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JD boss warns loss-making logistics unit could crash without big cost savings

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Heavily loss-making JD Logistics must reduce costs dramatically or faces going bust within two years, JD.com chief Richard Liu demanded yesterday. The e-commerce groupâ€™s logistics subsidiary will eliminate delivery workersâ€™ basic salaries and will pay by piece delivered in future, but still needs to do more to reduce losses, he said. The news comes amid rising criticism in Chinese media and social media of low pay and long working hours for many couriers. According to Chinese publication Caixin, Liu told employees in an internal e-mail on Monday that JD Logistics made a loss of over RMB 2.3 billion (US$343 million) in 2018. Without the profits generated by internal orders, the loss would have been RMB 2.8 billion, he wrote. The JD.com founder blamed the heavy losses on high operational costs and argued the only way for the logistics company to survive was to eliminate driver salaries. Instead, they could earn more commissions by finding more external business, he claimed. Liu admitted that JD Logistics, which was spun off in April 2017, had made losses for a decade and had failed to win as many third-party clients as hoped over the last year. It still depends on internal orders for the bulk of its volumes. In a direct call to delivery staff, Liu said in the e-mail: â€œI believe each of JD.com's delivery brothers doesn't want the company to go bankrupt.â€

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