Xiong, Canxin	Yang, Cassie	Zhang, Daisy	Zheng, Jenny
Xu, Alikeen	Yang, Coco	Zhang, Eileen	Zheng, Maggie
Xu, Elfin	Yang, Dina	Zhang, Fanny	Zheng, Sean
Xu, Elsa	Yang, Jacky	Zhang, Felix	Zheng, Smart
Xu, Gino	Yang, Joan	Zhang, Fenny	Zheng, Yiwa
Xu, Jie	Yang, Joly	Zhang, Gego	Zhong, Mike
Xu, Joyce	Yang, Judy	Zhang, Grace	Zhong, Rita
Xu, Kelvin	Yang, Momo	Zhang, Iris	Zhou, Dani
Xu, Leo	Yang, Peter	Zhang, John	Zhou, Johnson
Xu, Linda	Yang, Seranto	Zhang, Kahlen	Zhou, Nicholas
Xu, Mansery	Yang, Strong	Zhang, Loofy	Zhou, Sophie
Xu, Shirley	Yang, Summer	Zhang, Martin	Zhou, Wei
Xu, Song	Yang, Tess	Zhang, Michelle	Zhu, Jackson
Xu, Tina	Ye, Lanfen	Zhang, Nicole	Zhu, Judy
Xuan, Anna	Ye, Li	Zhang, Sam	Zhu, Lily
Xuan, Monica	Yi, Sharon	Zhang, Sophia	Zhu, Susan
Xue, Amy	Yu, Lily	Zhang, Steven	Zou, Nancy
Xue, Cindy	Yu, Nancy	Zhang, Sugar	
Yan, Hope	Yu, Rachael	Zhang, Tracy	
Yan, Kevin	Yu, Steven	Zhao, Claud	

HONG KONG

40 years

Hinrich, Merle

35 years

Chan, Claudius	Ng, Sandy	Tang, Cecilia	Wong, Johnson
Kwai, Tracy	Strachan, Jim		

30 years

Hu, Andy	Pepples, Craig	Wong, Tommy
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25 years

Chatting, Philip	Fung, Samson	Leung, Eric	Wong, Danny
Chow, Barry	Lam, Helen	Leung, Jennifer	Yu, Perry
Chu, Mimi	Lam, Wai Fong	Ma, Chi Lai	
Fung, Cindy	Lee, Man Chi	Wat, Cecilia	

Long-serving team members

20 years

Catalla, Del	Chung, Dennis	Lau, Maria	Yeung, Benny
Chan, Selma	Fan, Chi Ming	Lee, Eric	Yip, Livia
Chan, Siu Hang	Ho, Canis	Ling, Alice	Yip, Winnie
Chen, Tina	Keung, Chi Ming	Ng, Kai Keung	Zhang, Amy
Cheng, Alfred	Kwan, Candice	Tang, Pat	
Chui, Sherman	Lai, Denice	Wong, Sally	

15 years

Alegre, Yvette	Jose, Willie	Middleburgh, David	So, Camellia
Barnes, Brent	Lau, Ken	Ng, Carol	Villanueva, Franco
Escano, Pinky	Lau, Maggie	Ng, Samuel	Yim, Anderson
Fan, Yuk Yee	Leung, Connie	Shek, Pauline	Yuen, Lorna
Ho, Albert	Leung, Lana	Sim, Adrian	Zapf, Peter

10 years

Chan, Joseph	Hui, Florence	Leung, Carol	Ng, Adam
Chan, Timothy	Lai, Ada	Leung, Coco	Ng, Alinda
Cheng, Eric	Lai, Wendy	Leung, Ida	So, Andy
Cheng, Ryan	Lam, Vickie	Li, Tracy	Tam, Goldie
Ho, Ray	Lau, Carol	Lui, Claire	Wang, Suzanne
Ho, Virginia	Law, Elaine	Luk, Yvonne	Wong, Ming
Hon, C.B.	Lee, Fion	Mok, Millie	

5 years

Chan, Annie	Law, Carol	Mak, Alice	Wong, Herman
Chan, James	Law, Sung Yi	Ng, Ami	Wong, Isabella
Chan, Mimi	Law, Vincent	Ng, Peggie	Wong, Robert
Chan, Scena	Lee, Bowie	Ping, Lam	Xiao, Laura
Fok, Yvonne	Leung, Katie	Po, Ryan	Yue, Ivan
Hui, Sam	Leung, Peggy	Tong, Shirley	
Lai, Chung Wai	Li, Michael	Wong, Ben	
Lai, Connie	Lui, Philip	Wong, Chung Wai	

TAIWAN

30 years

Cheng, Penny	Liu, Alan	Tsai, Tracy	Wu, Franky
Lin, Frances			

25 years

Chin, Brenda	Huang, Tony	Lin, Dennis	Yeh-Yang, Marry
Hsui, Kathy	Jiang, Daphne	Tseng, Patrick	

20 years

Chen, Jan	Cheng, Rosa	Lin, Jennifer	Yang, Ivy
Chen, Serena	Huang, Anna	Lin, Wesley	
Cheng, Claudia	Lee, Irene	Liu, Stone	

15 years

Chen, Eric	Chuang, Melinda	Liao, Stacy	Tsai, Niki
Chen, Jim	Han, Freda	Lin, Hawk	Yeh, Connie
Chen, Roger	Hsu, Nettly	Liu, Brenda	
Chien, Joyce	Huang, Janet	Shih, Celia	
Chu, Evelyn	Li, Erica	Tsai, Nicole	

10 years

Chang, Kate	Cruz, Bonnie	Lee, Rick	Yeh, Gabriela
Chang, Neo	Hsu, Vincent	Lin, Claire	Yeh, Mindy
Chung, Aline	Kuo, Mandy	Shih, Vicky	

5 years

Hung, Sylvia	Wang, Kim	Wu, Esther	Yang, Allison
Wang, Derrick	Wu, Bryan	Wu, Ryan	

PHILIPPINES

25 years

Razon, Miriam	Regulacio, Emilie
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20 years

Banaban, Mary Jane	Francisco, Grace	Manlangit, Adolf	Nolasco, Rufus
David, Macy			

15 years

Flor, Grace	Ramos Jr, Juan
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10 years

Batallones, Jessie	Coroza, Mericris	De Veyra, Cecile	Ledda, Earsling-Jo
Bringas Jr., Elmo	Corpuz, Gigi	Doplito, Jason	Sedano, Maileen

5 years

Cacatian, Judee	Honrubia,	Piano, Isomer	Veyra, Faye
Calderon, Ritzel	Gemmalyn	Rosanes, Mark Edsel	
Darantinao, Criselle	Opligida, Romy	Tanchuan, Jovie	
Enovejas, Analiza	Palanog, Vivien		

Long-serving team members

SINGAPORE

25 years

Lee, David	Lo, Rex	Ng, John	Prajyot, Doshi
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20 years

Buddhiraju, Sudhakar	Lim, Doris	Tan, Jasline	Yeo, Chwee Chin
Chong, Jessie	Lim, Li Ling	Ted, Bee Ling	Yong, Grace
Lim, Connie	Mohamed Jahir	Tiu, Freddie	Zailani Bin
	Hussain	Wong, Khong Kiang	Samsudin

15 years

Chan, Karen	Lim Thiam Joo	Fareed	Tan, Kimberly
Chew, Siew Yang	Lim, Chern Chern	Nirwal, Seema	Tang, Lolita
Chua, Keng Chyun	Lim, Patrick	Olorga, Cecilia	Wirzanila Bte Abdul
Corona, Dheil	Marwati Bte Abdul	Pang, Caitlin	Latiff
Goh, Alice	Manap	Poh, Derek	Yip, Karen
Jaggi, Ritu	Natividad, Mary	Salinda Bte Ali	Zaidi Bin Moksein
Khor, Simon	Ann	Shio, Samuel	
Lee, Donald	Nazerah Bte Shaik	Soh, Jasmine	

10 years

Bhardwaj, Meghla	Hong, Kelvin	Lim, Timothy	Wong, Julie
Chen, Zhiwei	Hu, Peini	Oon, James	Yeo, Stella
Chua, Josline	Lau, Simon	Shi, Yuki	Yoh, Pek Kheng
Hairi Bin Hamid	Lee, Chris	Tan, Beng Kock	Yue, Zhi Yong

5 years

Bhasin, Manish	Juneja, Ashish	Mohammad Aidil	Bharathi
Chew, Cailing	Lee, Ginny	Hafidz	Tan, Drake
Chia, Fong Keow	Lim, Hwee Peng	Ong, Wei Khar	Tong, Kelly
Ho, Alvin	Lin, Naing Toe	Phyu Thandar Lwin	Win Hnin Thu
Holmbraker, Bernie	Low, Guek Nai	Somasundaram,	Wong, Xue Mei

INDIA

5 years

Makoria, Vinod	Saxena, Puneet Kumar	Singh, Amitabh	Verma, Rita
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KOREA

