

Alibaba and JD – The Next Generation of Global Logistics Leaders?

Growth in China's small parcel market continued its break-neck speed in 2016 as the country's State Post Bureau reported a 51.4%, 31.28 billion, increase in deliveries for the year. In terms of revenue, the Chinese government agency noted the sector generated about USD \$57.58 billion in revenue, up 43.5% from 2016.

The State Post Bureau's plan as outlined last year is to extend the courier network and improve computerized systems services and international connections by 2020. Indeed, the country's two largest e-retailers are doing their part to achieve this goal and then some.

Alibaba

Having built out a domestic logistics network, Cainiao, via partnerships with Chinese express, logistics and transportation providers all connected via a unique portal built by Alibaba's technology group to track, rate and manage packages and providers, Alibaba is looking beyond China to grow its business.

Indeed, Alibaba dominates China's e-commerce market but it has struggled with dominating the global e-commerce market. But it hasn't been for lack of trying. In 2016, it acquired e-retailer, Lazada, an 'Amazon' like player that just happened to have a nice logistics network in Southeast Asia. Using this acquisition along with Singapore Post which it has an equity stake in, Alibaba wants to dominate Southeast Asia, a region with great potential.

But they are certainly not the only ones that want to dominate Southeast Asia. JD is said to be in talks to invest in Indonesian e-commerce platform Tokopedia which could form the basis of a bigger push into the region. Amazon can't be ruled out either as rumors persist of the US-based e-commerce provider opening an office in Singapore.

It's not only Southeast Asia that has captivated Alibaba but also Europe. In fact it is supposedly in search of warehouse locations along China's Silk Road rail route in hopes to take advantage of the new route by positioning its stock and delivery hubs along the line in order to faster bring its products into Europe.

If all of that is not enough, Alibaba has also made financial investments in YTO Express, a partner within its Cainiao network as well as Best Logistics. YTO issued an IPO recently with plans to use the proceeds to expand its network and the number of planes it owns. Best Logistics plans to issue an IPO as well and, of course, use the proceeds to expand its network as well.

It's likely as Alibaba looks to broaden its reach, it may eventually be planning to control more of its international logistics network instead of enlisting partners like it is currently dependent on for this push.

JD.com

The second largest e-commerce provider is doing its part by establishing a unique strategic partnership with Walmart. In 2016, it bought Wal-Mart's Yihaodian local shopping platform. As of February 2017, Walmart has taken a 12.1% stake in the Chinese e-commerce provider. In addition, Walmart plans to close its own e-commerce mobile app in China. JD.com will also serve as the online shopping platform for 20+ Walmart stores in China.

The agreement gets even cozier between the two retailers as Walmart's Sams Club entered the Chinese market in late 2016 with plans to stock merchandise in JD's warehouses and use JD's same- and next- day delivery service. In addition, Walmart Stores will also utilize JD's two-hour delivery service for orders placed JD Daojia, JD.com's grocery business in select Chinese cities.

After it announced a good first quarter earnings, JD.com officially launched JD Logistics. Long in the works and waiting for the green light from the Chinese government, this new business unit will offer integrated supply chain solutions such as warehousing, transportation, delivery and after-sale services, to e-commerce sellers and other companies. Additionally, JD.com plans to invest more heavily in logistics automation, including automated warehouses and drone deliveries.

Imagine the international logistics network that JD can build using Walmart's existing stores and distribution/transportation network in the US and quite possibly in Mexico and the UK as well and connect it all to China and perhaps Indonesia/Southeast Asia. A benefit for not only JD but also for Walmart who has also struggled with international growth.

The Outlook

As Alibaba and JD look to expand their e-commerce reach, they are also building out impressive logistics networks that could eventually rival the likes of leading global logistics players as DHL, FedEx and UPS. Not to be outdone, Amazon is also building its global logistics network. Are

We witnessing the emergence of the next generation of global logistics leaders? Will these three e-commerce providers eventually bypass the three global integrators and utilize their own fleets and infrastructure for cross-border as well as intra-regional purposes? For that matter, could Alibaba, Amazon and JD actually become the next big 3 global integrators in the coming years?