Certain information and statistics set out in this section and elsewhere in this prospectus are derived from various government publications and other publicly available sources, and from the market research report prepared by iResearch, an independent industry consultant that was commissioned by us (the "iResearch Report"). The information extracted from the iResearch Report should not be considered as a basis for investments in the Offer Shares or as opinion of iResearch with respect to the value of any securities or the advisability of investing in the Company. We believe that the sources of such information are appropriate and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Our Directors have further confirmed, after making reasonable enquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the iResearch Report or any of the other reports that may qualify, contradict or have an impact on the information in this section. The information has not been independently verified by us, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside of China.
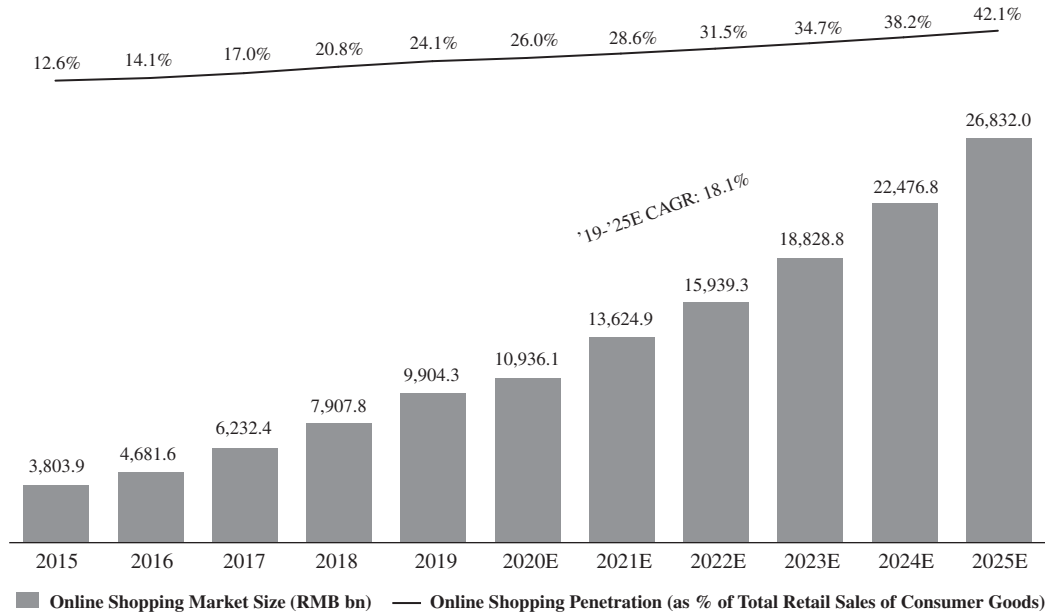
CHINA'S E-COMMERCE INDUSTRY

Rapid Growth of China's E-Commerce Industry

China's online shopping market has experienced rapid growth over the past few years. According to iResearch, gross merchandise volume from China's online shopping market increased from RMB3,803.9 billion (US$537.2 billion) in 2015 to RMB9,904.3 billion (US$1,398.8 billion) in 2019, representing a CAGR of 27.0%, and is expected to reach RMB26,832.0 billion (US$3,789.4 billion) in 2025 at a CAGR of 18.1%.

China's online shopping penetration rate, which represents the size of the online shopping market as a percentage of the total retail sales of consumer goods, was 24.1% in 2019, according to iResearch. Consumption is expected to continue shifting from offline to online, and online shopping penetration rate is expected to increase to 42.1% by 2025, according to iResearch. The increase in online shopping penetration is underpinned by a shift of consumption habits, more developed logistics infrastructure for delivery, a better regulated online transaction environment and continuous marketing efforts of e-commerce companies.

Online Shopping Market Size and Penetration in China

Online Shopping Penetration (as % of Total Retail Sales of Consumer Goods):

2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
12.6%	14.1%	17.0%	20.8%	24.1%	26.0%	28.6%	31.5%	34.7%	38.2%	42.1%

Online Shopping Market Size (RMB bn):

2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
3,803.9	4,681.6	6,232.4	7,907.8	9,904.3	10,936.1	13,624.9	15,939.3	18,828.8	22,476.8	26,832.0

'19-'25E CAGR: 18.1%

■ Online Shopping Market Size (RMB bn) —— Online Shopping Penetration (as % of Total Retail Sales of Consumer Goods)

Evolution and Key Drivers of China's E-Commerce Industry

China's e-commerce industry has become more mature and complex: evolving from C2C-driven to B2C-driven, and from single-channel-focused to multi-channel, O2O-focused and omni-channel-focused, with the rise of emerging channels such as WeChat Mini Programs, short video and live broadcasting platforms.

