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Turning rejection into gold

Startup experience shed important light on a key biz direction, says Lap Man,
CEO and founder of Diyixian.com (DYXNet) By Teresa Leung

Man: I want to stay responsive to markets when my firm grows larger

| Name: | Lap Man |
| Title: | CEO and founder, Diyixian.com |

CWHK: What happened during your stay in Japan back in the 90s that inspired your Internet venture?

Lap Man: When I was an exchange student at Sophia University in Tokyo, companies like Netscape and Yahoo were founded and email came into use at some universities. What that meant to me was that I was able to keep in touch with friends and family without incurring expensive IDD costs and updated about the world via a Netscape browser.

In the early 90s, Japan was ahead of Hong Kong in terms of Internet development. I didn't have much to do after class, and spent lots of time online. I was intrigued by the vast amount of information available on Yahoo and the fact that I could post my travel photos on a DIY website.

CWHK: What did you do when you were back to Hong Kong?

LM: I was landed an Internet-related summer job at my brother Chin Man's newly founded company Linkage Online, one of the first batches of ISPs in Hong Kong. The firm initially provided dial-up connection services but competition was getting intense because various paging companies offered the same service.

Linkage Online then started to target corporate customers, focusing on leased-line services. I stayed at Linkage Online after that summer, and started to take care of business development in China in 1996 when VoIP emerged and saw growth because customers wanted to cut their IDD costs and use email and Internet in China, just like in Hong Kong.

In 1998, Linkage Online was sold to US-based PSI Net. The next year—after we secured a mainland ISP license—we

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proposed to the headquarters for more investment in China. But the headquarters turned us down, suggesting we go to markets like Singapore and Taiwan and acquire companies. Why? Back then mainland Internet regulations were behind tech development, causing objections from the legal department.

But having the experience of a local tech startup, we knew the strong competition we'd face again in mature markets like Singapore and Taiwan. We just didn't think it'd do a company any good in the

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long term. In 1999, I was 25 and wanted to try markets that were not yet deregulated, thus the founding of DYXNet.

CWHK: How did you get your China license? Who was your JV partner?

LM: We didn't get the license by establishing a joint venture firm, though we must thank friends that offered advice to us on the matter. I think getting a license is easier for a regional company than a large multinational, because a multinational worries about the implications of the differences between mainland regulations and regulations of its home country. For an MNC to do business in China, it has to get a mainland citizen to run the operation and get a license. But this isn't something an MNC is comfortable with.

CWHK: How has the China market changed since you first established business there in 2000?

LM: Back in 2000, infrastructure was so behind that we could only offer 100-200K connection services. Since the 2002-2003 timeframe, infrastructure started to pick up, but there was still a huge barrier when it comes to doing business with players like China Telecom and Unicom—you got to deal with their different agents in different regions. And in places like Dongguan you can only get the agent representing China Telecom to install networks. But after the merger of China Netcom and China Telecom the situation is much improved.

CWHK: Which product or service brings you the most money?

LM: VPN still rolls in 60 percent of our revenues. We also see growth in contact center business, with customers from a variety of industries. Some of our contact center customers include McDonald's, TVB, and Yoshinoya in Beijing. Our latest [contact center] client is China Guangfa Bank.

CWHK: DXYnet employs more than 400 staffers in 12 offices and more than 1,300 people in four contact centers. How many of them are in Hong Kong?

LM: A lot of these employees are China-based. Hong Kong and Taiwan headcount tallies 130.

CWHK: How many people are you hiring this year in Hong Kong? What skills are you looking for?

LM: We look to hire people in Hong Kong, Taiwan, Southern China, and Northeastern China, with our overall personnel expenses budgeted to rise 20 percent this year.

CWHK: Do you have any problems hiring in Hong Kong?

LM: We have fewer problems in tech talent recruiting, but we have a hard time finding the right pre-sales people because there are fewer information engineering graduates these days. Hiring in China is easier, but retention is a challenge. As the mainland economy keeps growing, many MNCs are willing to pay higher salaries to entry-level staffers, and turnover is a problem.

CWHK: What are the key trends you see for China?

LM: VPN still sees enormous growth, driven by demand from the retail and logistics sectors. As foreign retailers in China aim to improve system management and shop floor efficiency, we'll see more deployment of different technologies and systems. In addition, local firms especially large ones, will upgrade from point-to-point leased lines to VPN for operational efficiency gains.

CWHK: What are your sources of inspiration? People, books, new technology or anything else?

LM: First-hand experience is the most important to me. It was my own experience of the Internet in Japan that eventually led to my current tech business.

I just hope when DYXNet grows larger, I will still have the same level of first-hand experience and stay responsive to market changes. I don't want to become a boss who slowly loses touch with the changing tech arena. ◀