

The Way to Business Success of Fan Li, the Sage of Commerce

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ABSTRACT

Fan Li is a legendary figure who is “loyal to the country, wise to protect himself, and rich in business”. He was smart and wise, and hid his tactics; he started his business with nothing, reaped a fortune, but scattered his gold with the people; he acted according to the time, did not engage in blindly, and grasped the business opportunities with the sales theory of “when the price goes up, sell the goods as fast as you can dump the dung; when the price goes down, collect the goods as fast as you can get the jewels!”, which led to great success; he advocated the idea of small profits and high sales, and did not ask for profiteering, but sought for the consumers; he was China’s earliest merchants, and celebrated Tao Zhugong for thousands of years. Some of his successful experiences in business operation still have certain theoretical reference value and practical guidance significance, which are worth to be summarized systematically and studied seriously.

Keywords: Sage of Commerce, Fan Li, Business operation, Successful way.

1. INTRODUCTION

Fan Li (536-448 BC) was an outstanding statesman, military man, thinker and industrialist in the late Spring and Autumn Period, and was a native of Yuan in the State of Chu (Nanyang, Henan Province, today). He served as a strategist under King Goujian of Yue for more than twenty years and was instrumental in the destruction of Wu and the domination of the Central Plains. When Goujian was defeated by Fuzha, King of Wu, he offered a humble proposal to the King of Wu to beg for peace and accompanied Mr. and Mrs. Goujian to Wu to serve as hostages for three years. When he was a young man, he studied strategy, and later accompanied the Wanyi commander, Wen Qi, to the state of Yue, where he was reappointed by King Goujian as a doctor, and became Goujian's “wise counselor”.

After his return to the State of Yue, he helped Goujian to formulate the strategy of “sleep on the brushwood (sticks) and taste the gall”, “a longer period to multiply the population, accumulate wealth, educate the people, and make the country rich and strong”, and “striving for strength”, which made the state of Yue grow stronger and stronger day by day. After the destruction of the state of Wu

and the domination of the Central Plains, Fan Li took the initiative to resign from his post, assumed the name of Chi yi zi pi, and left Gusu to travel between the five lakes and the seventy-two peaks in a flat boat. During this period, he became rich three times and dispersed his family's wealth three times, calling himself Tao Zhugong.

In the third stage of his life, Fan Li applied his experience in military warfare to business and realized extraordinary wealth appreciation. As Shen Lian, a Ming scholar, said, “Tao Zhugong was able to get the world by being in charge of a country, and he was able to accumulate thousands of gold by being in charge of a family.”

Fan Li's business wisdom is rooted in the ancient Chinese Taoist thought and the circular Taoist thought of *The Book of Changes*, and one of the main business ideas is the law of “when things reach an extreme, they can only move in the opposite direction”. According to Fan Li, there is a constant change among heaven, earth, and human beings. All things are born in the land, the earth is omnipresent, takes in all things, and is a whole. Beasts, crops, etc. can never leave the earth, and all things, regardless of the beauty and evil, the earth is the same, so that Humans also depend on the earth

for sustenance. However, everything grows in its own time, and it is not possible to force it to grow until a certain time, and the same is true of human change, which is not possible to force it to succeed until the final turning point. Therefore, one should follow nature to live in the world, so that when the opportunity comes, one can turn around a situation that is not in one's favour. According to the current edition of *The Thought of Ji Ran*, one can get a glimpse of Fan Li's thoughts on business through the lens of a tube:

2. PRODUCTION AND GRASPING THE MARKET

Fan Li emphasized the attention to agricultural production activities and the grasp of market quotations of commodities, which was a major feature of his business wisdom. In feudal society, productivity was relatively low, and agriculture was an important production sector related to the national economy and people's livelihood. Fan Li pointed out the important role of agriculture in economic development and social stability, has been very attentive to agricultural production, especially on the weather factors affecting agricultural production at the time of a more in-depth study, put forward the "agricultural cycle of abundance and failure": When the year is in gold, there will be a good harvest; when the year is in water, there will be a bad harvest; when the year is in wood, there will be famine; when the year is in fire, there will be drought. When there is a drought, a boat should be prepared for the flood; when there is a flood, a cart should be prepared for the drought, and this is following the law of development of things. Generally speaking, there is a good harvest in six years, a drought in six years, and a great famine in twelve years.