The growth of China's online shopping market is primarily driven by the following trends:

• Rising spending power of Chinese consumers and a transformation to consumption-driven economy

• Growth of internet use and penetration in China, especially in lower tier cities

• More frequent mobile shopping enabled by 4G/5G network and extensive adoption of mobile payment technology

• Increase in the number of online shoppers and development of online shopping habit

• Integration of online and offline channels

• Emergence of new sales channels, including short video and live streaming platforms

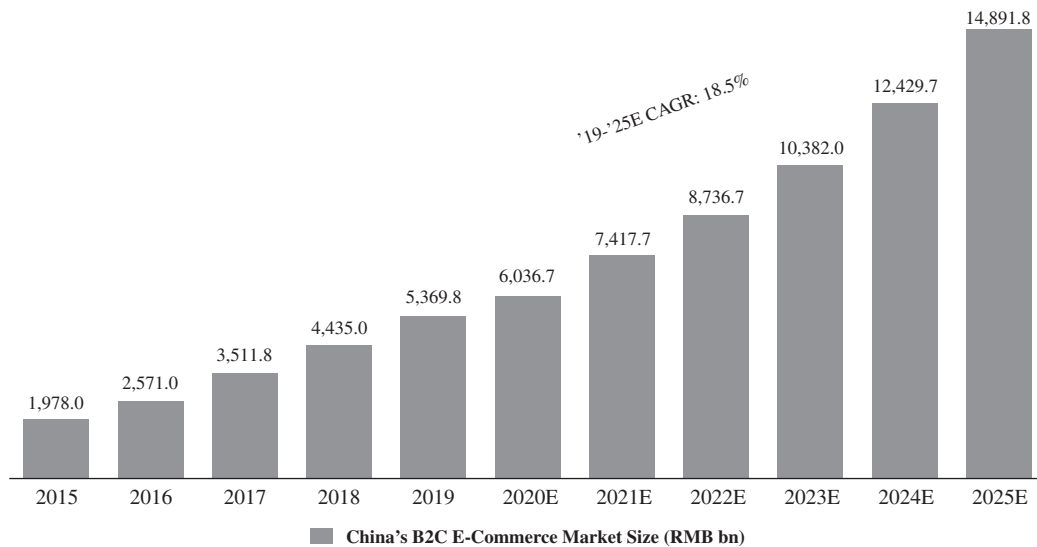• Rapid development of logistics infrastructure

Increase in the Market Size of China's B2C E-Commerce Industry

B2C e-commerce plays an important role in the e-commerce industry in China. According to iResearch, the B2C e-commerce market size in China was RMB5,369.8 billion (US$758.4 billion) in 2019 and is expected to reach RMB14,891.8 billion (US$2,103.1 billion) in 2025 at a CAGR of 18.5%, accounting for 55.5% of the total online shopping market in China. In the early stage of its development, the e-commerce industry in China focused on C2C business model, where individuals or small companies sell goods on e-commerce platforms to consumers, with a notable example being Taobao. In recent years, the market size of B2C model has gradually increased, where brands sell merchandise directly to consumers through e-commerce platforms such as Tmall and JD.com as well as official brand stores.

The increase in the market size of the B2C e-commerce industry was driven by several key factors. As economic development advanced in China, the focus of e-commerce consumers has moved away from simple price comparison to product authenticity and the overall shopping experience. B2C e-commerce can offer higher quality products and better customer services compared to C2C e-commerce, making it a natural fit for upgraded consumer demand. As the demand for B2C model grows, both international and domestic brands are increasingly focusing on B2C e-commerce strategies.