35 years

Jung, Sungsook

20 years

Park, Young Sook

15 years

Choi, Tae Yeon

Kim, Brian

10 years

Kwon, Yueun

Lee, Yeon

5 years

Kim, Jinny

Park, Tae Young

US

10 years

Susanto, Voni

VIETNAM

5 years

Nguyen, Elly

Board of Directors



Merle A. Hinrich

Mr. Hinrich has been a director since April 2000 and is currently our Executive Chairman. He was our Chief Executive Officer from April 2000 to August 2011. As founder of the business, he was the Principal Executive Officer of our predecessor company, Trade Media Holdings Limited, a Cayman Islands corporation wholly owned by us (“Trade Media”), from 1971 through 1993 and resumed that position in September 1999. From 1994 to August 1999, Mr. Hinrich was Chairman of the ASM Group, which included Trade Media. Mr. Hinrich is a Director of Trade Media and has also been the Chairman of the Board of Trade Media. Mr. Hinrich graduated

from the University of Nebraska with a Bachelor of Arts degree in Business Administration and Mathematics, and then gained a graduate degree in International Trade at Thunderbird School of Global Management. In 1996, the University of Nebraska awarded Mr. Hinrich an Honorary Doctorate Degree, and in 2010, the Thunderbird School of Global Management conferred upon Mr. Hinrich the honorary degree of Doctor of International Law, in recognition of his global mindset and his role as a true global entrepreneur. In recognition of his highly valued support to Hong Kong Baptist University, the university conferred an Honorary University Fellowship upon him in 2015. After 22 years of service, he retired from the board of trustees of Thunderbird and became a Director on the Board of The Thunderbird Independent Alumni Association. He is a member of the Economic Strategy Institute in Washington, D.C., co-founder and former chairman of The Society of Hong Kong Publishers, and the chairman of the council of members of the Hinrich Foundation. Mr. Hinrich is also an Investment Promotion Ambassador with Invest Hong Kong and serves as the International Board Member of the Weizmann Institute of Science.



Sarah Benecke (2000-2017)

Ms. Benecke was appointed as a Director in April 2000 and, since 1993, served as a Director of Trade Media. Ms. Benecke was our Principal Executive Officer from January 1994 through August 1999. She joined us in May 1980 and served in numerous positions, including Publisher from 1988 to December 1992 and Chief Operating Officer in 1993. From September 1999 to July 2010, Ms. Benecke served as a Consultant to Publishers Representatives Ltd. (Hong Kong), a subsidiary of our company. Her consulting work focused largely on the launch, development and expansion of the *China Sourcing Fairs* in Shanghai, Hong Kong, Mumbai,

Dubai, Singapore and Johannesburg. Ms. Benecke is also on the boards of Australian media company McPherson Media, Hong Kong art show organizer Asia Contemporary Art Ltd and Singapore art show organizer Singapore Contemporary Art Ltd. She graduated with a B.A. from the University of New South Wales, Australia.



Eddie Heng (2000-2017)

Mr. Heng was appointed as a Director in April 2000. He joined the company in August 1993 as Deputy to the Vice President of Finance and was the Chief Financial Officer (previously titled Vice President of Finance) from 1994 until June 30, 2009. Mr. Heng returned to serve as Interim Chief Financial Officer from June 30, 2010 until August 1, 2010. He received an MBA from Schiller International University in London in 1993, is a Singapore Chartered Accountant, a member of the Institute of Singapore Chartered Accountants, and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. Mr. Heng is

currently an audit committee member of Prison Fellowship Singapore, a Christian non-profit organization that provides counseling and skills training to prisoners and financial support to their families. Prior to joining us, he was the Regional Financial Controller of Hitachi Data Systems, a joint venture between Hitachi and General Motors.



David Jones (2000-2017)

Mr. Jones was appointed as a Director in April 2000. He is the Executive Chairman of VGI Partners, a global funds manager. He is also the Chairman of Kudos Energy, a solar energy financing business. From August 2011 to February 2013, Mr. Jones was with Better Place Inc., a global electric vehicle services provider, where he was Vice president, Global Corporate Development and Strategy. He spent the previous 17 years in the private equity industry, and before that he was in management consulting, investment banking and general management. Mr. Jones was Managing Director of CHAMP Private Equity, a leading Australian buyout firm from 2002 to 2011. In 1999, he founded and, until 2002, led the development of UBS Capital's Australian and New Zealand business. Prior to that, he spent four years with Macquarie Direct Investment, a venture capital firm in Sydney, Australia, and one year at BancBoston Capital in Boston, Massachusetts. Mr. Jones began his career as a consultant with McKinsey & Company in Australia and New Zealand. He is a Director of EC English Pty. Ltd. and Cape York Partnership Group Limited. Mr. Jones holds a Bachelor of Engineering (First Class Hons.) from the University of Melbourne and a Master of Business Administration from Harvard Business School.



Fumbi Chima (2016-2017)

Ms. Chima was appointed as a Casual Director on September 12, 2016, and was elected as a Director at the annual general meeting of the company on June 23, 2017. Since 2015, she has been the Chief Information Officer for Burberry plc, where she oversees Burberry's technology division that is central to its strategy development. From 2010 to 2015, she held several leadership roles, including most recently the Chief Information Officer for Asia (2014-2015), at Wal-Mart Stores, a multinational retail corporation that operates a chain of hypermarkets, discount department stores and grocery stores. Prior to recent experiences in retailing, she spent over 15 years in the financial services industry. She was the Vice President of Corporate Systems at American Express (New York) from 2006 to 2010. Prior to that, she spent two years at JPMorgan Chase (New York) and a number of years at TXU Gas & Electric (Dallas) and PricewaterhouseCoopers (London) as a Consultant. Ms. Chima serves on external boards and participates in mentoring networks which include: World Affairs Council – Washington, DC; STEMconnector®; United Nations ESCAP Task Force; Information Technology Senior Management Forum (ITSMF); Executive Leadership Council (ELC); International Women's Forum (IWF); and most recently, B20 Employment Taskforce. She received her Bachelor of Arts degree from the University of Hull in the U.K.



Michael Scown (2016-2017)

Mr. Scown was appointed as a Casual Director on September 12, 2016, and was elected as a Director at the annual general meeting of the Company on June 23, 2017. He is the Asia Managing Director, Treasury, for Intel Capital (since 2006). From 1999 to 2006, he served as Intel Capital's Asia Regional Counsel. Before joining Intel, he practiced law as an Associate and Partner with Russin & Vecchi, LLC in the firm's San Francisco and Ho Chi Minh City, Vietnam offices. Prior to commencing his legal practice, Mr. Scown served as a Foreign Service Officer with the U.S. Department of State (1985-1988). From 2007 to 2015, he served on the board of directors and audit committee of eLong, Inc. a NASDAQ-listed mobile and online travel service provider in China. He has also served as a Director of the Hong Kong Venture Capital and Private Equity Association (2008-2013) and was the Chairman (1995-1996) and a founding member (1994-1998) of the Board of Governors of the American Chamber of Commerce in Vietnam, Ho Chi Minh City Chapter. He is a graduate of U.C. Berkeley (A.B.), the University of San Francisco School of Law (J.D.), and a member of the California Bar.

Board of Directors



Jeffrey Steiner (1999-2008)

Mr. Steiner was appointed as a Director of the company in November 1999. Mr. Steiner also served as a Director of The Fairchild Corporation (“Fairchild”) since 1985, was the Chairman of the board and Chief Executive Officer of Fairchild from 1985, and served as President of Fairchild from 1991 to 1998. Mr. Steiner ceased to be a Director of the company upon his untimely death in 2008.



Roderick Chalmers (2000-2015)

Mr. Chalmers was appointed as a Director in October 2000. He was Chairman, Asia-Pacific, of PricewaterhouseCoopers, LLP and a member of PwC’s Global Management Board from 1998 until his retirement in July 2000. He is a 30-year veteran with PwC’s merger partner Coopers & Lybrand with specialist experience in the financial services industry. He has a various times been a Non-Executive Director of the Hong Kong SAR Securities and Futures Commission, a member of the Takeovers and Mergers Panel, and Chairman of the Working Group on Financial Disclosure. He is currently (2015) a director of the Gasan Group Limited (Malta) and Simonds Farsons Cisk Limited (Malta). He was the Chairman of the Board of Directors of the Bank of Valletta plc from 2004 until his retirement from that position in 2012. Mr. Chalmers retired from the Board in 2015.



Dr. H. Lynn Hazlett (2000-2004)

Dr. Hazlett was appointed as a Director in October 2000. He was a former Chief Executive Officer and President of QRS Corporation, a leading U.S. based provider of supply chain management solutions to the retail industry, until his retirement in 2000. He previously managed Supply Chain Associates, an international consulting firm until 1997. Prior to that he was Corporate Vice President at VF Corporation, a U.S. apparel company from 1989 to 1994. Dr. Hazlett has a doctorate in Economics and Automated Systems from George Washington University. Dr. Hazlett retired from the Board in 2004.



Robert Lees (2007-2011)

Mr. Lees was appointed as a Casual Director on July 30, 2007, and was elected as a Director at the annual general meeting of the Company on June 11, 2008. Mr. Lees is a senior executive and global expert and has nearly 30 years of experience working with decision-makers in business and government at the most senior levels across the Asia-Pacific region. He is a Senior Advisor to the University of Cincinnati. Mr. Lees served for many years as Secretary General and then President and Chief Executive Officer of the Pacific Basin Economic Council. He serves as a Director of the Japan American Society and Chinese Chamber of Commerce in Cincinnati and the Dr. Sun Yat Sen Hawaii Foundation in Honolulu. Mr. Lees holds a bachelor’s degree from the University of Cincinnati and an MBA from the Thunderbird School of Global Management. He also completed studies at the Institute of International Studies and Training in Japan. Mr. Lees retired from the Board in 2011.



