

Billionaire JD.com founder lines up next challenge: beating Alibaba
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With an iron grip, JD.com Inc founder Richard Liu has dragged China's number two online retailer from a Beijing backwater to a rich New York listing. Beyond the wealth that brought him lies Liu's next target – beating Jack Ma's Alibaba.

"The competition makes the two companies stronger," said Liu, a billionaire at 41. "I'm enjoying competing," the chief executive told Reuters in an interview.

On top of shares in a US\$37 billion (RM119.6 billion) company that mean he's now worth close to US\$8 billion (RM25.8 billion), Liu still controls 84% of voting rights at JD.com.

If that causes corporate governance concerns, it makes his resolve to take on his biggest competitor, the Alibaba Group Holding Ltd e-commerce juggernaut co-founded by Ma, all the more personal.

"He has this ambition to win. He says there's only number one, there's no number two," said Kathy Xu, founder and managing partner of Capital Today Group. Xu, one of China's most successful venture capitalists, put US\$10 million (RM32 million) into JD.com in 2006: Her investment's now worth 110 times that amount.

Like Amazon.com Inc, JD.com has a logistics-focused e-commerce business. The company, whose delivery staff outnumber Alibaba's 22,000 employees, promises same-day delivery in 43 of China's biggest cities.

That sets it apart from Alibaba, which still depends on China's often unreliable postal infrastructure to get goods to its customers' doors as it accounts for about 80% of all e-commerce in China.

"It's who can give customers the best experience, they're the one who'll succeed and achieve ultimate victory," said Liu. According to iResearch, China's e-commerce market will grow nearly two-thirds to 4.45 trillion yuan (RM2.3 trillion) in 2017 from 1.84 trillion yuan (RM950 billion) in 2013.

Like Amazon in its early days, it could take JD.com time to build a record of lasting profitability. In 2013, the company only scraped a net income of US\$36 million (RM116 million) with the help of Chinese government

subsidies, after total losses of more than US\$430 million (RM1.38 billion) for the two previous years.

As Alibaba lines up its own mammoth IPO, investors have focused on JD.com's outsized sales growth, with revenue tripling to 69.3 billion yuan (RM36 billion) in 2013 from two years earlier. Also encouraged by its close ties with Chinese internet giant Tencent Holdings Ltd, Alibaba's arch-rival, investors have pushed JD.com's share price around a third higher since its initial public offering last month.

From a modest background in Suqian, in the eastern province of Jiangsu, where his parents ran a small shipping business, Liu carries a calm demeanour and sports the first flecks of grey in his hair.

Every year, around the June 18 anniversary of his first company's establishment, Liu dons a red JD.com delivery uniform and personally delivers products to unsuspecting customers.

On Monday, Liu took to the streets of northern Beijing at the handlebars of one of JD's 3-wheel delivery scooters. At first berated by a guard for parking at the wrong entrance of the former Olympic village, Liu finally delivered an order of dog food to a bemused office worker on the third storey of an apartment block.

Investors can be sure Liu didn't miss any important decision-making while he was out – with majority control of voting rights, board decisions require his presence.

"The control provisions that Mr. Liu has are, in my view, unprecedented," said Raffi Amit, a professor of entrepreneurship and management at the Wharton School. "He has complete and unilateral control of the board, which in turn controls the company."

For Liu, there's no issue.

"For an entrepreneurial business experiencing high-speed growth, the more control a founder has, the healthier it is," said Liu. "Investors think giving me control of the company will better protect shareholder interests. I can give them better returns."

Though currently dwarfed by Alibaba, JD.com has a powerful ally in Tencent, which took a 15% stake in JD.com in March and mapped out a strategy for cooperation.

The most valuable weapon for JD.com and Tencent is WeChat. The mobile messaging application, nearly ubiquitous on China's

smartphones, has evolved into a potentially lucrative e-commerce platform that allows users to spend on the move.

Mobile e-commerce is surging: In the quarter ended March, mobile purchases accounted for 18% of the total. "JD will obtain the best market position in mobile e-commerce," Liu said.

Kathy Xu is a long-term believer.

"Richard has proven he has vision and capability of execution," said Xu, Liu's first major investor. "I'm happy he will make all the decisions in the future."

"I first met Richard eight years ago," said Xu. "We met at 10 p.m. and talked until 2 a.m. I felt like this was a dark horse," she said, anticipating a strong future for the then unfancied entrepreneur.

Liu still eschews the celebrity trappings of some of the country's more flamboyant tech entrepreneurs.

"My personal life is simple. I don't have a ton of friends," said Liu, who describes himself as single-minded and devoted to his work. "I don't have a social circle of entrepreneurs, a social circle of people in entertainment, a circle for media."

In the future, Liu intends for JD.com to remain focused on its core business: e-commerce. This is another strategy that sets it apart from Alibaba, which has spent more than US\$3.4 billion (RM11 billion) since the beginning of the year on investments outside core e-commerce, including half a football club.

"I've never done movies, television and so on," said Liu, saying those sectors won't become investment targets. "We will continue to make some investments and do mergers and acquisitions. We mainly revolve around core services for all of e-commerce." – Reuters, June 18, 2014.

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