Market Size of China's B2C E-Commerce Industry

'19-'25E CAGR: 18.5%

2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
1,978.0	2,571.0	3,511.8	4,435.0	5,369.8	6,036.7	7,417.7	8,736.7	10,382.0	12,429.7	14,891.8

■ China's B2C E-Commerce Market Size (RMB bn)

CHINA'S BRAND E-COMMERCE SERVICE INDUSTRY

China's brand e-commerce service industry represents the third-party service industry in which e-commerce service providers provide e-commerce services to brands, including IT solutions (such as enterprise resource planning system (ERP), CRM and merchandise management tools), online store operation, marketing, customer services and warehousing and fulfillment.

Value Propositions of Brand E-Commerce Service Providers

In the ever-evolving e-commerce market, brands have varying needs and face different challenges in their e-commerce strategies, depending on the stages of e-commerce engagement they are in. For example, according to iResearch, early-stage brands or brands with limited e-commerce experience may need help to formulate their e-commerce strategies; brands with a single-channel e-commerce presence may want to explore new channels for expansion and improve their store performance; brands with more established e-commerce strategies may want to better align data management across channels, maximize operational efficiency, exploit new online-offline integration opportunities and improve brand influence. International brands entering China need local knowledge and operating experience to quickly build up an online presence. They typically have higher demand for technology support and data analysis than domestic brands. Domestic brands also embrace the growth brought about by online expansion, effective digital marketing and deep consumer data analysis.

However, brands may lack the capability to execute e-commerce strategies by themselves due to the following reasons:

- complex e-commerce landscape

- the added burden in interacting with various parties in the value chain (including e-commerce platforms, marketing companies, logistics partners, third-party customer service providers and other parties)

- the high cost associated with building and maintaining e-commerce IT and logistics infrastructure

- the underdeveloped online consumer data analytics capability, lack of insights into and lack of capability to adapt to evolving consumer preferences and trends

It is both costly and time-consuming for brands to build in-house e-commerce operations from scratch, whereas collaborating with a brand e-commerce service provider can save them time and cost so they can better concentrate on their core competencies such as product development.

Brand e-commerce service providers offer unique value propositions to help brands execute their e-commerce strategy, including:

- **Business nature**: serving brand partners at different stages of e-commerce engagement, of different scale and in different product verticals

- **Service scope**: providing e-commerce services including IT solutions, digital marketing, online store operations, customer services, warehousing and fulfillment

- **Channel capability**: providing services on different channels, including traditional B2C platforms such as Tmall and JD.com, official brand stores, WeChat Mini Programs and other emerging channels for traffic acquisition including short video and live streaming platforms

- **Technology capability**: providing technology infrastructure to support and integrate e-commerce operations across channels

Tremendous Growth Prospects of Brand E-Commerce Service Industry

As the e-commerce market in China grows in complexity and more channels emerge, brands turn to solutions providers with product category knowledge and industry expertise to execute a unified e-commerce strategy for them. According to iResearch, the size of the brand e-commerce service market was RMB563.5 billion (US$79.6 billion) in 2019 and is expected to reach RMB2,041.9 billion (US$288.4 billion) in 2025, representing a CAGR of 23.9%. The penetration rate of brand e-commerce services, which represents the total size of the brand e-commerce service market as a percentage of the total size of the B2C e-commerce market, is expected to increase from 10.5% in 2019 to 13.7% in 2025.

Future growth of brand e-commerce services will be mainly driven by (i) sales growth of the existing brand partners using brand e-commerce services, which represent a large client base with stable growth prospect, (ii) expansion of the scope of services used by and deeper cooperation with existing brands and (iii) an increase in the number of international brands that enter into the Chinese market and smaller domestic brands that potentially have large demand for brand e-commerce services as they seek to enhance their branding.