From this passage, it can be seen that Fan Li had already recognized some laws related to the natural environment of agricultural production. For example, "a good harvest in six years, a drought in six years, and a great famine in twelve years", the harvest of agricultural products is subject to natural conditions. In this way, mastering the law of change of climate, that is, mastering the law of agricultural production, which is to grasp the law of change of market commodity prices, timely mastery of the market situation has a fairly positive significance, "people who know how to fight are always usually ready; understand when the goods for people need to buy and use, is considered to know the goods. Good at the time and use of the

two, then the supply and demand of various goods can be seen very clearly."

On the basis of the agricultural cycle of abundance and failure, the "eight valleys of the law" is put forward by Fan Li: To grasp the method of the abundance of food, one must look into the three kinds of nature's appearances of nature, and it will be clear. If the power of Water restrains the power of Metal, the yin will accumulate too much, and the Water will then control the Metal and render the Metal useless so that the Metal contains Water; this is the autumn and the winter, and the order of the times is out of order. When this happens, the year's achievements will be very poor and all kinds of food will be very expensive. If the power of Jin restrains the power of Wood, the yang will be stored up a lot, and Metal will then take over the position of Wood and render Wood useless, so Fire is produced in Wood, which is the Spring and Summer Seasonal Shun Zheng. When this happens, the year's achievements will be very good and all kinds of food will be cheap. Metal, Wood, Water, and Fire are mutually exclusive, forming three appearances in nature, which cannot be seriously examined. "If you can grasp these three phenomena, you can make it a national treasure;"; "There is a limit to the fluctuation of prices; when they become extremely high, they will fall; and when they become extremely low, they will rise." (*Yue Jue Wai Chuan Zhen Zhong XVI*) "The Law of Eight Valleys" gives an important insight: agriculture is not immune to natural disasters such as floods and droughts, so the good years and bad years are not always the same.

Fan Li further pointed out that the price of grain fluctuates between thirty and eighty is normal, businessmen should accurately grasp the market situation, that is, during years of plenty, accumulate grain; then, during years of famine, sell it. When encountered in the year of agricultural harvest, the price of grain fell on a large number of acquisitions of grain storage. In the year of the agricultural disaster, the stored grain was sold to the neighboring countries or civilians at a fair price. In this way, in order to make a profit in business, but also calm prices, crack down on crooked merchants, solve the country's urgent needs, and greatly improve their reputation.

3. HONESTY IN BUSINESS, NOT SEEK PROFITEERING

Fan Li was not only good at seizing the opportunity in business, but also did not pursue

profiteering. According to *the Records of the Grand Historian*, Fan Li “seized the opportunity to turn things around, and pursued a profit margin of ten percent.” The so-called “pursuing a profit margin of ten percent” refers to what people today call “selling at a low profit”. The “profit margin of ten percent” is not only an effective measure to avoid the “interest rate” and implement the “abolition of residence”, but also a powerful means to compete for customers in the market competition and capture the market, and also an important measure of business ethics. It is also an important yardstick of business ethics. What made Fan Li differs from speculators and unscrupulous merchants is that he did not raise prices when selling nor depress them when buying. The mark-up on goods was not inflated by him; instead, goods were bought when it was appropriate to do so and sold when it was appropriate to sell. Profit was sought through benevolence, and wealth was pursued within the bounds of righteousness, with a modest profit margin of ten percent being aimed for. This approach allowed the same amount of capital to conduct more transactions within a given period, thereby increasing the total profit through expanded sales volume. That is why he took “be proficient in goods - as long as one can procure them accurately, even if additional capital is required, the financial balance will not be disrupted.” as one of the twelve rules of financial management and wealth management. The practice has proved that Fan Li's marketing strategy of selling at low-profit margins and doing business with benevolence and righteousness is scientific and feasible. That is why he has been “accumulating wealth worth tens of thousands in a short time.” (*The Historical Records of The Annals of King Goujian of Yue*) for more than ten years.

Tao Zhugong's pursuit of business is the integrity of the rich, pursuing a profit margin of ten percent, which is a very humane idea, in line with the traditional Chinese thinking in the business for “integrity”, “righteousness”, and small profits, not asking for profiteering, a small stream flowing steadily, day by day, and month by month, it will be a big rich. This is one of the secrets of Fan Li's success.

Of course, “pursuing a profit margin of ten percent” and get rich, is after a lot of hard work to achieve. He cautioned: “As traveling merchants who rise early and return late, crossing mountains and rivers, any small profit we gain comes from the fear and hardship we endure. If we do not economize and cherish our earnings, then all our

labor would be in vain.” (*The theory of Ji Ran*” Volume V “*Actuarial*”) Tao Zhugong is worthy of the business model.

