

Walmart and JD.com Expand Strategic Partnership in China



- 1) Walmart and JD.com, China's largest e-commerce company by revenues, announced that they are expanding the strategic partnership formed last year by further integrating their respective platforms, supply chains and customer resources.
- 2) These new initiatives aim to leverage the two companies' core competencies and offer Chinese shoppers faster and more convenient access to high-quality, authentic products.
- 3) Walmart and JD.com will integrate their respective inventory management systems in a jointly developed supply-chain system. Once an order is placed, the system will determine whether to deliver from the closest JD warehouse or the closest Walmart store. To enhance the reach and efficiency of its logistics network, JD.com has established pick-up stations at select Walmart stores for those who choose to click and collect, as well, it has established the first JD Home store within a Walmart store in Shenzhen.
- 4) We believe further integration of the two companies' supply chains, which we view as a key point in this latest announcement, will widen Walmart's reach in China and increase its online presence.
- 5) In our view, the timing of these further strategic initiatives will be critical, and the upcoming 8.8 shopping festival the two companies will host on August 8 will serve as a good test case. The shopping festival will feature a livestream broadcast from Walmart's first US store.

Our Take

The expansion of the strategic partnership between the two companies does not come as a surprise, as we have seen a gradual but determined effort to integrate both companies in China. We believe further integration of their supply chains, which we view as a key point in this latest announcement, will widen Walmart's reach in China. In our view, the timing will be critical, and the upcoming 8.8 shopping festival on August 8 will serve as a good test case for these strategic initiatives, which we expect to optimize the delivery network and enhance inventory management for both companies.



Walmart and JD.com Ramp Up Cooperation in China

Walmart and JD.com are expanding their cooperation efforts by further integrating their respective platforms, supply chains and customer bases (i.e., resources) in China. The timing of this expanded strategic partnership comes ahead of the first joint 8.8 omnichannel shopping festival on August 8. These new initiatives aim to leverage on the two companies' core competencies and offer Chinese shoppers "faster and more convenient access to high-quality, authentic products," according to the official statement.

Walmart and JD.com first formed their strategic partnership in June 2016, and since then, their cooperation has continued to expand to encompass different areas. Through the partnership, Walmart has access to JD.com's best-in-class fulfillment capability as well as its technology; while JD.com is able to source authentic overseas products from Walmart and hence better control product quality.

See our latest report, *Walmart to Fast Track China Expansion with JD Ahead of Singles' Day* ([link](#)).

Details of the New Strategic Initiatives

The two companies' increased cooperation focuses on three primary areas: inventory, customer and platform integration, and store integration.

1) Inventory Integration

Walmart and JD.com will roll out a jointly developed supply-chain system to integrate inventory management. When an order is placed on JD.com, the integrated supply-chain system will analyze the inventory data of both companies and determine from which location delivery will be made, the closest Walmart or the closest JD.com warehouse. This new initiative is expected to optimize delivery routes for JD.com and increase Walmart's inventory turnover. Pilot projects for the supply-chain integration will be launched in six cities: Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu and Wuhan.

2) Customer Integration

The two companies will be integrating their customer bases (resources) with the launch of the first joint 8.8 omnichannel shopping festival on August 8. To support the festival launch, customers shopping at any of the 400-plus Walmart stores in China are able to earn coupons for the upcoming 8.8 shopping festival by scanning a QR code in-store.

The festival will help Walmart reach 99% of the Chinese population covered by JD.com's logistics network. The event will feature a livestream broadcast from Walmart's first US store on the day.

3) Store and Platform Integration

JD.com and Walmart have been increasing their cooperation to complement the omnichannel push. These O2O integrations will be tested during the upcoming 8.8 shopping festival.

- **Store-in-stores:** JD.com recently set up its first JD Home store, which mainly sells electronic products, inside a Walmart store in Shenzhen.
- **Expanded JD.com pick-up options at Walmart stores:** JD.com is establishing pick-up stations at Walmart stores to enhance the reach and efficiency of its logistics network. Currently, 134 Walmart stores across 18 cities in China have joined the JD Daojia network to offer fast one-hour delivery of orders.



FLASH REPORT

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