James Watkins (2005-2016)

Mr. Watkins was appointed as a Casual Director on February, 28, 2005 and was first elected as a Director at our annual general meeting on May 9, 2005. Mr. Watkins was a Director and Group General Counsel of the Jardine Matheson Group in Hong Kong from 1997 until 2003. He was Group Legal Director of Schroders plc in 1996 to 1997 and of Trafalgar House plc from 1994 to 1996. He was previously a partner and solicitor in the London and Hong Kong offices of Linklaters from 1975 to 1994. He currently is a Non-Executive Director of Mandarin Oriental International Ltd., Jardine Cycle & Carriage Ltd., IL&FS India

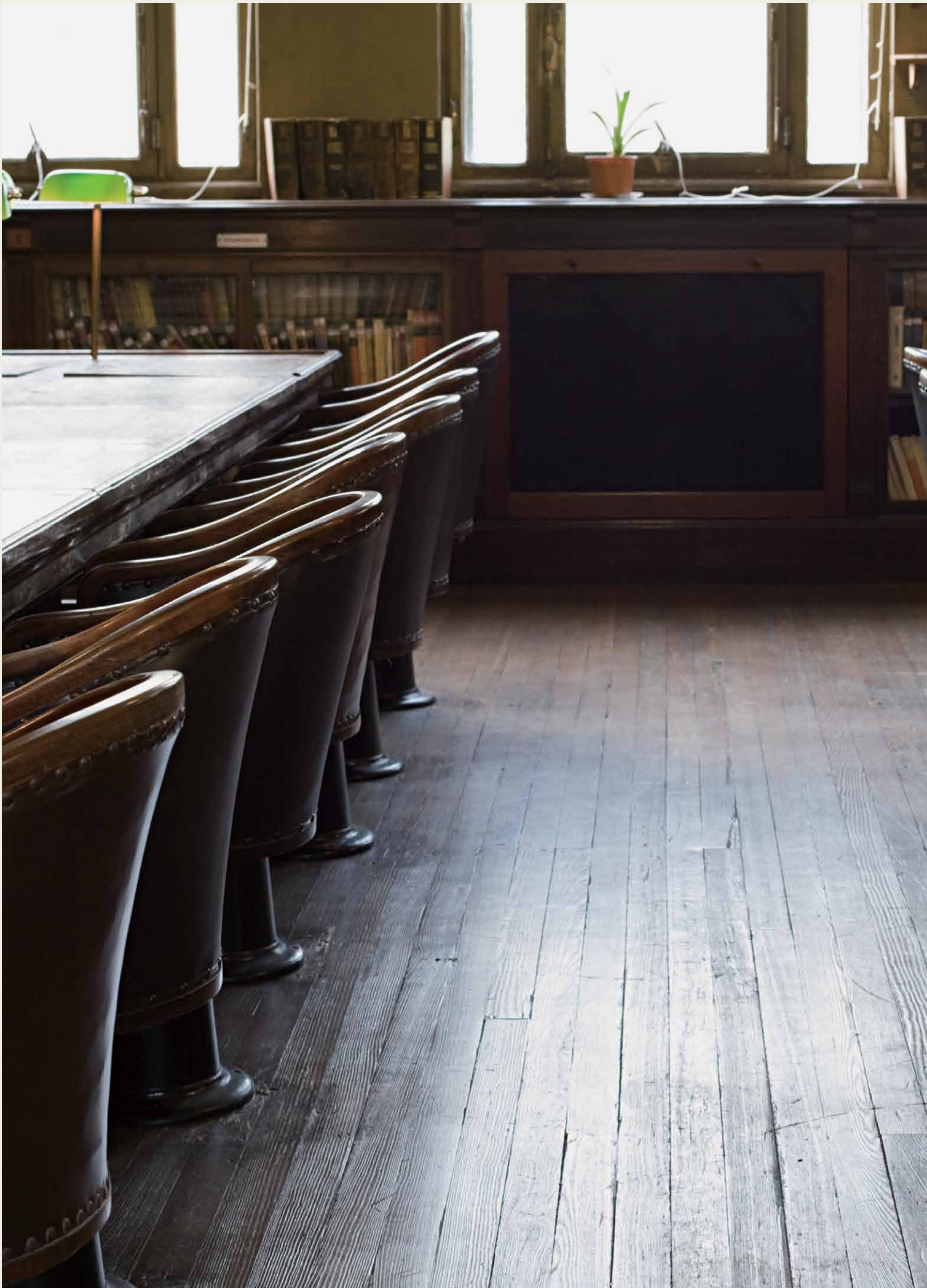
Realty Fund II LLC, Asia Satellite Telecommunications Holdings Ltd. and Hong Kong Land Holdings Ltd., and is a member of the audit committees of Jardine Cycle & Carriage Ltd., and Asia Satellite Telecommunications Holdings Ltd. Mr. Watkins has a law degree from the University of Leeds (First Class Hons.). Mr. Watkins retired from the Board in 2016.



Peter Yam (2011-2015)

Mr. Yam was first appointed as a Director at our annual general meeting of shareholders on June 22, 2011. Mr. Yam joined Emerson (NYSE:EMR) in 1986 and served as an advisor to Emerson Electric Asia-Pacific after he retired as president of Emerson Greater China and Chairman of Emerson Electric (China) Holdings Co., Ltd. in April 2008. For more than two decades, Mr. Yam played a key role in leading Emerson's investments in China. Mr. Yam holds a bachelor's degree in electrical engineering from the University of Hong Kong and an executive MBA from the University of Chicago. He is currently an adjunct professor of The Chinese University

of Hong Kong's Faculty of Business Administration, a member of the College Council and the Board of Governors of the Centennial College, Hong Kong and a council member of the Asian Corporate Governance Association. Mr. Yam was previously a member of the Suzhou Industrial Park International Advisory Committee, a Director of the Executive Committee of Foreign Investment Companies in Beijing, a Non-Executive Director of Sun Life Hong Kong Limited and a member of the Board of Directors of the Hong Kong Science & Technology Parks Corporation. Mr. Yam retired from the Board in 2015.





On business education & giving back

On business education & giving back

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

Global Sources has a deep passion and culture regarding the commitment it has, and the contribution it makes, to the growth of economies and improved standards of living.

The company has a long history of social responsibility through its overall contributions to trade, its particular programs for less developed countries and through its numerous initiatives related to education on trade and management best practices. Merle has also made substantial personal contributions to society and to his alma mater, the Thunderbird School of Global Management.

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.

How Global Sources has contributed

Behind the scenes, over the past 45 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 and 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.

Clearly, part of the reason for Global Sources surviving and succeeding for 45 years is because many of its senior



With the theme “China to the World,” Merle put the spotlight on the company’s advertisers and exhibitors, highlighting their success and thanking them for their support over the years at the 35th anniversary party in 2005.

executives saw a higher purpose than “a job.” Many of them made a commitment to the company’s Statement of Purpose in ways that made their careers at Global Sources more meaningful and fulfilling. Here is how several Global Sources executives describe it:

Merle Hinrich, Executive Chairman and former CEO:

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 through global trade, we could create jobs, income, better standards of living, and better education generally. This would also create a greater interdependency 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, spawns new industries, new operations and new possibilities in many countries.

Philip Chatting, Vice President, Human Resources:

“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.”

On business education & giving back

Spenser Au, former CEO:

I have been asked by many people, “How can you work for the same company for almost 40 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 drove me to continue working for this company.

Sarah Benecke, Director and former CEO:

During my early days with the company — then Asian Sources — most of the markets in which we worked were very poor. As a young woman travelling to Taiwan, Korea, China and other places, it became very clear to me very quickly that our work was important. Small exporters which used our

services typically generated orders, expanded their manufacturing, hired and trained more workers. Then some of the workers left to start their own businesses, and others set up plants to produce components, raw materials and packaging. ... and thus a “virtuous circle” of manufacturing was created and economies grew. We undoubtedly had a major impact on the growth of the export economies of Taiwan, Hong Kong and Korea in the ‘70s and ‘80s, and then China in the ‘90s and beyond.

And this impact was nowhere more apparent than with the people involved. On sales calls, I saw numerous entrepreneurs working in shorts and flip-flops in their living rooms, doing some marketing with Global Sources, expanding their operations and in many cases becoming successful and wealthy. And this impact trickled down to their staff, who became better paid, better educated and whose lives were forever changed. Not many companies can claim this sort of impact on the economies of now major trading nations!

Commitment to Trade and Business Education

Chief Executive China

Global Sources has long been committed to helping China’s suppliers move up the value chain. This commitment includes 25 years as publisher of *Chief Executive China*. As early as the 1980s, Global Sources 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.

Chief Executive China has had a multi-dimensional mission. First and foremost, it has aimed to be a profitable and successful business in its own right. Secondly, it has been a vehicle to educate executives in mainland China, including Global Sources advertisers and prospects on export and management best practices. Third, it has been a vehicle upon which the company aimed to build a for-profit conference business. And lastly, *Chief Executive China* has been brand ambassador for Global Sources and a medium through which Global Sources could market its brand and services.



Launched in 1992, *Chief Executive China* magazine and its website recently celebrated 25 years serving executives in China.

Craig Pepples, CEO and longtime Publisher of *Chief Executive China*:

Chief Executive China acts as an educational channel bringing management best practices to the company’s export clients and prospective clients. 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 considering Global Sources’ needs, and of course serving the publication’s advertisers’ needs.

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, such as 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, many of whom have been growing rapidly. These are

boss-led companies for which there comes a time when change is needed, when they must evolve into a more professional organization, requiring a whole new set of systems and thinking and approaches.

