

INTERNET

Nestle and Alibaba join forces

Food giant hopes move will help revitalize performance in China

By WANG ZHUOQIONG

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Nestle SA and Alibaba Group Holding Ltd have launched a digital commerce and marketing campaign, a move the Swiss food giant hopes will boost its disappointing business in China through innovation in products and digital distribution channels.

The six-month joint campaign will leverage Alibaba's online and mobile marketplaces, media platform and rural services.

According to Nestle, it will feature 154 products from 30 brands, 67 of which will be introduced to Chinese consumers for the first time.

Nestle's growth had been slowing in the past few years in China, as the company said it has not reacted quickly enough to trends like e-commerce and healthier eating.

Nestle said its Chinese Yinlu congee brand still faces challenges as consumers shift to more premium products.

"Consumers in China are very discerning and adapting to technology faster than almost anywhere else in the world," said Wan Ling Martello, executive vice-president responsible for Nestle's Asia, Oceania and sub-Saharan Africa regions who is also on Alibaba's board.

Martello said at an investment meeting in May that despite the slowdown in Chinese economy and the country's fast-moving consumer goods sector, the country remains a great consumer story thanks to its emerging middle class and their growing disposable income.

But she said its driving force is innovation and technology through building new competency



Nestle SA and Alibaba Group hold a ceremony on Sunday in Beijing to celebrate the establishment of their partnership.

XINHUA

“Consumers in China are very discerning and adapting to technology faster than almost anywhere else in the world.”

Wan Ling Martello, executive vice-president responsible for Nestle's Asia, Oceania and sub-Saharan regions

— dealing with new challenges in digital distribution — instead of traditional bricks-and-mortar stores. Nestle's research has found that more than 75 percent of consumers use the internet to browse

or buy. It has also found that 80 percent of shoppers give reviews online, with more than 50 percent of purchase decisions being made online.

The company set up a standalone e-commerce unit in China a few years ago that is independent of its traditional business. The company's e-commerce business in China is expanding at triple-digit rates, and is on average more profitable than its bricks-and-mortar retail operations, according to Bloomberg.

According to Kantar Worldpanel, despite the overall fast-moving consumer goods market slowdown at 3.5 percent in 2015, the e-commerce sector remained a bright spot and grew by 36.5 percent.

China remains the world's biggest e-commerce market, and online penetration still reported double-digit growth, according to

researches. While e-commerce has already become an established shopping channel in big cities in China, it still has vast potential to grow in smaller cities and rural areas, experts said.

Most multinational brands such as Nestle has been relying on previous growth through expanding their penetration in hypermarkets and supermarkets in the past decade. But Jason Yu, general manager of Kantar Worldpanel China, said they are relatively weaker in penetration in smaller cities because of the vast geographic complexity of China.

Leveraging powerful e-commerce platforms like Alibaba's Tmall will help the brands overcome barriers to building distribution, making their products immediately accessible to consumers in smaller cities, said Yu.

INVESTMENT

Truck Alliance on the road to Southeast Asia

By MA SI and YANG JUN
in Guiyang

Truck Alliance, a startup dedicated to helping match empty trucks with loads, plans to expand into the Southeast Asian market after it raised more than \$100 million from investors including Tencent Holdings Ltd and venture capital powerhouse Hillhouse Capital.

Like Uber Technologies Inc, which enables passengers to hail an empty car in an instant, Truck Alliance allows shippers to post load information on its mobile application and connect them with truck drivers, so as to reduce a truck's empty miles and waiting time between loads.

Currently, the company is serving about 2 million truck drivers and more than 300,000 shippers on its platform. Every month, about 200,000 new truck drivers join in, according to the Guiyang, Guizhou-based company.

"We are aiming to expand into Vietnam, Thailand and Myanmar, where railways are in shortage and local residents chiefly rely on highways and roads for long-distance shipping," said Dai Wenjian, CEO of Truck Alliance.

The company will launch Vietnamese-language, Thai-language and Myanmar-language versions of its smartphone app on June 12, when the China-South Asia Expo is to be held in Yunnan province.

As part of its broad efforts to go global, Truck Alliance will also establish a research and development center in the United States next month, to focus on the industrial design of new energy trucks.

"Electric trucks will be the future of short-term shipping. We are raising money for the project," Dai said, declining to give more details.

The expansion plan came after Premier Li Keqiang last month praised the firm for "leveraging cutting-edge technologies such as big data and the internet of things

to serve people."

But with a presence in more than 300 cities across China, the 9-year-old company is not a one-of-its-kind mobile app. Industry sources have said that last year investments flooded into the infant truck-hailing sector and spawned many rival startups. But as venture capital firms became more cautious, most of them died out.

Cai Jin, vice-chairman of the China Federation of Logistics and Purchasing, said: "It is an easy job to bridge the information gap between supply and demand. The key and the most difficult part lies in how to build trust between drivers and shippers, and establish a mechanism to keep track of goods during the whole process."

2 million

number of truck drivers that Truck Alliance serves

Truck Alliance CEO Dai said that in his company more than 2,000 of its 3,000 employees are tasked with checking the credibility of shippers and the firm would compensate truck drivers with at least 500 yuan (\$76) if shippers on its platform fail to deliver on their promises.

Zhang Xu, an analyst with internet consultancy Analysys International, said in China more than 90 percent of truck drivers are self-employed and each driver is in essence a small enterprise.

"Compared with Uber that is targeting consumers, the truck-hailing market is in fact serving enterprises, which are slower to embrace new things. Also, it will be more difficult for companies like Truck Alliances to scale up, given that the enterprise market is often dominated by traditional businesses."

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International Education Column

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