4. CONDUCTING A VARIETY OF BUSINESS ACCORDING TO LOCAL CONDITIONS

After leaving the state of Yue, Fan Li was subjected to countless difficulties and obstacles, and eventually arrived at the sea shore of Qi. Here, sea salt became one of the biggest commodities for Fan Li. The sea was boundless, and the seawater for drying and cooking salt was inexhaustible, and “having the benefit of fish and salt” was the best thing about this land. In China, among the vassal states, Fan Li's salt market soon opened up. In addition to selling fish and salt, Carpenters, silk workers, and male and female servants with different specialties were also hired by Fan Li, and they were divided into groups to perform different types of work. The female servants were mainly responsible for mulberry and hemp spinning, supervised by Xi Shi, while the male servants were responsible for farming, fishing and hunting. They built houses and granaries, reclaimed farmland, and planted mulberry trees on the hillside to create a large mulberry garden. In this way, A big seaside home integrating agriculture, industry, fishery, and commerce was soon established in this poor seaside land.

In addition, Fan Li's pace of business did not stop, he led his family and servants to nearby Penglai and all places east of the State of Qi and Lu to investigate the yearly situation and commercial trade. It was essential for him to learn the social status, history, geography, customs, people's feelings, products, prices, the origin of commodities as well as the amount of supply and demand there. After returning to the seashore, according to the market information he grasped in various places, he transported all kinds of leather goods, silk, yarn, silk, satin, salt, etc. produced by his own family to various places for sale by car. After a trip to Zhejiang, The silk business was acquired, and a silk shop was immediately opened in Zhejiang, with him becoming a "silk customer" himself. In addition, Fan Li also dealt with a large number of ironware, woodenware, pottery and foodstuffs, which were necessary for people's life and production. After several years of hard work, hundreds of thousands of dollars were accumulated, which caused him to be a local tycoon.

Fan Li's economic activities were not blindly striking out, but carefully choosing the location and giving full play to the advantages of the natural environment, in order to seek the best economic benefits. After Fan Li settled in Dingtao, "both father and son would engage in farming and animal husbandry", and started animal husbandry in addition to agricultural production. In addition to agriculture and animal husbandry, Fan Li also engaged in aquaculture, and summarized his experience and wrote a book called "*The Art of Fish Farming*", which is the earliest document on aquaculture so far. In *The Art of Fish Farming*, Fan Li put the status of aquaculture in a very high position, thinking that "There are five ways to accumulate wealth through trade, and aquaculture ranks first among them. Aquaculture refers to managing fish ponds." The king of Qi was guided by Fan Li to engage in fish farming in the pond at Houwan, resulting in an annual economic benefit of over 200,000 dollars, which was considered a significant achievement. Obviously, the diversified development of agricultural and animal husbandry production has achieved great economic benefits and is conducive to the development of society.

5. WORKING HARD WITH DEDICATION AND ENRICHING ONESELF THROUGH LABOUR

Fan Li made full use of the resources and environment of Qi, and led his family to work hard. Here, Fan Li's family was busy working day and night, one drop of sweat and one step toward harvest, after countless stormy dawn, countless sand dance dusk and sleepless nights of hard work, a few years of time, Fan Li in the boundless vastness of the sea, hundreds of thousands of accumulated capital, become a local rich. He was transformed from the general of the state of Yue into an ordinary labourer. In the era of the government, how many people admired the high officials and rich salary, while Fan Li frankly changed his identity, work hard with dedication and enrich himself through labour, making a bold challenge to the traditional concepts, and the enlightenment of the future generations is extremely profound.

6. EMPHASIZING REPUTATION AND PRACTICING VIRTUE WHEN WEALTHY

"Benevolence and righteousness" and "honesty" were emphasized by Fan Li, who possessed a

temperament and style that were typically not found among ordinary businessmen. Fan Li believed that commodities have use value. The quality of commodities is its use value, and its good or bad quality is not only related to the credibility of the producers and merchants themselves, but also related to the consumers' personal interests. When the private individual craftsmen rose up in large numbers, the strategy of Fan Li's teacher Ji Ran was quoted by Fan Li, who then put forward the slogan of "maintaining the quality of goods," which was the principle of storing goods. He said: "maintain the quality of goods, avoid holding onto currency unnecessarily, do not store perishable food items, and refrain from seeking excessively high prices." Emphasis on the quality of goods, capital to circulate, do not try to make a profit. Require high quality goods, good storage, improve the competitiveness of products in the market, but also put forward the "do not store perishable food items" policy, so as not to harm the interests of consumers.