COMPETITIVE LANDSCAPE OF THE BRAND E-COMMERCE SERVICE INDUSTRY

Overview of Brand E-Commerce Service Providers

The brand e-commerce service providers in China can be categorized into four types, according to iResearch:
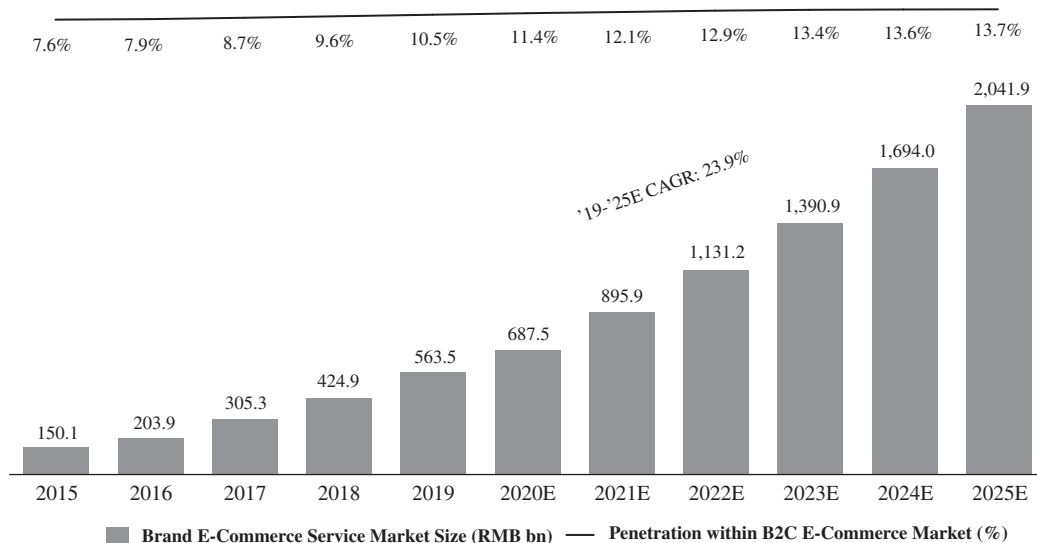
- **Type A Limited capabilities**: provide a narrow scope of e-commerce services and address limited aspects of brands' e-commerce strategies

- **Type B Multi-channel coverage with limited services**: provide a narrow scope of e-commerce services on multiple e-commerce channels but lack the ability to provide services for multiple product categories

- **Type C Basic end-to-end e-commerce services**: provide basic end-to-end e-commerce services (including basic online store operations, customer services, IT services, marketing services and warehousing and fulfillment services) but lack the ability to help brands develop and execute e-commerce strategies across omni-channels or provide multi-category services

- **Type D Omni-channel, full service model**: provide full scope of e-commerce services that can serve brands in different product verticals and omni-channels empowered by advanced technology systems, applications and infrastructure

As of the Latest Practicable Date, there were more than 600 Type A players, more than 600 Type B players, approximately 130 Type C players and three Type D players in the brand e-commerce service industry, according to iResearch. The brand e-commerce service industry has a high barrier to entry. Companies that seek to enter the market need to have a deep understanding of the e-commerce industry and competence in product merchandising, possess the ability to understand and serve different needs of brands and consumers, and have logistics infrastructure with nationwide reach, technology capabilities to support e-commerce operations and well-established relationships with brand partners.

**Market Size of China's Brand E-Commerce Service Industry[1] and
B2C E-Commerce Penetration**

	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
Penetration within B2C E-Commerce Market (%)	7.6%	7.9%	8.7%	9.6%	10.5%	11.4%	12.1%	12.9%	13.4%	13.6%	13.7%
Brand E-Commerce Service Market Size (RMB bn)	150.1	203.9	305.3	424.9	563.5	687.5	895.9	1,131.2	1,390.9	1,694.0	2,041.9

'19-'25E CAGR: 23.9%

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(1) Covers large traditional brands as well as local and emerging brands with potential needs for third-party e-commerce solutions.

Competitive Landscape and Ranking

China's brand e-commerce service industry is still fragmented, with the top five players representing a combined market share of 14.1%. Most market players can fall into Type A, Type B or Type C, according to iResearch. Becoming a Type D brand e-commerce service provider requires technology infrastructure that is compatible across all channels, strong and intimate product category knowledge across different e-commerce verticals, as well as the ability to effectively manage and integrate different e-commerce channels and platforms and the ability to integrate online and offline operations. As a result of such capability constraints, brands that collaborate with Type A, Type B or Type C players typically have to engage more than one brand e-commerce service providers to fulfill all of their demands for omni-channel end-to-end e-commerce operations, and adapt to different technology infrastructures, information systems and operational requirements. In contrast, Type D companies that are able to offer omni-channel multi-category end-to-end solutions can provide one-stop, turn-key services to brand partners, which is a substantial competitive advantage over the other players.

