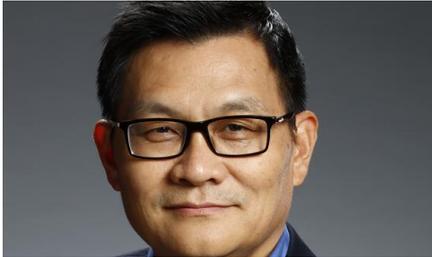


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Q&A-New technologies to change global retail landscape: JD.com exec

JD.com, Alibaba's biggest rival in China, has made big strides in closing in on the competition, including recently venturing into artificial intelligence with its own AI R&D operation.



Global retail infrastructure will go through tremendous changes due to the emergence of new technologies in AI, big data and cloud, and JD can play a leading role in leveraging its core competencies in those areas overseas, including in Thailand, Vietnam and Indonesia, said Professor Jianwen Liao, chief strategic officer at JD.com in an exclusive interview with the Reuters Global Markets Forum on the sidelines of the World Economic Forum in Davos on Wednesday, January 24.

Following are edited excerpts from the conversation:

Q: On a recent earnings call JD execs said the platform lost 100 top apparel merchants to "coercive" tactics from its top competitor, Alibaba. How is JD handling that competition and what is its strategy for winning the fashion and apparel market going forward?

A: Number one it's not top merchants. At the end of the day it's about customer shopping experience and providing value to brands and consumers. They want to shop any time any place. In recent months we've made excellent progress in working with leading brands. We also made strategic partnerships with VIPShop and Farfetch. In addition we launched the luxury platform Toplife. This provides valuable access for luxury brands to hundreds of millions of Chinese consumers.

Q: How you see Chinese luxury shoppers changing over the past few years in terms of how/where they buy and what brands they're interested in?

A: Chinese consumers are going through several changes. The first has to do with consumers looking at quality products with competitive prices. Now we are at the second phase, where consumption is driven by brands. Among Chinese consumers, a smaller group is looking for luxury brands. Slowly but surely we are moving to the third phase which is driven by personal taste or preference. Let me give an example. Muji came out in the late 80s. Now in China Wangyi yanxuan began doing very well last year, seeing tremendous growth.

Q: What markets outside China is JD eyeing in 2018?

A: JD has been going global for the last few years, especially in Southeast Asia. We take a different approach to globalisation. Moving forward it's about the integration of global capabilities leveraging JD's core competencies in cross border retail, including e-commerce operations and more specifically our retail infrastructure. With the changes of new technologies in AI, big data and cloud, the global retail infrastructure is undergoing tremendous changes. JD can play a leading role in extending those capabilities overseas, including in Thailand, Vietnam and Indonesia. Southeast Asia is in a stage of economic development, and we have a comparative advantage in those areas.

Q: Would you be able to elaborate on how JD's core competencies fit into the changing global e-commerce environment?

A: JD's competitive core competencies lie in three core areas - smart consumption, smart operations, smart suppliers. Specifically, smart consumption is a kind of technology that allows us to profile hundreds of millions of Chinese consumers, have an understanding of their needs and get (relevant) products to the right consumers at the right time and the right place. For smart operation, we have unparalleled logistics supplies and solutions by which we can deliver products from warehouses to consumers faster than any global competitors. We can deliver 92% of products within 24 hours. Within smart operations, we have smart warehouse, smart transportation and intelligent last mile delivery. For smart suppliers, we have intelligent solutions for brands. We provide dynamic inventory control and dynamic pricing, for example.

Q: JD has said it wants to launch hundreds of unmanned stores as part of its efforts to tap China's offline market. How do these compare to global alternatives like Amazon Go stores, and what is the company's plan to monetise them?

A: With regard to unmanned stores, it's not about the number of stores, it's about the technology behind the stores. We believe those technology solutions will change the existing physical with regard to cost, efficiency and customer experience. So the focus isn't simply on the number of stores it will create, but rather how many existing stores will be transformed using the technologies

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behind these stores. The future will be the integration of physical and digital, which will enable customers to shop anytime anywhere
anyplace.

Q: A lot of people compare JD's & Alibaba's unmanned stores to Amazon Go - but obviously these markets are very different. What's the difference between tackling the offline market in China vs. the U.S. and with Amazon, Ali and JD increasingly crossing over in overseas markets, do you see a future where these models will compete?

A: Ali and JD are competing in different dimensions. Alibaba are more focused on online trading platforms, while JD is increasingly strategically moving toward the transformation of retail infrastructure enabled by technology. We do believe that retail infrastructure will be going through tremendous changes due to the emergence of technology. In this regard JD has a vantage point.

Q: JD recently set up its own AI R&D operation, headed by Pei Jian who was most recently the head of a Huawei unit. What's the company view on competition in the Chinese market for AI personnel?

A: Prof. Pei Jian will be leading our big data business. In addition we've had a lot of global AI talent join JD. One of the key reasons we are able to attract global talent is that we have rich business contacts with tremendous data, which enables us to develop AI-related solutions for omni-channel businesses.

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