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 email to better serve their buyers. 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.

Connecting business and education

Merle has long held the view that schools and universities need more interaction with business in order to ensure they graduate individuals ready to contribute to business, the economy and their communities. A number of educational institutions have benefited from his time and financial support.



Craig has rich experience and background in the B2B industry, so he has been invited to share the marketing trends and export demands with suppliers in many of the *Chief Executive China* Forums.

On business education & giving back

Global Sources Information Centre at the China Europe International Business School (CEIBS)

In 1995, the company donated the Global Sources Information Centre electronic library at the China Europe International Business School (CEIBS) in Shanghai, which ranks among the top MBA programs in the world.

Excellence in Export Marketing

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.

At the special launch ceremony held at the Global Sources Information Center at the CEIBS campus, Charles Ho, CEIBS EED Director, explained that the program covered:

- Researching your foreign product market, potential new buyers, and your foreign competitors
- Positioning your company in the global market
- Introducing and promoting your company and product to the global market

- Pricing for export
- Making the buyer relationship work
- Making the company and product branding decision
- The export marketing team

CEIBS President, Dr. Albert Bennett, expressed confidence that CEIBS' 17-year experience in educating and training China executives and Global Sources' rich experience in international trade would be the key to the program's success. The representative of Zhu Xiaoming, Director of Shanghai Municipal People's Government Foreign Economic Relations & Trade Commission confirmed the positive influence of the program on China-based exporters.

Some 50 executives from 36 companies attended the launch, and significant Shanghai-based manufacturers such as Dorson (Shanghai) Garment Co., Ltd and Shanghai Fujia Steel Plastic Products Co., Ltd signed up to have their representatives take part in the program.

Feedback on the course showed its positive impact on the development of China's exporters. Li Yiming, Deputy General Manager of China National Arts & Crafts (Group) Corp., said, "The course is very helpful and practical. Because of it,



Global Sources and CEIBS, the foremost international business school in Asia, provide China's senior management with the skills they need to compete.

I now have a stronger understanding of the importance of looking at my business from the needs of my customers overseas. That is an extremely valuable perspective that will greatly help my company to target new buyers and win more orders.” Ling Mao, Sales Manager of Green Islands Industry (Shanghai) Co., Ltd, agreed; “The insights that came from senior buyers Markant and Thomson are really useful. I highly recommend this course to executives who are looking to give their companies and careers a competitive advantage.”

Commenting of the continuing success of EEM in 2003, program professor Chris Styles said, “Since beginning the EEM program, we have been able to help scores of Chinese exporters improve their export marketing abilities and strategic thinking.”

Hundreds of China-based exporting executives have attended the EEM program. Over 46 percent of the student attendees were General Managers, CEOs or Directors of their respective firms.

One of the competitive advantages of the EEM course is the participation of many prominent buyers. Some of the most notable buyer speakers from EEM courses included Peter Ho, Director of Global Sourcing, Thomson Multimedia Inc; Helmut Schwarting, Managing Director, Markant Trading Inc; and David Chau, General Manager, 360-Sourcing.

“Knowing how to maintain your buyers’ confidence is extremely important to an exporter, and this course was extremely helpful in this regard because it provided us with the rare opportunity of communicating with real experienced buyers. I believe many of the hints I learned from the Q&A sessions with the buyers at EEM would soon be put to use in my export strategy,” declared participant Pan Jianping, manager of Radiant Battery (Fuzhou) Ltd.

The EEM program was truly a win-win program for Global Sources and

its clients. The course helped suppliers improve their strategic thinking and export marketing capabilities. As then COO Craig Pepples explained, “Many China suppliers were faced with a great challenge after the country’s entry into the WTO; they were all hesitant to claim the best price. This course enlightened them and helped them find their own competitive value-added services and advantages. In fact, one of the greatest benefits Global Sources clients take away from the EEM program is a better understanding of how important it is for them to establish their Unique Selling Point (USP) in order to achieve and maintain a competitive advantage. This is something our sales teams often find difficult to communicate to clients.”

Professional Export Development Program

Formalized in 2005, Global Sources’ Professional Export Development Program has 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.

Peking University offers Global Sources courses

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.

In a joint press conference held at Peking University with dignitaries from the China Center for Economic Research and the Ministry of Commerce of the People’s Republic of China participating,

On business education & giving back



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 teach China's exporters how to better manage buyer relationships.

Merle highlighted the key synergies and benefits of the partnership:

“Beijing University is China’s most-respected academic institution and ranks among the world’s top universities. Global Sources is a pioneer in export education, having already trained over 10,000 China executives through our Professional Export Development Program. Together with Beijing University, we will drive China’s trade competitiveness to the next level by giving exporters the knowledge and skills they need to compete in today’s global economy.”

While benefiting suppliers by helping them become more competitive exporters, the courses were also expected to benefit Global Sources’ buyer community by growing the pool of world-class suppliers that could be found through Global Sources media and events. This, in turn, would help drive future growth in China’s export economy.

Underscoring this point, founder and

director of China Center for Economic Research at Beijing University Justin Yifu Lin said: “This partnership will help us better train China’s next generation of business leaders as the country’s trade relationship with the world evolves.”

Lending support from the central government and expanding on the broad scope of the benefits of the partnership, Mr. Gao Hucheng, vice minister of the Ministry of Commerce of the People’s Republic of China, said, “Exports are essential to China’s economy and, therefore, this kind of training is vital to China’s future.” He called the program that sprang from this partnership, “the premier course of its kind in Asia.”

Additionally, in May 2007, Global Sources announced the endowment of a scholarship to provide two qualified applicants with RMB 50,000 each towards a Beijing International MBA (BiMBA) offered by Peking University.

At a press conference and signing



In May 2007, Global Sources announced the endowment of a scholarship towards a Beijing International MBA (BiMBA) offered by Peking University.

ceremony held on May 16th 2007 at Peking University, Merle explained that the scholarships would be awarded to outstanding students pursuing MBAs in marketing, sales, advertising, e-commerce or international trade. In addition to financial aid, scholarship recipients were offered an internship at Global Sources so that they may obtain specialized experience in their chosen field.

Merle summarized the Global Sources perspective: “The Global Sources Peking University MBA Scholarship program is another part of our commitment to provide world-class education to support China’s growth. It is Global Sources’ strong belief that education is the foundation which will propel China to the next stage in its economic development.”

Dr. Dayuan Hu, dean of the BiMBA program, thanked Mr. Hinrich and echoed his sentiments: “The establishment of this scholarship is yet further evidence of Global Sources’ commitment to helping boost Chinese foreign trade by raising the level of management expertise among

China’s exporters.”

Journalism Standards

Global Sources has also made significant efforts to promote the advancement of journalism standards in China. In addition to its commitment to developing the standards of journalism practiced by its own teams in Hong Kong and China, the company funded the Global Sources Hall at the influential Tsinghua University’s School of Journalism and Communication in Beijing.

To advance the study of international business journalism in China, in July 2007, Global Sources signed an agreement with the School of Journalism and Communication of Tsinghua University and the Tsinghua University Education Foundation to house the Global Sources Hall at Tsinghua’s School of Journalism & Communication. Global Sources also agreed to offer scholarships for local and foreign students, and to endow a series of lectures from a visiting professor.

At the signing event, Merle said: “In

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Global Sources applauds Tsinghua University for offering the master's in International Business Journalism program at this time.

support of China's fantastic economic growth, the domestic media industry is transforming itself. Global Sources applauds Tsinghua University for offering the master's in International Business Journalism program at this time.

“Tsinghua's business journalism program is truly visionary – and one in which Global Sources is delighted to participate. It is my belief – and that of Global Sources – that by providing robust channels of business information, we promote sustainable prosperity and advance world peace. This has been our belief since the founding of our company in 1971, when we stated this concept on our first magazine cover. It remains our belief today.

“In China, we've provided training courses to more than ten thousand exporters on how to sell to international markets. Through our Chief Executive China magazine and website, we equip hundreds of thousands of business leaders with progressive management techniques tailored to the Chinese business context.”

Hong Kong Baptist University

Seeking to partner with a school in Hong Kong to develop journalism scholarships, Merle built a relationship with Hong Kong Baptist University in the 1990s. Over the years, he has provided business input and advice to the school's leadership and in recent years led the way in implementing the work-integrated learning (WIL) methodology in conjunction with scholarships.

Noel Siu, associate professor at the Hong Kong Baptist University's Department of Marketing School of Business, 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 and selection of students. And they use welcome receptions as a platform for the new and old scholars to mingle. You see

all the senior people there greeting the scholars. And after the scholars finish their studies, they are offered internship

opportunities and jobs at Global Sources. Such commitment and comprehensive development are indeed unique and rare.”

Crossroads Care and Share charity program

The Global Sources team also found ways to provide philanthropic support to the communities of Asia.

Global Sources and Crossroads International created the “Care & Share” charity program in 2006 when Global Sources launched its first Hong Kong sourcing show. After each Global Sources show, exhibitors donate their display samples to the Care & Share charity program. Crossroads International then distributes the items to people in need around the world that have been affected by disaster, conflict and poverty.

According to Global Sources Vice President Wendy Lai: “It’s been 12 years now, and it’s such a meaningful program that we are facilitating. Throughout the years, our exhibitors demonstrated they have a big heart. We’ve counted more than 66 truckloads of donations over

the previous years. These items can help make life brighter for the people whom Crossroads serves. We are truly thankful to our exhibitors for opening up to those who are less fortunate around the world.”

