Performance Analysis of Internet Shopping Platforms' Mergers and Acquisitions of Logistics

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Abstract. This template concentration on analysis JD Logistics, Inc. Merger Deppon Logistics Co., LTD this important event .and focus on analyzing the performance before and after the merger and acquisition. The competition in today's logistics market is growing increasingly fierce, and the trend of industry consolidation has become more and more evident. This merger and acquisition have been drawing considerable attention all along. This article compares the financial data before and after the merger and acquisition, such as revenue, profit, and cost. These indicators also relate to the assessment of future development. From these indicators, it is clear that after the merger and acquisition, Deppon has "hitched a ride on JD's bandwagon" - gaining resource support, seeing steady growth in revenue, and achieving a certain degree of cost control. The synergies between the two sides have also started to gradually kick in. This article also uses the event study method to examine market reactions and finds that Deppon's stock price showed positive changes when the merger and acquisition news was announced - a sign that the market has affirmed this deal. However, amid the integration process, such as how to align business operations, this paper aims to offer useful insights for M&A activities in the logistics industry, hoping to help enterprises make more accurate decisions and achieve better results when conducting mergers and acquisitions.

Keywords: JD Logistics, Deppon Logistics Co., Ltd., Mergers and Acquisitions, motives for Merger and Acquisition, Merger and Acquisition performance.

1. Introduction

The sustainable development of a company is highly associated with the strategic value of mergers and acquisitions (M&A), which has led to great attention being paid to the implementation process and outcomes of corporate M&A in both domestic and international markets. Existing studies explore and analyze M&A from various perspectives, focusing on external environmental incentives and internal development needs of enterprises. However, there remains ample room for in-depth research on resource integration in the context of M&A practices within the logistics industry. As digital technologies advance at a lightning pace and consumer demands keep growing, the logistics industry and e-commerce platforms have long developed a symbiotic relationship where they are deeply intertwined—each relies heavily on the other. The focus of market competition has also shifted further toward serving consumers, and leveraging networks in a reasonable and effective way to drive a company's own development has become extremely important [1]. Against this backdrop, many companies have chosen mergers and acquisitions as a way to expand their share in the Chinese market, boost their core competitiveness, and elevate their position in the industry [2]. This article takes JD Logistics' acquisition of Deppon Logistics in 2022 as a case study. It systematically elaborates on the historical context and driving factors prior to the acquisition, then from a financial perspective, analyzes changes in profitability, operating costs, and operational efficiency before and after the deal, while also assessing JD's future development potential. JD Logistics' acquisition of Deppon Logistics kicked off in March 2022 and was basically wrapped up by the end of July 2022, going through phases like due diligence and agreement signing. Looking back to around 2020, various industries in China were stuck in a tough spot of transformation and adjustment due to the combined impact of internal and external factors, and the logistics industry was hit even harder. From a macro standpoint, the e-commerce sector saw a slowdown in growth despite its already large scale, and industry consolidation as well as heightened competition were widespread. Leading players in the industry such as JD Logistics opted for horizontal acquisition of excess resources to achieve the dual goals of optimizing cost structure and improving operational efficiency, so as to cut unnecessary operating expenses and build an integrated supply chain service system. In addition, in June 2020, the State Council issued the Opinions on Further Reducing Logistics Costs, rolling out policies to encourage the large-scale and integrated development of the logistics industry, such as reducing indirect taxes on commodities [3]. From a micro perspective, Deppon Logistics has seen a steady decline in net profit since its A-share listing in 2018. The outbreak of the COVID-19 pandemic in 2020 dealt a direct and heavy blow to its offline fulfillment business, which focuses on "bulky cargo transportation," further increasing the company's operational pressure. In the express delivery sector, Deppon had invested heavily in an attempted transformation that ultimately failed—likely because its core "bulky cargo transportation" business differs significantly from the e-commerce small-parcel services that competitors like the "Tongda System" couriers specialize in. After repeated setbacks, Deppon was left with no choice but to seek an alliance to "weather the storm together". The research value of this acquisition can be explored from three aspects. Strategically, prior to an acquisition, a company must conduct thorough analysis and assessment of the target firm's market competitiveness, management capabilities, and future development potential [4]. In this case, JD's acquisition helps the group refine its "integrated supply chain" layout, absorb Deppon's core capabilities in cargo transportation and its "vertical integration" model to achieve resource complementarity between the two parties, and propel JD to the top tier of the industry—while also contributing to the high-quality and efficient development of the entire sector [5]. Beyond that, the acquisition of Deppon also boosts JD Express' brand image, as Deppon, a well-known domestic logistics company, has built a solid customer base [6]. Financially, the acquisition significantly enhances capital synergy and resource allocation efficiency, and serves as a practical reference for other M&A activities in the logistics industry. This article focuses on two key characteristics of this acquisition: "counter-cyclical investment" and "strategic synergy". It examines why JD Express dared to act when the economic cycle was at a low point, and conducts an in-depth analysis of the acquisition's objectives—including a comparison of profitability before and after the deal, the dynamic changes in operating costs, and a long-term forecast of financial performance.

