

T

CHINA INTERNET BOOM

tech

CHINA'S NEW E-COMMERCE STAR

Back in 2005, says Liu, "I barely knew what the Internet was."



S

ITTING IN HIS BIG office, a stone's throw from the iconic Bird's Nest, the Olympic Stadium in Beijing, Qiangdong "Richard" Liu is explain-

ing how he got the idea for 360buy, China's fast-growing e-commerce site (a mashup of Amazon and Fresh Direct), which global investors are

lining up to back. Sure, Liu could claim that he had foreseen the rise of China and the Internet explosion, and that he had brilliantly found a way to capitalize on both trends. But in his first interview with a non-Chinese publication, Liu, an affable but quiet 38-year-old, tells *Fortune* that the success of 360 buy, which is on track to hit \$1.5 billion in sales next year, was less a product of inspiration than one of desperation.

IMAGINE IF AMAZON DELIVERED THE SAME DAY. QIANGDONG LIU'S 360 BUY DOES.

By **Bill Powell**

360BUY: BY THE NUMBERS

HEADQUARTERS	Beijing
CEO	Qiangdong "Richard" Liu
FINANCIAL BACKERS	Digital Sky Technologies, Sequoia Capital, Wal-Mart
CITIES SERVED	300
DELIVERY PEOPLE IN SHANGHAI	600 bikers each day
AVERAGE ORDERS DELIVERED PER COURIER PER DAY	70
AVERAGE NUMBER OF ORDERS FILLED EVERY DAY NATIONWIDE	220,000

At the end of 2002 the deadly SARS virus broke out in China, and for a few terrifying months, as dozens of people died, no one knew what it was or how to treat it. Businesses across the country were shuttered, as people huddled in their homes.

Liu owned a profitable electronics distribution business, with 12 retail offices in four cities, but the SARS outbreak was a serious blow. "We were losing a lot of money then," he says. He stayed confined in his apartment, but a few of his managers, going stir-crazy, sneaked into the office in Beijing and discussed ways to cope. One of them came up with the idea of trying to move some of the company's inventory via the Internet. A eureka moment? Only of sorts: "I barely knew what the Internet was back then," Liu says now. "Seriously. I had never used it."

Liu, 38, nonetheless approved the

京东网上商城总部自提中心

www.360buy.com

现在买电器都去京东网购啦!



A 360buy distribution center in Beijing.

The 360buy delivery system is so effective that by the end of the year, Liu is going to allow any company to use it—for a fee—including archrivals.

idea, and by 2005 his little electronics distribution business was on pace to do \$12 million in Internet sales. He convened a meeting of his top store managers and asked their opinion: Should they just shut the bricks and mortar and become an online business only? They all agreed: The company would go online only, and at the end of 2005, what would become 360buy was born.

Today the company employs 12,000 people across China, has pushed into books and music, and has caught the eye of some of technology's most sophisticated financiers. Digital Sky Technologies (DST) — the Russian firm that is backing Facebook, Zynga, and Groupon — invested \$500 million this year (for more on DST, see "Facebook's Friend in Russia" on fortune.com). Wal-Mart, the world's largest retailer, and Sequoia Capital, the blue-chip venture firm that has backed Apple, Google, and YouTube, are also backers. Liu says he hopes to take 360buy public in the U.S. no later than the end of 2013.

The company's advantage over other e-tailers — and the thing that

has helped attract the likes of Wal-Mart — is its masterful logistics. The company guarantees that if a customer types in an order before 11 a.m., he or she will receive the product before 6 p.m. the same day. Similarly, anyone who orders before 11 p.m. will get the package by 9 the next morning. (*Fortune* tested that claim, placing one small order in Beijing and three in Shanghai over the past two weeks. It worked every time.) Each delivery person is equipped with a point-of-sale terminal to allow customers to pay with their bank debit card upon receipt of a product. Further, the company has a "100-minute policy": If a customer has any complaints about a product, a delivery person will be back at his doorstep within an hour and 40 minutes after the complaint is lodged. The 360buy delivery system is so effective that by the end of the year, Liu is going to farm it out, allowing any company to use it for a fee — including e-commerce archrivals like Dangdang.

Figuring out new ways to produce revenue right now makes some sense, because the retail e-commerce

space in China is in the middle of a price war that can't be good for anybody. It is also "getting more crowded," as a venture capitalist who was in 360buy's first round of financing three years ago says.

Indeed, ask Liu who he thinks 360buy's primary competitors are, and he cites China's largest brick-and-mortar electronics retailer, Suning, as his No. 1 rival, acknowledging that it has moved online effectively and now wields more clout to lower prices with electronics vendors.

The irony of that isn't lost on Liu, the former small-time electronics shop owner. A decade ago he would never have dreamed of competing with the country's leading electronics retailer. Liu has a nice pile of cash and a delivery network in 300 cities to help him maintain his edge, but he'll need to keep generating new moneymaking ideas.

Not that he's worried. "We'll see what happens next," he says simply. As Liu knows all too well, inspiration can come from the most unexpected sources.