Sally Begbie, Founding Director, Crossroads Foundation:

For ten years, Global Sources has been a treasure trove for Crossroads. As we serve people in need, we donate all kinds of goods for their homes, orphanages, schools, clinics, disaster work, refugee support and more. Global Sources, literally, resources us! Twice a year, throughout the past decade, our volunteers are invited to the conclusion of the fair, gathering items which can be life-changing for people who could never afford them otherwise: electronics, furniture, household provisions and much more. Merle Hinrich is a visionary, and a generous one. One visit from him and life changed for us and for those we serve.



At the closure of a Hong Kong trade show, the Global Sources team prepares products donated by exhibitors to be shipped to Cross Roads International, later to be distributed to people in need around Asia.

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Merle hosted the 2007-2008 journalism 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.

Promoting Sustainable Global Trade

Merle founded the Hinrich Foundation in 2012, to promote sustainable global trade. The Foundation's mandate is based on the fundamental belief that trade produces a peace dividend that knits countries together through commercial exchange and personal interaction. Over the last 45 years, Merle has dedicated his career to advancing sustainable global trade by providing trade marketing services to tens of thousands of producers from across Asia and Greater China through Global Sources' trade media, online services and trade shows. Through the Hinrich Foundation, he is able to extend his lifelong work in trade and human development into developing communities using approaches best delivered by a philanthropic organization.

The Hinrich Foundation has four key ambitions: to encourage both the private sector and governments to drive innovation and competitiveness in trade; to sponsor the education and career

promoting sustainable global trade

hinrich foundation

development of individuals who wish to participate in international trade; to provide practical trade services in less developed markets which in turn create jobs; and to encourage trade policymakers to take a balanced approach in support of open and transparent global trade.

To achieve these goals, the Foundation engages in a number of interrelated programs: supporting trade career development and scholarships; offering export trade assistance to producers in developing Asia; and fostering international trade research. Global Sources collaborates with the Hinrich Foundation in areas where the two organizations' missions are aligned, such as by providing internships and career opportunities for candidates of the Foundation's scholarship program, and assisting small and medium producers



To extend the benefits of global trade to emerging Asian economies, the Hinrich Foundation's Export Trade Assistance program, in partnership with Global Sources, connects export suppliers with global buyers through *Global Sources Online* and Global Sources trade shows in Hong Kong. Pictured are Hinrich Foundation team members from Laos, the Philippines, Vietnam, India and Cambodia.

in developing markets to participate in global trade through Global Sources' online platform and trade shows.

Hinrich Global Trade Leader scholarships

Education plays an essential role in economic development and early on, Merle identified that companies involved in trade needed to focus on talent development to succeed. Through the Hinrich Global Trade Leader Development Program, the Foundation sponsors education and careers for people who are committed to working in global trade by partnering with universities and export companies to develop next-generation global trade leaders. To support their talent development goals, Global Sources and other trade-oriented corporations participate in the program. Coordinated and co-funded by the Foundation, the program offers a very hands-on approach, from identifying candidates keen on careers in trade and arranging all scholarship details with the universities, to providing extended internships and careers upon graduation.

The program offers trade careers with trade-related companies and full scholarships for people from Bangladesh, Cambodia, mainland China, India, Indonesia, Myanmar, Nepal, Laos, the Philippines, the U.S. and Vietnam. They study mainly in Hong Kong and Vietnam, with selected degrees in mainland China, the Philippines, Israel, Thailand and the U.S. All Foundation scholars study overseas, giving them international exposure critical to sensitizing them to other cultures, with travel and living expenses included in the scholarship.

Practical work experience in between study periods allows scholars to better align their academic studies with practical skill development. This work-integrated learning (WIL) approach enables scholars to better develop the skills and understanding necessary for them to develop successful careers with their sponsoring companies.

The fully funded master's and bachelor's degree scholarships include internships from six to 12 months and work placement upon graduation with

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Hinrich Foundation team with a new cohort of Adidas and Hinrich Foundation scholars under a joint program with Adidas suppliers. Pictured with the scholars are Adidas Group senior management and front row from left, Mai Nguyen, Hinrich Foundation alumna and Education Program Manager; and Alex Boome, Program Director.

companies involved in global trade. The trade orientation and work-integrated learning approach is unique to the program and was implemented in direct response to feedback from employers. To date, the Foundation has enabled nearly 150 individuals from 11 countries to earn degrees and build their careers in international trade. Graduates of the program now hold senior leadership roles in export-oriented corporations, including Global Sources.

Corporate trade career development partnerships

Developing countries across South and Southeast Asia are emerging as significant sourcing hubs as major manufacturers build new production facilities in the region. Many are facing the challenge of building teams with the business management, communications and production management skills necessary for sustainable business models. The Hinrich Foundation addresses these critical talent needs through its Hinrich Global Trade Leaders Development Program. Several examples serve to illustrate the

value of this program:

- Over successive years, Global Sources has participated in this program, providing careers and graduate degrees to dozens of people passionate about global trade, mainly through journalism and management degrees at Hong Kong Baptist University.
- Starting in 2014, VF Corporation has partnered with the Hinrich Foundation to offer careers and scholarships in engineering management at The Hong Kong Polytechnic University to candidates from Bangladesh and India.
- Since 2015, the Hinrich Foundation, the Adidas Group and Adidas' suppliers have formed a partnership to develop the next generation of manufacturing leaders in Myanmar and Cambodia through academic scholarships at Vietnamese-German University in Ho Chi Minh City, Vietnam. Adidas suppliers then provide internships and career paths to help the scholars advance manufacturing excellence in the region.



Hinrich Foundation Global Trade Leader Scholars after receiving their scholarship certificates in Hong Kong in 2014 from Merle and Spenser Au, former CEOs of Global Sources, and Colin Browne, Vice President and Managing Director for VF Corporation, a Fortune 250 powerhouse with brands such as The North Face, Lee, Wrangler, Nautica, Timberland and Vans.

This focus on international talent development ultimately helps create skilled jobs, better standards of living and education opportunities for individuals and communities – key elements for sustainable export growth.

Export manager short course

In an effort to expand the number of individuals able to benefit from trade education, in 2016 the Foundation launched a new short course program, developed jointly with Leipzig University and Vietnamese-German University in Ho Chi Minh City, Vietnam. It is a practical, intensive four-weekend-long course created to enable and support Asian SMEs to internationalize their businesses and grow their export sales. The Foundation substantially subsidizes the course and coordinates the involvement of trade executives in the curriculum. In 2017, the Foundation expanded the course to Manila, the Philippines and Hanoi.

Export Trade Assistance program

The Export Trade Assistance program offers practical trade services to promote and coach small to medium exporters in developing Asia on how to enhance their participation in global trade. This program connects export manufacturers



The Foundation partnered with the International Finance Corporation for the Program for Eastern Indonesia Small and Medium Enterprise Assistance (IFC-PENSA) program in Bali, Indonesia. The Foundation opened the Export Service Centre working to train SME producers and help them export to buyers worldwide. The Export Service Centre team, pictured here with Merle and Hinrich Foundation Program Director Alex Boome, facilitated more than \$10 million of handmade products from Indonesia, helping hundreds of SMEs to participate in the global economy and provide livelihood for thousands of producers.

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with international buyers through Global Sources Online, the Foundation's own online Developing Country Sourcing reports and at Global Sources trade shows in Hong Kong. The program has helped thousands of small and medium producers in developing countries strengthen their export capacity by linking them with import buyers worldwide, resulting in new export orders and job creation in Cambodia, India, Indonesia, Laos, Myanmar, Nepal, the Philippines and Vietnam.

International Trade Research

The International Trade Research program initiates research, elicits opinions and disseminates information about global trade in order to encourage informed debate and balanced policy making in support of open and transparent global trade.

The Foundation's Chief Executive Officer, Kathryn Dioth, explains the Foundation's focus on promoting a sustainable global trade system: "We believe that trade is a primary driver of economic development, delivering higher standards of living to the citizens of all countries that participate in the trade

system in a responsible and sustainable manner. The Foundation's research program was created in the belief that open and transparent trade promotes peace between countries, while protectionism and predatory trade practices result in divisiveness and conflict. Through research and analysis, we provide commentary on global trade issues. We aim to contribute constructively to the public debate on trade in the hope that it will lead to better and more informed decision-making on the part of government, business and civil society."

Since 2015, the Foundation's trade research team has produced regular thought leadership articles that analyze the complexities of global trade issues and present findings in a balanced manner to enable policymakers to make informed decisions.

Hinrich Foundation Sustainable Trade Index

Merle believes that now, more than ever, individuals and organizations need to proactively recognize and promote the benefits of trade. However, at a time when



In April 2016, the Foundation launched the inaugural Sustainable Trade Index at the Asia Society Hong Kong. Pictured left to right are: Chris Clague, Senior Analyst, Economist Intelligence Unit; Merle Hinrich, Hinrich Foundation Chairman; Kathryn Dioth, Hinrich Foundation CEO; and Stephen Olson, Hinrich Foundation Research Fellow.