2. Literature Review

In the field of corporate M&A research, a large number of scholars at home and abroad have dedicated long-term efforts to this area, producing valuable literature and monographs that serve as references for subsequent researchers. These works explore the topic from multiple core perspectives and dimensions, covering studies on M&A motives, corporate market valuation, and performance evaluation before and after mergers and acquisitions. Among them, Jensen, M. C. & Ruback, R. S. argued that corporate M&A helps replace inefficient management teams and optimize internal governance structures, thereby improving operational efficiency and achieving twice the result with half the effort. Their work has become one of the most influential theories supporting the rationality of M&A activities. King, D. R., Dalton, D. R., Daily, C. M., & Covin, J. G., through a large-sample study, found that from the perspective of the overall market, there was no significant change in financial performance after M&A, but the variance in performance showed a marked difference. By synthesizing research findings from the past decade, researchers have provided insights into "under what circumstances M&A can achieve success and generate expected benefits." Borghese pointed out that "enterprises pursue M&A to gain a larger market share, with the goal of enhancing their market position and increasing profits." His work also mentioned that during the M&A process, it is essential to develop effective integration plans and implement them efficiently as agreed to mitigate risks. Healy noted that firms pursue horizontal mergers and acquisitions (M&A) to increase their market share. After the merger, employees from both companies learn from each other's strengths and apply these insights when formulating and implementing strategies within the combined entity—this synergy drives the mutual development of the two party's post-merger [7]. Zollo, M., & Singh, H. argued in their research that companies can improve post-M&A performance by combining their prior

M&A experience with formal knowledge codification. Winston, J. F., Chung, K. S., & Hoag, S. E. pointed out that firms can achieve economies of scale and scope through mergers. This not only helps reduce costs and boost profits but also enhances the efficiency of capital utilization.

2.1. Basic Theoretical Methods

To conduct a more precise and thorough analysis of JD Group's performance, three fundamental theories and two analytical methods can serve as the primary foundation. The three fundamental theories include the Synergy Effect Theory, the Market Power Theory, and the Industrial Chain Theory. The Synergy Effect Theory focuses on the value generated by M&A—specifically, whether an M&A succeeds and whether the merged entity's performance exceeds the combined performance of the two companies when they operated independently. The Market Power Theory analyzes how companies adopt M&A as a strategy to gain market share and strengthen their competitive position in the market; by securing an advantageous market stance, these companies aim to outperform their industry peers. The Industrial Chain Theory, centered on the product itself, describes the entire process from the raw material stage to the final purchase by consumers, illustrating how this end-to-end process enhances product value. The two analytical methods are the Event Study Method and the Case Study Method. The Event Study Method assesses performance by analyzing abnormal fluctuations in financial market data before and after a specific event (such as an M&A). The Case Study Method, by contrast, focuses on one or more representative cases; it involves collecting data through literature review and other means to conduct an in-depth analysis of the research topic.

2.2. Merging Parties and M&A Motivate

Acquiring party (JD Logistics): JD was founded by its founder Liu Qiangdong in Zhongguancun in 1998. In 2007, despite widespread skepticism, he made the decision to build JD Logistics. It was not until 2017 that JD Logistics opened its services to external clients, delivering "high-speed, high-efficiency, and high-quality" solutions. In May 2021, JD Logistics successfully listed in Hong Kong. Additionally, the company has developed an "integrated supply chain" to cut costs and boost operational efficiency.

Acquired Party (Deppon Express): In 1996, founder Cui Weixing first established "Cui's Freight Company". Then in 2001, he founded "Deppon Express". Operating on a direct sales model, this courier company provides high-quality services, earning positive feedback from both B-end (business) and C-end (individual) clients. It also stands as a benchmark in the bulky goods delivery sector. Later, in March 2022, it was acquired by JD Logistics Co., Ltd.

Mergers and Acquisitions motivate: JD Logistics Co., Ltd.'s decision to acquire Deppon Express was no impulsive move, but rather the result of careful consideration across multiple aspects. JD Logistics aimed to refine its "integrated supply chain," enhance the group's overall express logistics capabilities, optimize the company's structural allocation, and reduce costs, boost efficiency, and increase profits through "vertical acquisition" [8,9]. A key reason for the acquisition was to leverage Deppon Express' strengths in bulk cargo delivery, while also strengthening its own competitiveness. However, a successful acquisition also requires the right timing. Fortunately, by 2021, JD had secured additional capital following its listing. Meanwhile, Deppon Express faced challenges in its transformation, failing to meet expected performance targets. Coupled with the impact of the COVID-19 pandemic, Deppon was in need of a reliable partner to sustain its operations and avoid collapse. Furthermore, both the acquirer (JD Logistics) and the acquiree (Deppon Express) centered their business models on direct operation and held relatively high positions in the logistics market—factors that made it easier for the two sides to integrate their resources and optimize performance [10].