The most valuable part of Fan Li's thoughts on business is "wealthy people like to do things that benefit the common folk". According to *the Records of the Grand Historian*, after Fan Li became rich in Qi, he "dispersed all his wealth and shared it with his friends and townsmen"; later, in his business, "over the course of nineteen years, he amassed substantial wealth three times." But he was highly praised for distributing his money to the poor and distant brothers. Fan Li was the earliest recorded philanthropist in China. Fan Li was rich by virtue of his own diligence and wisdom, no collusion between the government and business, no counterfeiting, and he gave back to the society so generously that he was the earliest recorded philanthropist in China.

7. BUYING LOW, SELLING HIGH, AND SEIZING THE RIGHT MOMENT

In order to truly realize the principle of "buy low, sell high" and seize the business opportunity, Fan Li advocated the use of the theory of agricultural cycle of abundance and failure to regulate the materials and carry out the "trade of waiting for the lack of trade". Specifically, the so-called "waiting for the lack of trade" is "storing furs in summer, fine linen in winter, boats during dry weather, and carts during rainy weather to wait for the lack of trade" The so-called waiting for the lack of trade is to let the goods wait for people, do not

let people wait for goods. To prepare what others do not have or cannot think of, so as to take advantage of the market.

According to *the Records of the Grand Historian · Biographies of Wealthy Figures*, Fan Li “financed boats during dry weather, and carts during rainy weather” and believed that business should have foresight. When a certain commodity rises to very expensive, it means that the price is going to fall, and it should be treated like dung, not sparingly, and sold instantly; when a certain commodity falls to very cheap, it means that the price is going to rise, and it should be treated like jewels and jades, cherished extremely, and purchased in a timely manner. This is how “when the price goes up, sell the goods as fast as you can dump the dung; when the price goes down, collect the goods as fast as you can get the jewels!”, cheap to buy expensive to sell, earning profits from the price difference. Fan Li advocated that money and commodities should accelerate the turnover, the faster the turnover, the more money you can make.

There are three main bases for Fan Li's market prediction:

The first is the price basis. Fan Li pointed out that the price of commodities fluctuates within a certain range, when the price is very high, it is bound to fall, and vice versa, when the price is very low, it is bound to rise, “when prices rise to a certain extreme, they will gradually fall; when prices fall to a certain extreme, they will gradually rise.” This is not only the understanding of the law of operation of commodities, but also contains a hazy speculation on the law of value. Normal commodity prices can only fluctuate up and down around the value, too expensive and too cheap are deviating from the value.

The second is the basis of market supply and demand. Fan Li studied the law of commodity price changes in depth, and believed that the high and low prices of commodities are related to supply and demand, knowing the supply and demand of commodities can roughly understand and predict the price changes, “by studying situations of commodity surplus or shortage, one understands the principles of price fluctuations.” When the supply of commodities exceeds the demand, the commodities will be cheap; when the demand exceeds the supply, the commodities will be expensive. By summarizing the changing law of market price, Fan Li not only accurately grasped the market situation, but also put forward a set of basic principles for buying and selling commodities

on this basis: “when the price goes up, sell the goods as fast as you can dump the dung; when the price goes down, collect the goods as fast as you can get the jewels! Goods should flow like water.” That is to say in the high price of commodities should be sold as soon as possible, to do “sell the goods as fast as you can dump the dung when the price goes up”, and in the very low price of commodities should be fast and timely purchase, to do “collect the goods as fast as you can get the jewels when the price goes down”, so as to effectively capture the commercial timing, and ultimately to buy cheap and sell expensive, to maximize profits.

The third is more sales at lower profit margins. The purpose of commercial activities is to maximize the pursuit of profit, the higher the profit, the greater the power. But exactly how much profit can satisfy the businessman's desire to vary from person to person. Human nature is greedy, and it is precisely because of this weakness that many businessmen end up bankrupt. Fan Li was very restrained in his pursuit of profit, and adopted a thin-profit, high-market approach. “It was agreed that both father and son would engage in farming and animal husbandry. The right timing for buying and selling would also be awaited, in order to achieve a profit margin of ten percent. After a short while, their family assets accumulated to a considerable amount. People across the land praised Tao Zhugong.” (*The Records of the Grand Historian - The Annals of King Goujian of Yue*) A profit margin of ten percent, it is not much, but just with such a low profit, you can still achieve wealth accumulation of huge tens of thousands. From this description, the benefits of selling more at a lower profit margin can be got.