The Foundation held regional briefings on the Sustainable Trade Index in Vietnam and the Philippines. Pictured in Manila are: Alex Boome, Hinrich Foundation, Guillermo Luz, Co-Chair, National Competitiveness Council of the Philippines, Merle A. Hinrich, Chairman, Hinrich Foundation, Fernando Zobel de Ayala, Vice-Chair, Asia Society Philippines, Chris Clague, Senior Analyst, Economist Intelligence Unit; Suyin Liu Lee, Executive Director, Asia Society Philippines; and Stephen Olson, Research Fellow, Hinrich Foundation.

mercantilism and protectionism are on the rise, the characteristics of sustainable trade need more investigation. To that end, in 2015 the Foundation commissioned the Economist Intelligence Unit to create the Hinrich Foundation Sustainable Trade Index. Its purpose is to stimulate meaningful discussion of the full range of considerations that policy makers, business executives and civil society leaders must take into account when managing and advancing international trade. Launched in 2016, the Index measures the trade sustainability of nineteen countries in Asia and the U.S. across the three recognized pillars of sustainability: economic (“profit”), social (“people”) and environmental (“planet”).

TradeVistas

In 2016, the Foundation partnered with a leading global think tank, the Center for Strategic and International Studies

(CSIS), to create TradeVistas, an online resource that seeks to engage readers in ways that relate trade to their own lives and communities. Created in the wake of the anti-globalization sentiment sweeping through communities around the world, TradeVistas delivers weekly posts by email and social media that describe the everyday benefits of trade and provide layman’s explanations of technical trade issues.

Foreign Direct Investment research

Foreign Direct Investment (FDI) has been a key research theme for the Foundation’s International Trade Research program. Since the opening up of China that commenced in the late 1970’s, Merle witnessed firsthand the extraordinary impact that FDI had on China’s economic development. But in recent years, he became concerned that attitudes towards FDI in China had become discouraging.

In 2017, the Foundation published

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The book cover of the Hinrich Foundation 2017 book on Foreign Direct Investment (FDI). One aim of the book is to help inform other emerging economies as they develop their investment and trade policies.

a book authored by Michael J. Enright, *Developing China: The Remarkable Impact of Foreign Direct Investment*, the result of a 16-month research project commissioned by the Foundation and conducted by Enright Scott and Associates. For the first time, using economic impact analysis and econometric modeling, the book estimated that even today, FDI contributes around one-third of China's GDP and one-quarter of its employment. A Chinese translation of the book has been published with the assistance of the Chinese Academy of International Trade and Economic Cooperation (CAITEC), a research institute under China's Ministry of Commerce (MOFCOM).

These findings have significant consequences for the FDI policies of China and other economies seeking to attract investment, and can also assist investing companies to better make their case when proposing inbound investment.

Looking forward

The Hinrich Foundation continues to develop and expand its programs, with the involvement of trade-oriented corporations and government organizations, the Foundation's own alumni and Merle himself.

Alex Boome, in his role as Program Director of the Hinrich Foundation, is responsible for developing, implementing, monitoring and evaluating the Foundation's export trade assistance and trade career development programs. Alex explains: "Our programs are designed to advance the sustainability of trade activities across Asia. For our trade career development program, we partner with global manufacturers and export facilitators to help them develop their talent pipeline – both to attract new talent and develop current staff. We offer a comprehensive career development path that includes master's scholarships and intensive skills training – all managed by our team. This aims to uplift the leadership talent in the region and ensure the sustainable growth of the export sector.

"Our export trade assistance program is designed to achieve inclusiveness in trade, by giving small and medium export producers the opportunity to reach new overseas buyers, grow export sales and create prosperity in their local communities. Our work has been recognized by trade associations and government trade bodies in several countries – such as Myanmar's Ministry of Commerce and the Philippines' Department of Trade and Industry – who invite us to conduct practical export marketing training to help manufacturers improve their international competitiveness.

"One aspect of our work that I am very proud of is that many of the Hinrich Foundation's team members are alumni of our scholarship and career program, having

BIOGRAPHY OF MERLE HINRICH

Merle A. Hinrich is Executive Chairman of Global Sources (NASDAQ-GS: GSOL), Asia's leading business-to-business media company focused on global trade. He co-founded the company in 1970 with the firm conviction that free and mutually beneficial trade between East and West would help drive global economic prosperity, and ultimately, world peace.

To that end, the Company's focus is to help remove the uncertainty inherent in cross-border trade between buyers and suppliers by providing the most reliable information possible on new products, quality manufacturers and supply market conditions in support of international trade with Greater China, Asia and the world. Today, Global Sources (GlobalSources.com) works with suppliers from its 50 sales representative offices worldwide and assists more than 1 million buyers in 240 countries and territories to trade more efficiently.

A keen desire to advance education opportunities, drive business innovation and leverage technology are guiding principles of Mr. Hinrich's approach to developing international commerce and philanthropy.

He graduated from the University of Nebraska with a Bachelor of Arts degree in Business Administration and Mathematics, and then gained a graduate degree in International Trade at Thunderbird School of Global Management. In 1996, the University of Nebraska awarded Mr. Hinrich an Honorary Doctorate Degree,



and in 2010, the Thunderbird School of Global Management conferred upon Mr. Hinrich the honorary degree of Doctor of International Law, in recognition of his global mindset and his role as a true global entrepreneur. In recognition of his highly valued support to Hong Kong Baptist University, the university conferred an Honorary University Fellowship upon him in 2015.

After 22 years of service, he retired from the Board of Trustees of Thunderbird in July 2013 and became a Director on the Board of the Thunderbird Independent Alumni Association. He is co-founder and former Chairman of The Society of Hong Kong Publishers. He is also an Investment Promotion Ambassador with Invest Hong Kong and serves as an International Board Member of the Weizmann Institute of Science.

Extending his lifetime work with Global Sources, Mr. Hinrich founded the Hinrich Foundation (www.hinrichfoundation.com), an independent philanthropic organization established for the charitable purpose of promoting sustainable global trade. The Foundation aims to encourage the private sector and governments to drive innovation and competitiveness in trade-related activities undertaken by individuals, companies, industries and countries by focusing on three programmatic areas: international trade policy research, trade career development & scholarships and export trade assistance.

Mr. Hinrich and his wife Miriam reside in Hong Kong.

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earned their master's degrees overseas, and are now promoting international trade in their home countries. Their work contributing to international trade research, driving export growth and providing trade career opportunities across the region is their way of giving back to society and helping others to advance."

Kathryn Dioth summarizes the team's spirit: "Merle guides and motivates us to realize his vision for sustainable global trade. We are extremely fortunate to benefit from his true passion, deep knowledge and lifetime of experience in trade in the development of all our programs. The Foundation's sustainability is important, too, and for this reason we have ongoing engagement with our scholarship alumni, encouraging them to be involved in the Foundation's programs at all levels. It's part of the philosophy of giving back that Merle promotes within Global Sources and the Hinrich Foundation."

Giving back to Thunderbird

Thunderbird School of Global Management in Glendale, Arizona has had significant influence on Merle Hinrich's career. Over the years Merle, from the class of 1965, has made several significant contributions to supporting Thunderbird and its alumni. The connection between Global Sources and Thunderbird has also become important over the years. The company has been an active recruiter from Thunderbird, in recognition of the international curriculum of the school's master's program and the global mindset that is a notable part of the Thunderbird culture.

Member of Board of Trustees

Merle was a member of the Thunderbird Board of Trustees for 22 years, from 1991 to 2013. He was an active board member who was very involved in driving the school's expansion into electronic forms of education, in the selection of school presidents and in boosting the school's



Merle poses with Penny Cheng, chief representative of Taiwan, in front of the International Business Information Centre that bears the name of the Global Sources' CEO and chairman.



Nearly 30 members of the Global Sources family gathered to join Merle in celebrating the unveiling of the restored Tower building, the School's 65th birthday, Merle's 70th birthday and the school's global alumni reunion.

development, brand and recruitment of students in Asia.

International Business Information Center

In 1994, the Merle A. Hinrich International Business Information Centre (IBIC) opened as more than a traditional library, electronically linking resources on-site with materials from other libraries around the world. Built with the financial support of Merle, the automated library continues to support students and faculty by giving access to information in books, journals, periodicals, foreign-language films and documentaries and newspapers in multiple languages.

Restoration and development of student center

Merle and his wife Miriam were key catalysts for the restoration and development of the historic flight tower on Thunderbird's campus. Completed in 2011, their generous contribution kick started the fundraising that generated contributions from more than 1,000 fellow alumni. The new Tower building is the

heart of the campus and now houses a conference room for student meetings, a campus store, student kitchen, and a student bar.

On the afternoon of Friday, the 11th of November (11-11-11), under a clear, blue desert sky, nearly 30 members of the Global Sources family gathered to join Merle and Miriam in celebrating the unveiling of the restored Tower building, the School's 65th birthday, Merle's 70th birthday and the school's global alumni reunion – all of which coincided nicely with the 40th anniversary of Global Sources.

Joining Merle in representing Global Sources were Craig Pepples, Brent Barnes, Jenny Lee, Samson Fung, Livia Yip, Claudius Chan, Spenser Au, Connie Lai, Brandon Smith, James Strachan, Suzanne Wang, Penny Cheng, Armando Mojica, Jean Shen, Alinda Ng, Ben Wong and the board of directors. In addition, former team members, including co-founder Joseph Bendy, Paul Henke, Alex Boome, Minesh Pore, Felix Lee and Viola Luo joined the festivities, as did all of Merle's extended family and many of his

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friends from around the world.

