

Technology

# Three Wharton Dealmakers Bet Their Future on Chinese Trucking

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- ▶ Trio of Richards invest in Uber-like app Truck Alliance
- ▶ Trucking trio hail from Morgan Stanley, BAML, Tencent

## In this article

700  
**TENCENT**  
 309.00 HKD  
 ▼ -4.60 -1.47%

CNY  
**China Renminbi Spot**  
 6.8656 CNY  
 ▲ +0.0101 +0.1473%

0084207D  
**UBER TECHNOLOGIES INC**  
 Private Company

BAC  
**BANK OF AMERICA**  
 30.82 USD  
 ▼ -0.04 -0.13%

MS  
**MORGAN STANLEY**  
 47.94 USD  
 ▼ -0.28 -0.58%

In 2001, three Chinese men named Richard enrolled in the University of Pennsylvania's Wharton School before heading to high-flying careers as bankers and dealmakers. More than 15 years later they've teamed up to stake their future on building an Uber-like service for the country's convoluted trucking industry.

Their company [Truck Alliance Inc.](#), known as Huochebang or truck gang in Chinese, is trying to bring the smartphone age to a trillion-dollar industry that carries 80 percent of the country's cargo, yet has haulers [standing empty](#) almost half the time. Founded little more than three years ago, the company has joined the billion-dollar valuation club and raised \$270 million.

Truck Alliance's plan is to match drivers and their trucks with commodities in need of transport as well as coordinate with vacant parking lots and the service centers it operates. With the average cargo-hauler generating 1 million yuan (\$145,000) a year in revenue, and about 5 million truckers across the country, Chief Financial Officer Richard Zhang says its market that's ripe for disruption.

"We see every one of the trucks as a small enterprise and we make money from servicing their needs," said Zhang, a former co-head of Asia industrial banking at Bank of America Corp. "As we connect more trucks with cargo, we



Richard  
Zhang *Photographer:*  
Qilai Shen/Bloomberg

also need to provide more services for our truckers to increase the stickiness of our platform.”

Zhang, a punctilious conversationalist who frequents the office gym after working into the wee hours, is spearheading the company’s fundraising and that’s where the other Richards from Wharton come in, as investors.

Richard Peng, who oversaw Tencent Holdings Ltd.’s acquisitions before starting his own firm Genesis Capital, has lobbied for funding and introduced talent for the company. Joining him as a backer is Richard Ji, a former managing director at Morgan Stanley and now a co-founder of All-Stars Investment.



Richard  
Ji *Photographer:*  
Calvin Sit/Bloomberg

“Truck Alliance is as grassroots as they come,” said Ji, 49, who delivers his point in a studied cadence and is the most most reserved of the three Richards. “They need to be good at dealing with blue collars and truckers and putting themselves on the front line, this is something that most people in tech can’t do.”

The opportunity and challenge of China’s trucking industry is on display at a hub near Truck Alliance’s Chengdu command center in the southwestern, inland province of Sichuan.

Covering the equivalent of 140 football fields, thousands of drivers gather with their trucks to work out logistics. A hand-written sign from a cargo broker, known locally as scalpers, seeks someone to transport cabbages to Shanghai while another is trying to get alcohol to Nanjing.

But that’s not where they collect the cargo, instead trucks head to factories and depots to load up. The ensuing traffic is so congested that the logistic parks are sometimes referred to as city tumors.

Truck Alliance is trying to simplify the process, matching drivers with freight that they can pick up directly while planning to sell users toll cards, gasoline, tires and second-hand vehicles via deals brokered through its platform.





Trucks sit idle in a parking lot at a logistics park in Chengdu. *Photographer: Qilai Shen/Bloomberg*

For years, drivers like Xiao Shiliang would spend hours trawling through the hundreds of broker stalls, checking the whiteboards to find his next shipment. Now the information is on the Truck Alliance app.

“It’s significantly cut down the time for me to find cargo,” the 41-year-old Xiao said. “In the past it would take at least a day, now I can find the cargo on the app before I arrive at the destination and go directly to the factories.”

Just like Didi Chuxing and Uber Technologies Inc. found with ride-hailing, Truck Alliance is facing a trial by fire to win broad acceptance. It’s racing against 200 other startups backed by overseas capital, local governments and traditional logistic companies. It has also been subject to dirty tricks, such as competitors resorting to non-stop phone spamming to stymie operations. That’s in addition to seething mobs from truck parks, upset at the prospect of losing business to the app, that sometimes descend upon Huochebang service centers for fist fights.

“Competition is pretty cutthroat,” said Zhou Xin, an internet industry consultant at Beijing-based Trustdata. “Everyone is trying to slice a piece of this gigantic market.”



Richard Peng *Photographer: Calvin Sit/Bloomberg*

Peng, 46, has been through similar challenges before. When at Tencent, he backed what was to become Didi when it was just a small app for getting taxis competing with hundreds of others. It’s since grown to dominate the country’s ride-hailing sector, vanquishing Uber in China in the process.

After overcoming a poor childhood in rural China, Peng parlayed degrees from prestigious Tsinghua University and Wharton into careers at Google and then Tencent. While striking out on his own means working with a smaller pool of funds, Truck Alliance represents one of his biggest bets.

“There hasn’t been a project that has gotten me so excited like this one in a long time,” said Peng, whose laughter booms as he thumps his fist on the desk for emphasis.

Their competition includes Yunmanman, formally known as Jiangsu Man Yun Software Technology Co., which has backing from Sequoia Capital and Yunfeng Capital, the venture fund co-founded by Alibaba billionaire Jack Ma.



Truck Alliance has Tencent, Baidu Capital, Hillhouse Capital, International Finance Corp. in its camp.

The relationship between Truck Alliance and the brokers is a delicate one. Truck Alliance relies on scalpers to post cargo information on its app, which has started to lower the fees that the middlemen make because of transparency on prices. For people like 34-year-old Guan Hui there is the prospect that ultimately services like Truck Alliance could render the massive logistic parks and his own job redundant.

“We all know for us they’re here to ‘ge ming’,” a pun that means revolution as well as end lives, said Guan. “But all the truckers are using it now. If we don’t use the app, we’ll lose business.”



Employees work at a Truck Alliance Inc. office in Chengdu. *Photographer: Qilai Shen/Bloomberg*

For Truck Alliance, the delivery fees that the 2.6 million trucks on its platform earn amount to as much as \$6 billion a month. Yunmanman said in March it helps about 3.9 million trucks broker a similar amount. Both companies aren’t charging drivers money yet and truckers can be on more than one app.

“There’s definitely going to be tension, but these logistic parks also see the bigger trend and at some point they will chose to collaborate,” said Ji. His fund has invested in Didi as well as smartphone maker Xiaomi Corp.

Despite the challenges of getting the antiquated trucking industry onto a technology platform, Ji sees comparisons to how traditional retailers have learned to embrace e-commerce companies like Alibaba despite initial grievances.

Uncertainties remain, including whether Truck Alliance can generate sizable returns by convincing truckers to buy through its platform and stick with the app. There is also the

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risk of competition, from rivals like Yunmanman with its equally strong backers to government-funded services less focused on profit, that could lead to a cash burning war. Over-subsidizing to lure drivers and failing to generate money from servicing trucks could all be pitfalls, said Gong Li, an analyst at Industrial Securities Co.

Zhang is unperturbed. "All three of us have staked our future on this company. We have to succeed."

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