8. SYNERGISTIC COMPETITION AND WIN-WIN COOPERATION

“Fan Li's horse trading” is one of the earliest business cases of collaborative competition and win-win cooperation in history. When first coming to Taoyi with his family, Fan Li could not expand his business due to the small capital and small profit, so only some local grain and salt trading could be done. However, as Taoyi was located in the center of the world, it was a must-go road for merchants and traders, and Fan Li naturally learned a lot of information from these merchants and traders. Among them, a piece of news about the need for good horses in the area of Wu-Yue made his heart flutter, and he wanted to make some big

money in the horse trading. It was clear that it was not difficult to buy horses in the north, and it was not difficult to sell them in Wu-Yue, but the problem was that it was difficult to transport them to Wu-Yue: thousands of miles, not to mention the cost of lodging people and horses, the biggest problem was that it was a time of war and chaos, and there were a lot of robbers along the way, so that some businessmen often lost their money, and sometimes their lives as well. For a time, Fan Li struggled to devise an effective strategy, yet he was a man of keen interest and never neglected to absorb information regarding horse trading. Finally, one day, there was a very powerful merchant in the north, Jiang Zidun, who often trafficked hemp cloth to Wu-Yue regions. Jiang Zidun trafficked hemp cloth to Wu-Yue regions for many years, and he had already used gold and silver to buy out the strong men along the trade route. So, Fan Li came up with a brilliant plan to transport horses. On this day, Fan Li wrote a list and posted it at the entrance of the city, which read: Fan Li has newly formed a group of horses, and it is the time for the opening of the business, so he can help people to transport goods to the Wu-Yue region for free. Unsurprisingly, Jiang Zidun soon took the initiative to find Fan Li, hoping that Fan Li would help him transport the northern linen to Wu-Yue region. Seeing this, Fan Li was overjoyed and agreed readily. In this way, Fan Li and Jiang Zidun traveled all the way together, and the goods, together with the horses, arrived safely in the Wu-Yue region. Fan Li sold the horses in Wu-Yue region without any problem and made a lot of money. If only by the power of Fan Li alone, his horses may have been robbed by robbers, but he borrowed the power of Jiang Zidun, not only made money safely, but also helped Jiang Zidun's favor, Jiang Zidun from then on and Fan Li became a good friend in the shopping mall. Doing business should learn to learn to use the momentum, learn to synergize competition, cooperation and win-win situation, this is "Fan Li's horse trading" to our inspiration.

Potential, is the power and trend, this "potential" is by the time, things, people and other factors interact to form a kind of can help you "accomplish everything that would normally be done in stages in one single action" of the synergy. Competition and the development of human beings has a role in promoting, is to transcend themselves, improve efficiency, complement each other's strengths and weaknesses, the basis for common progress. If only rely on personal power, the value

of creation is bound to be very limited, and if the formation of an organic whole, relying on the indestructible power of the group to work hard, the value of the creation will be much more. Profit and potential are inseparable, have the potential to be favorable. Doing business first not to ask for profit, but to first learn to take advantage of the situation. For modern operators, in order to achieve great things, the environment, society, the country and other competitors of open cooperation need to be considered. Only in some aspects of the advantage, in order to get rich profits, become the most astute winner.

9. CONCLUSION

Fan Li is a good observer of the big picture, and he puts his own "accumulation theory" in the circular cycle of the natural environment, society and even the whole economic system. In this way, by studying the internal cyclic movement of things and the interaction of elements in the external natural environment, he could effectively foresee and utilize the laws of development of things.

Fan Li's idea of conforming to the heavenly, earthly and humane way is still extremely relevant to today. "Holding surplus", also known as sustainable development, is to continue to move forward on the basis of the original development. To be strong, it's essential not to be arrogant, and prosperity and fullness should be maintained without overflowing or arrogance, and accomplishments should be labored upon without boasting. Adhering to the Way of Heaven is essential for such a balanced approach. And the "prudence of affairs" can be understood as being down-to-earth, practical, and following the objective laws of the world. When dealing with all kinds of world affairs, it's necessary to have reason, some "moderation"; when weak, secretly strive for strength, work diligently to improve governance, endure hardships and bear what others cannot bear, do what others dare not do. This is to comply with the "Way of the Earth" and follow the law of the "Earth" that embraces all things and carries all things with virtue. Fan Li embodied this idea to the fullest extent in his political, war and business activities, taking the initiative everywhere and winning the battle. Although Fan Li was an ancient man more than 2,000 years ago, there are many sparkling places in his thoughts, which are worth studying in depth. The promotion of Fan Li's excellent thoughts will help to enhance social civilization and promote social progress.

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