Top 5 Brand E-Commerce Service Providers by GMV

Ranking	Company	Market Share in the Brand E-commerce Service Industry as Measured by 2019 GMV
No.1	Baozun	7.9%
No.2	Competitor A	1.9%
No.3	Competitor B	1.6%
No.4	Competitor C	1.4%
No.5	Competitor D	1.3%

Key Winning Factors for Brand E-Commerce Service Providers

Brand e-commerce service providers compete on the following key capabilities:

- **Full service capabilities**: As the e-commerce market becomes more sophisticated, brands have growing demand for various types of services and are increasingly looking for brand e-commerce service providers that can serve as a one-stop shop to address their concerns along the e-commerce value chain.

- **Omni-channel capabilities**: With the emergence and development of a variety of e-commerce channels, brands seek for e-commerce service providers with capabilities to interconnect data and backbone supporting systems in one digital operation platform and provide a seamless shopping experience and integrated branding across multiple channels.

- **Multi-category service capabilities**: The ability to fulfill e-commerce needs of various product categories allow brand e-commerce service providers to broaden their brand clientele and increase market share.

- **Top-notch talents**: The successful operation of brand e-commerce service providers usually requires experienced technology personnel with strong data mining and analytics capabilities, as well as deep insight into consumer demand and preferences and industry development trend. These top-notch talents usually have already gained abundant practical experience in brand e-commerce service industry. It is difficult for new brand e-commerce service providers to compete for motivated and capable talents with the established companies that have accumulated long-term industry experience.

- **Technology infrastructure**: Strong technology capabilities are essential in order to support omni-channel operations and provide premium technology-empowered services, such as cloud-based store operations, AI and big data-driven digital marketing solutions and multi-category and integrated inventory information and warehousing services.

- **Big data analytics capabilities**: In the big data era, refined operations driven by big data analytics can empower brand e-commerce service providers with competitive advantages in conducting and upgrading brand e-commerce services. Brand e-commerce service providers may integrate big-data resources by using effective technology systems and tracking data on a regular basis, thereby reducing trial costs and optimizing decision-making efficiency.

- **Early mover advantages**: Early movers in the market typically have longer histories of cooperation with major e-commerce platforms, a comprehensive range of brand resources, better understanding of the e-commerce industry and better reputations in the industry that could help them win new brand partners. In addition, brand e-commerce service providers with established operations can take advantage of economies of scale.

Key Challenges to the Brand E-Commerce Service Providers

Brand e-commerce service providers face a number of key challenges, mainly including:

- **Shifting consumer preferences and consumption trends**: As consumer preferences and consumption trends continue to shift, in order to meet the evolving needs of brands and consumers, brand e-commerce service providers need to keep abreast of the latest trends and upgrade their e-commerce solution offerings accordingly.

- **Operational and technological challenges**: In light of growing sales and more complex service requirements of brands, brand e-commerce service providers need to continually improve their operational and technological capabilities to provide quality and customized services.

OUR MARKET OPPORTUNITIES

• **Emerging sales channels**: New e-commerce channels continue to emerge, which presents ongoing challenges to the brand e-commerce service providers to familiarize and establish cooperation with emerging channels to expand their channel coverage.

SOURCE OF INFORMATION

We have commissioned iResearch to provide industry information on the PRC's e-commerce industry and have agreed to pay a fee of RMB400,000 to iResearch for the iResearch Report. Our Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the iResearch Report. In compiling and preparing the iResearch Report, iResearch conducted primary research including interviews with industry participants. Also, iResearch conducted secondary research, which involved reviewing industry publications, annual reports and data based on its own database. iResearch presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. iResearch assumed that (i) the social, economic, political and technology environment is expected to remain stable and (ii) key industry drivers are likely to continue to affect the market over the forecast period from 2020 to 2025, taking into consideration the potential impact of COVID-19.

ABOUT IRESEARCH

Founded in 2002, iResearch is a leading provider of online user data and consumer insights in the PRC. Headquartered in Beijing and Shanghai, iResearch has a management team with over 400 employees worldwide and has accumulated extensive experience in researching and monitoring the development of the internet industry in the PRC.