3. M&A Performance Analysis

Table 1. The operational capacity of JD.com, Inc

	2020	2021	2022	2023
Accounts receivable turnover rate	17.07	11.94	10.14	11.24
industry average	20.07	23.97	24.49	28.94
inventory turnover rate	205.45	183.80	191.34	242.10
industry average	153.51	156.93	168.79	230.28
total asset turnover rate	1.55	1.59	1.50	1.52
industry average	0.58	0.77	0.74	0.67

Table 1 illustrates JD Logistics' operational performance from 2020 to 2023, covering the period before and after its acquisition of Deppon Logistics Co., Ltd. As is clearly shown in the chart, after the acquisition was largely completed in 2022, the industry averages of both accounts receivable turnover rate and inventory turnover rate saw a significant increase in 2023 compared to those in 2020 and 2021.

Table 2. The variation of cost

Time	Cost (100million)	Income (100million)	Rate of cost
2020	670.81	733.75	91.42%
2021	989.09	1046.93	94.48%
2022	1273.2	1374.02	92.65%
2023	1539.42	1666.25	92.39%

From the numerical changes in Table 2, it is obvious that the operating costs have risen significantly over the past three years. However, such a sharp increase in costs is not a positive sign. When costs go up, it either leads to lower profits for the company or forces it to raise prices—and either way, the company will lose its competitive edge in pricing. As for the reasons behind this significant cost surge, one factor could be Deppon's expansion of its courier business, which has pushed up expenses like employee salaries and rent. To some extent, part of these costs has also emerged from JD's acquisition. On the other hand, the company may have invested additional capital and resources to better integrate with the internet, which has also contributed to the cost increase.

Table 3. The profit performance

	2021	2022	2023
Net operating profit	-14.96	-0.79	0.7
Return on total assets	-26.23	-1.82	0.56
Return on equity	-41.76	-3.00	1.3

Table 3 shows JD's profitability performance before and after the acquisition. An analysis of the chart reveals that across three key metrics—operating net profit, return on total assets, and return on equity—the figures have all turned from negative (pre-acquisition, in 2021) to positive (by 2023). This trend indicates that the post-acquisition company is better positioned for sustainable development. In the highly competitive market, it has secured more capital to expand its market share, while also gaining financial support for business activities such as scaling up production and repaying debts.

Table 4. The performance of future development capacity

	2020	2021	2022	2023
Revenue growth rate(%)	47.20	42.68	31.24	21.27
Net profit growth rate(%)	-85.33	-297.34	96.52	144.41
Total assets growth rate9%)	36.63	40.33	38.94	5.82

Table 4 presents JD Logistics' assessment of its development capacity post-acquisition. As the chart clearly shows, both revenue growth rate and total asset growth rate have been on a steady decline since 2020. This can likely be attributed to the fierce competition in the e-commerce market—JD faces rivalry from online shopping platforms like Taobao and Pinduoduo, prompting it to lower prices to attract customers and boost sales. Beyond that, the drop in operating profit may also stem from the impact of the pandemic between 2020 and 2023, which weakened consumers' purchasing power. Meanwhile, the sustained decline in total asset growth rate could be explained by JD Logistics' post-acquisition investments in upgrading its supply chain systems; these capital injections have weighed on the growth of total assets. On the flip side, the consistent rise in net profit growth rate is partly due to the effective implementation of JD's "cost reduction and efficiency improvement" strategy, coupled with optimized sales proportions of high-margin products—both of which have driven up net profit.

4. Conclusion

This article draws several key conclusions: after JD Logistics acquired Deppon Logistics, both companies reaped immeasurable benefits, truly achieving the goal of a win-win outcome. The acquisition gave JD a slight edge in market share, and amid the fierce competition among e-commerce platforms, Deppon effectively helped JD Logistics deepen integration in areas like supply chain management and cross-border cargo transportation. This support also enabled JD to lower prices to attract consumers. For Deppon, the acquisition turned the tide—pulling the company back from the brink of bankruptcy and stabilizing its operations. By learning from JD's "network-chain integration" model, Deppon managed to refine its own logistics system in a short period. From this successful acquisition, it can be seen that strategic acquisitions timed well are an indispensable experience in a company's development journey. It also shows the importance of seizing opportunities: JD Express recognized that while Deppon was facing difficulties at the time, it held potential synergistic value for the future—and JD acted decisively to launch the acquisition plan. Additionally, both parties should leverage their complementary strengths, optimize their operational mechanisms, maximize the use of network operations, and gradually build a sustainable business. To ensure JD Express' long-term sustainable development, the company needs to be more proactive in expanding its business scale to meet the diverse needs of different customers for products.

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