The Tower ceremony began with a fly-by of vintage U.S. Air Force planes of the type that had been used for training American, British, Canadian and Chinese pilots on the Thunderbird campus during World War II. In his welcome remarks, Thunderbird president Dr. Angel Cabrera reminded everyone about how the school's mission to educate global leaders who create sustainable prosperity worldwide was fundamentally linked to the school's postwar proposition that "borders frequented by trade seldom need soldiers," and he thanked Merle for embodying these core values and spreading them throughout the world via the success of Global Sources. He also thanked Merle and Miriam for their generosity in providing the majority of the funding to restore the Tower building, the historical symbol of the school, and then welcomed Merle to the stage.

For his part, Merle thanked all of the Global Sources family worldwide for making the company the success that it is today, thanked the school for giving him the tools he needed to be successful, and then reminded the audience about the famous excerpt from the company's original Statement of Purpose on the first cover of Asian Sources magazine, that reads "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 the West," a corporate vision that is in high harmony with Thunderbird's mission.

Thunderbird Veterans Scholarship

In 2011, Merle and Miriam increased their support to the school by donating funds to create the Merle and Miriam Hinrich Veterans Scholarship for members of the military returning from the conflicts

in Iraq and Afghanistan to study at Thunderbird.

Thunderbird Independent Alumni Association (TIAA)

In 2013 Merle Hinrich '65, along with three other senior alumni, Tom Greer '74, Harry Cockrell '74, and Robert Theleen '70, founded the Thunderbird Independent Alumni Association (TIAA) for graduates of the Thunderbird School of Global Management. Their joint organizational funding for TIAA ensures its long-term viability as a resource for alumni.

TIAA is a professional association dedicated to advancing the careers of the alumni while preserving Thunderbird's culture, network and mystique. TIAA focuses on three specific areas to support its members:

Professional Development: Small group lunches and cocktail receptions designed for networking; larger professional development weekends; and events with industry and global trend experts.

Personal Growth: Leadership development and career initiatives targeted to mid- and senior-level alumni.

Policy Impact: Focused communication and lobbying on behalf of members' concerns, including FATCA, NAFTA, TPP and others.

TIAA, a US 501(c)3 non-profit organization, has an all-alumni board of directors who are voted into office by its members. TIAA was created in reaction to the Thunderbird Board of Trustees' public announcement of an agreement to merge Thunderbird with Laureate, a for-profit education corporation. The founding board members recognized the need for an independent association that would provide a collective voice in the affairs of its alma mater and serve as an effective platform for professional alumni-to-alumni interaction. In addition to their

work opposing the merger with Laureate, TIAA was instrumental in shepherding the ultimate merger of Thunderbird with Arizona State University.

Additional alumni have joined the TIAA Board since its inception: Felipe Martinez '03 of Mexico City, Doug Deardorf '84 of Denver, Nimrod Kovacs '77 of Budapest and Knut Eriksen '81 of Houston. At the end of 2016, Merle stepped down as Chairman of the Board, after serving three years as the inaugural Chairman of the Board, passing the role to Doug Deardorf.

Highlights of the TIAA member calendar include twice-yearly professional development conferences. Recognizing the international diversity of the alumni, past conferences have been held in Baden-

Baden, Budapest, Mexico City, New York City, Nanjing, Paris and Panama City. TIAA Connect luncheons that provide an opportunity for alumni networking and open dialogue have been hosted by TIAA Board Members in Kuala Lumpur, Hong Kong, Paris and Scottsdale.

TIAA also provides proactive support to initiatives of the school. TIAA launched the Scholars Program in 2015, a \$10,000 award for a full-time Masters of Global Management student, combined with the Thunderbird Affinity Scholarship. The TIAA Scholars Program has gained initial funding from the TIAA Board of Directors. The first group of TIAA Scholars graduated from the school in fall of 2016, and to date, 16 students have been part of the program. TIAA serves Thunderbird alumni by



Merle with TIAA Scholars and group members in TIAA Conferences.

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sponsoring school and chapter related events like those recently held in Phoenix, Shanghai, Seoul, Taiwan, San Francisco and at the 70th Anniversary on campus. TIAA supported the Thunderbird Emerging Markets Laboratory (TEMLab) through a matching program with the Spring 2015 graduating class, and sponsored the 2014 Thunderbird Entrepreneurship Network Business Plan Competition.

Thunderbird confers honorary doctorate degree on Merle Hinrich

In 2010, Merle was awarded an honorary degree of Doctor of International Law by the Thunderbird School of Global Management. It was presented during the Thunderbird Commencement Ceremony on April 30, 2010 in Arizona, where he also delivered the commencement speech to graduating full-time and distance learning MBA students.

The Board of Trustees at Thunderbird cited Merle's role as a true global entrepreneur with "one of the most global mindsets of any business leader in the world" as well as his role as a global citizen who has "found ways to link business interests with philanthropic endeavors and social enterprise."

The board mentioned that Merle's pioneering work in Electronic Data Interchange, the precursor to today's e-commerce, laid the foundation for Global Sources to develop Asia's first B2B online marketplace in 1996 and cited the Economist magazine's recognition of Merle as "Asia's e-commerce king" and Forbes Global magazine's repeated voting of Global Sources as "Best of the Web."

In its 62-year history, Thunderbird has

FACE VALUE

The Hinrich manoeuvre

Merle Hinrich turned a trade publisher into an Asian e-commerce giant. But as he enters a global stage, the limits of his approach may become apparent

CALL Merle Hinrich "Asia's e-commerce king" and watch him win. His company, Asian Sources Media Group, really is Asia's leader in electronic commerce. As an online matchmaker it facilitates trade between Asian manufacturers and western buyers that is worth hundreds of millions of dollars a year. But the tabloid title grates on the reclusive tycoon. It is so woolly and, well, personal. How do you define e-commerce? What do you mean by "king"? Does this have to be about me, rather than my company?

For most of the past decade Mr Hinrich has been out of sight, living aboard his 60-foot yacht and thinking about the future of electronic trade, while a trusted manager has run the publishing company that he founded 29 years ago. When the chief executive left last month, Mr Hinrich had to retake the helm, just as the firm was setting out to realise his vision of becoming a global e-commerce giant.

On August 31st Asian Sources opened its new website, GlobalSources.com, and announced a licensing effort that it hopes will lead to replicas of its Asian e-commerce site in all the big economies. Its existing site is already one of the world's largest in business-to-business e-commerce. With more than 4,000 manufacturers paying to list more than 70,000 products, the site attracts more than 160,000 queries a month from buyers. Combining this with similar sites elsewhere, Asian Sources aims to create what amounts to the leading global-trade portal.

This is heady stuff for what was, until recently, a modest regional trade publisher. Asian Sources prints thick monthly catalogues/magazines with titles such as *Hardware*, *Electronic Components* and *Timepieces*, page after page of cheap watches, springs and harness for export, with a few articles in between. Pretty dull reading, but through such listings Vol-Mart and a thousand other buyers fill their shelves.

Behind these titles lay two bets that are now paying off handsomely. The first was on Asia. In 1966, as a newly married businessman, Mr Hinrich arrived in Hong Kong with \$2 and a school graduate. He had an acquaintance start a trade magazine. Five years later his friend died suddenly, leaving the company in the hands of a Japanese Buddhist monk and a housewife, who neither spoke English nor knew anything about publishing. By then Mr Hinrich was sure that Asia was heading for extraordinary growth, so he started a new company, Asian Sources. Working on a shoestring, bartering advertising for food and sometimes running the presses all night himself, Mr Hinrich struggled for years trying to get South Korean yarn makers and Hong Kong toy factories to take out advertisements—and pay for them.

His second bet was on technology. By the late 1980s, Mr Hinrich had become convinced that the future was with electronic transactions, which offered huge efficiencies over post, carbon paper and fax. At the time, e-commerce meant Electronic Data Interchange (EDI), an expen-



ive, arcane system promoted by big western buyers to bring suppliers into their computerised inventory systems. EDI was slow to take off, but in these networks lay the concepts that would drive the Internet: standard formats, all electronic publication and distribution, data on demand and global networks.

Catalogue

As businesses, at least in Asia, slowly absorbed the implications of computer networks, Mr Hinrich settled into semi-retirement, living in hotels and on his yacht with his wife and step-daughter, setting up an e-commerce research institute at his abode, water, and attending Internet conferences. Asian Sources' 7,000-strong salesforce, meanwhile, was doing its best to hasten the revolution. The firm launched AsianSources.com, and its reps became Internet evangelists, helping Chinese shoe makers and Taiwanese magnet manufacturers to get online so they could reach new markets.

Asian Sources' labours are at last bearing fruit. In the past three years the number of products advertised on AsianSources.com has grown sevenfold (despite Asia's crisis). The biggest western buyers, including Compag, Philips and Diodes, have private sections of the site where they do business with suppliers. Since Asian Sources only introduces buyer and seller, letting them transact in private, it does not know how much trade it generates, but its revenues for product listings alone will reach \$2m this year, making it one of the few profitable e-commerce ventures. With the sudden departure of the chief executive (who was keen to try a final semi-retirement of his own) Mr Hinrich finds himself in charge of an e-business force to be reckoned with.

Which is a bit awkward for the founder, despite his preparation. Earned, \$8 and slightly gangly due to an arm withered by childhood polio, Mr Hinrich is an unlikely Internet star. He is currently unwilling to let Asian Sources on America's Nasdaq stock market, despite the fortune it would surely command, because he likes private ownership. He has no plans to bring the trade-supply chain, from finance to shipping, into GlobalSources.com, for fear that it would create conflicts of interest with customers. Nor is he interested in online auctions or getting involved in transactions.

It is this conservatism wise? Although it may have served Asian Sources well, Internet competitors who believe in the "first-mover advantage" are unlikely to be so hesitant. As a private firm Asian Sources cannot raise equity capital, but a share-on-the-day or VerticalNet could buy enough competitors to mount a rapid challenge—and to expand from online catalogues into associated services. Before he tips up his business, Mr Hinrich has to think of his magazine and his sales army: most of his new rivals are less encumbered. As a generalist, Asian Sources could be attacked by specialists from every direction. In short, for all Mr Hinrich's prudence, the Internet could prove to be as much of a struggle as Asia was 29 years ago.

Asia online

Internet revenue, \$bn



Region	1998	2000
Asia	~1.5	~10.0
World	~1.0	~2.5
Japan	~0.5	~1.5
Europe	~0.3	~0.8
United States	~0.2	~0.5
South Africa	~0.1	~0.2

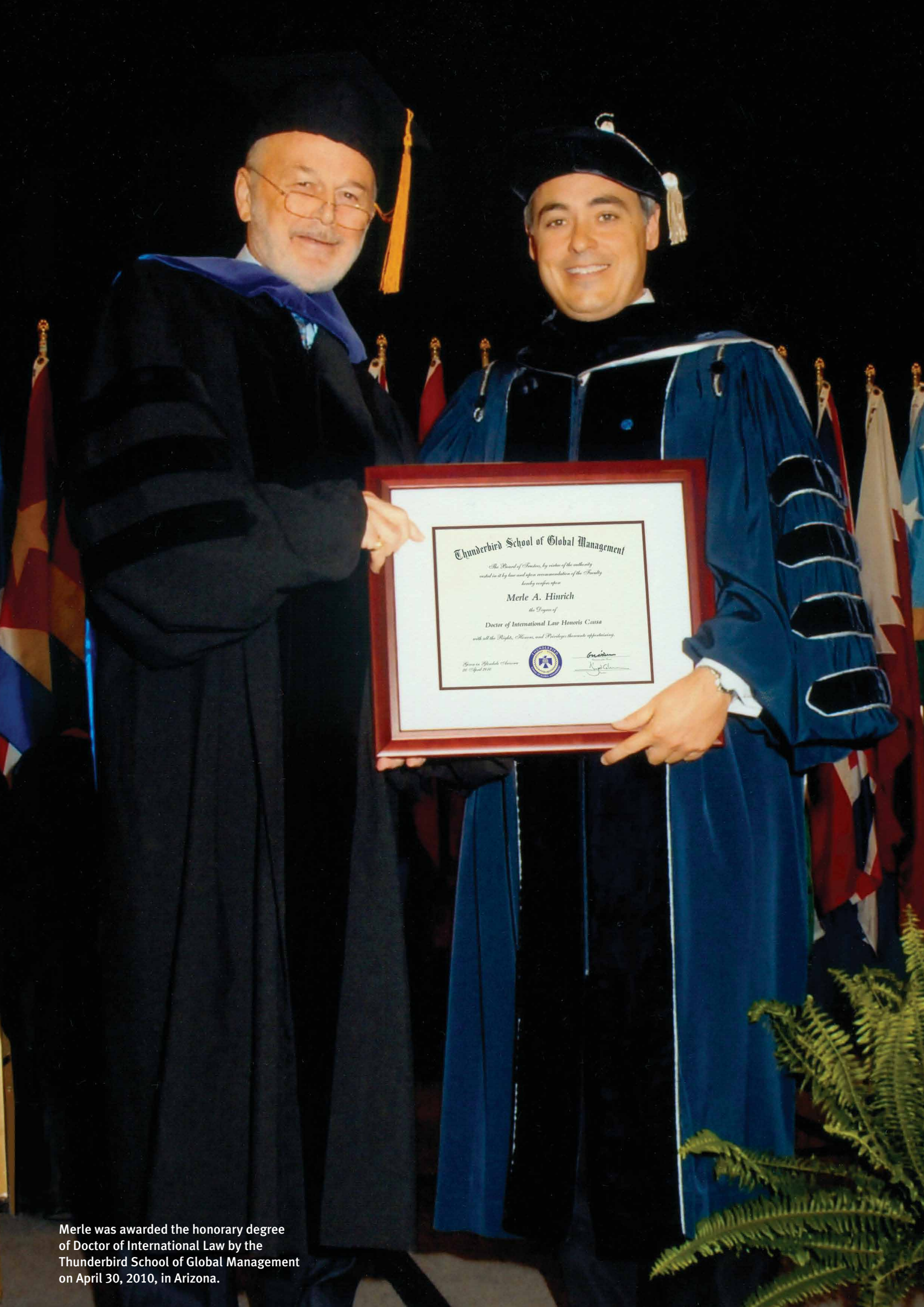
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The Economist magazine dubbed Merle as "Asia's e-commerce King" in 1999.

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, U.S. Ambassador to Finland Barbara Barrett, Chairman of Taiwan's Acer, Stanley Shih, and Steve Forbes, chairman and CEO of Forbes and editor in chief of Forbes magazine.

"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," said Angel Cabrera, the school's then president.

In a message to Global Sources team



Thunderbird School of Global Management

The Board of Trustees, by virtue of the authority vested in it by law and upon recommendation of the Faculty hereby confers upon

Merle A. Hinrich

the Degree of

Doctor of International Law Honoris Causa

with all the Rights, Honors, and Privileges thereto appertaining.

Given in Phoenix, Arizona
on April 30, 2010



[Signatures]

Merle was awarded the honorary degree of Doctor of International Law by the Thunderbird School of Global Management on April 30, 2010, in Arizona.

On business education & giving back

members, Mr. Hinrich said: “The award is a recognition, not only of my achievement but also of each and every one of yours in making Global Sources the success it is today. This is our award. Without your effort, commitment and contribution, this award would not have been possible.”

In his commencement speech (see adjacent transcript), Mr. Hinrich discussed emerging global trends and his views on what it takes to be successful.

“All of us at Global Sources were



Merle and his wife, Miriam.

Excerpt from Merle Hinrich’s Thunderbird commencement keynote speech April 30, 2010, in Glendale, Arizona, on the occasion of being presented with an Honorary Doctorate degree.

I wish to sincerely thank the Thunderbird School of Global Management, the Board of Trustees and Doctor Cabrera for presenting me with this honorary degree of doctor of international law.

I’m humbled knowing those who have received this honor before me and what they have accomplished and what they have so generously contributed to their respective communities. And I will certainly aspire to bring continued credit and honor to this legacy.

Thank you.

It is also a special privilege for me to have this opportunity to address you all – the graduating class of 2010.

Today we are here to celebrate, to celebrate your graduation from Thunderbird – a most significant achievement and a life-changing event. I congratulate each and every one of you.

I also wish to welcome you to

the community of Thunderbird alums. Members of this community are very special. They share your interest in international trade. They live and work in literally every corner of the world. You can find them in business, government and many of them are also deeply committed to philanthropic activity. You are now one of them – no, more correctly – you are now one of us.

Membership of this community can be of substantial value to you, as it has been to me over the past 40 years.

I would encourage you to network and meet with them no matter where your travels may take you. Plus, make your own contribution to this community. As you well know, developing strong contacts is a precursor to any successful business career. But be prepared for the occasional ‘T-Bird’ showing up at your door with their sleeping bag, or looking for a cold beer!

Now, let me share a few thoughts on future trends which I believe will substantially impact your careers.

We are living in exponential times.

The World Bank predicts that by 2030, the number of middle-class people in the developing world will be 1.2 billion – a rise of 200 percent

proud to learn of Mr. Hinrich's latest achievement," said then COO Craig Pepples. "It is extremely appropriate that this year, Thunderbird honors him with the degree and the opportunity to address the annual commencement ceremony. Thunderbird's motto is to 'educate global leaders who create sustainable prosperity worldwide,' a concept close to Merle's own philosophy. We extend our sincerest congratulations to him.

"Merle's deep commitment to

education can be seen in many ways: his active engagement as advisor to the boards of schools including Thunderbird in the U.S. and China-Europe International Business School (CEIBS) in Shanghai; his active engagement in providing worthy students with business journalism and other scholarships at schools including Tsinghua University in Beijing and Hong Kong Baptist University; and his donation of the libraries at CEIBS and also at Thunderbird," he added.

since 2005. From now on, the main driver of global economic expansion will be the economic growth of newly industrialized countries.

This change represents opportunities. It represents opportunities to profit, to grow and to achieve things never before achieved.

Given all these changes however, there is one constant – and that is 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 that you receive that is important, but rather the answer you do not receive.

This may sound cliché, but it is important as you start your new career to follow your passion. I'm 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.

Today, I have shared with you how my career has benefited as being part of the Thunderbird community, and the importance of watching future trends. I have also commented on the importance of learning and the value of having passion for what you do.

Lastly, I would like to leave with you two of my favorite quotes.

I quote from Alan Simpson: "If you have integrity, nothing else matters. If you don't have integrity, nothing else matters."

The second quote is from Winston Churchill. I know for a number of you getting jobs this year has been difficult so this quote is not only appropriate for the future but most certainly for the present: "Never give in" – or in American English, never give up. Never give in – never, never, never – in nothing, great or small, large or petty. Never give in except to convictions of honor and good sense."

I wish you all the very best. And may you take the spirit of Thunderbird with you wherever you go and in whatever you do.

