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Q3 2020 Baozun Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 23, 2020 / 12:00PM GMT

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and thank you for standing by for Baozun's third quarter 2020 earnings conference call. (Operator Instructions) As a reminder, today's conference call is being recorded.

I'll now turn the meeting over to your host for today's call, Ms. Wendy Sun, Investor Relations Director of Baozun. Please proceed, Wendy.

Wendy Sun ***Baozun Inc. - IR Director***

Thank you, operator. Hello, everyone, and thank you for joining us today. Our third quarter 2020 earnings release was distributed earlier today and is available on our IR website at ir.baozun.com, as well as on global newswire services.

On the call today from Baozun, we have Mr. Vincent Qiu, Chairman and Chief Executive Officer; Mr. Junhua Wu, Chief Growth Officer; and Mr. Robin Lu, Chief Financial Officer. Mr. Qiu will review the business operations and company highlights followed by Mr. Lu, who will discuss financials and guidance. They will all be available to answer your questions during the Q&A session that follows.

Before we begin, I would like to remind you that this conference call contains forward-looking statements within the meaning of the Securities Exchange Act of 1934 and the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are based upon management's current expectations and current market and operating conditions and relate to environment that it involves no (inaudible) and no risk.

Uncertainties and other factors offstage are difficult to predict and many of which are beyond the company's control, which may cause the company's actual results to differ materially from those in the forward-looking statements.

Further information regarding these and other risks and uncertainties or factors is included in the company's filings in the U.S. SEC and announcement on the website of the stock exchange of Hong Kong Limited. The company does not undertake any obligation to update any forward-looking statements, except as required under applicable laws.

Finally, please note that, unless otherwise stated, all figures mentioned during this conference call are in RMB.

It is now my pleasure to introduce our Chairman and Chief Executive Officer, Mr. Vincent Qiu. Vincent, please go ahead.

Wenbin Qiu ***Baozun Inc. - Chairman of the Board & CEO***

Thank you, Wendy, and thank you all for joining us. I'm pleased to report another solid quarter with a lot of accomplishments. This is our very first earnings call as a public company on both the NASDAQ and the Hong Kong Stock Exchange. Our due listing in the U.S. and

Hong Kong marks another exciting milestone during our evolution as a leading pioneer in innovative branding e-commerce solutions in China.

In particular, it increases our ability to pursue expansion opportunities and alternative financing options to grow and demonstrates our long-term commitment to create value for our growing base of global shareholders.

In the past few years, we have focused on building our competitive moat around technology and innovation.

Our impressive results for this year's Double 11 Shopping Festival is a great example of our progress, where our total order value rose by 54.8% during the extended 11 days period to a record high CNY 16.5 billion. While the headline statistic itself is impressive, I want to highlight that it was our solid technology infrastructure, data intelligence capabilities and robust systematic team coordination that underpinned our success.

Overall, our core infrastructure accelerated efficiency and promoting effectiveness across the board from e-commerce merchandising all the way to order fulfillment. Most recently, we were honored by being named one of Fortune's Annual Top 100 fastest-growing companies for the second year in a row. We ranked #27 globally and #2 among Chinese companies.

We continued to strengthen brand engagement in the third quarter, which was helped by improving consumer sentiment as the retail industry recovered from COVID-19 restrictions.

In particular, during the third quarter, we added a net of 10 new brand partners, including a few international luxury brands, a U.K.-headquartered luxury focused marketplace for its China collection store as well as a few domestic brands in a variety of categories.

As everyone knows, China has the world's largest e-commerce market, and the opportunities to grow are vast given our unique positioning as a leading solution-driven platform. We also noted there are certain categories that are reacting more shortly to this trend.

Luxury sector is a good example. Not only have we been able to attract a meaningful number of luxury brands this year, but we are also seeing a trend in more luxury brands establishing their flagship stores through third-party marketplaces.

In our most recent breakthrough, we are in the process of expanding our service coverage with a Tier 1 European luxury brand to not only serve its official brand store but to also establish and manage its marketplace flagship store.

This will be the brand's first ever move to a third party marketplace. And we believe this will be a major catalyst that will accelerate the digital transformation of luxury e-commerce in China. As that wave materializes, we will be well positioned and ready to capture the emerging opportunities in the luxury sector.

As e-commerce continues to grow and evolve quickly, we are committed to capturing this opportunity through continuous progress in digitalization.

Over the past few years, we have constructed a very comprehensive Digital Operating Platform, or DOP, that integrates our IT infrastructure, AI applications and data intelligence capabilities.

Going forward, we will leverage our DOP to develop more innovative tools and applications that serve as an engine for our brand partners' sales growth. This will not only improve order fulfillment and the merchandising efficiency but will also stimulate demand generation and optimize lead-to-cash management.

In addition to developing innovative technology solutions, business innovation is also critical for executing our high-quality growth strategy.

You may recall from recent earnings calls that we have launched 2 strategic initiatives to drive further innovation. First, we launched a

Business Operating Center, or BOC, to drive operational efficiency, shared resource reallocation and the promotion of standardized solutions.

Second, we announced the opening of our Growth Brand Operating Center, or GBO, to capture increasing opportunities among local and emerging brands. This quarter, we were able to advance a variety of efficiency and quality enhancements within our BOC. Based on the early trial programs for over a dozen brand partners under our BOC, we believe that we will achieve a meaningful increase in efficiency.

For GBO, we intend to use innovation to expand our service scope with emerging brands as we support their entire journey from setting up their go-to-market strategy to using high-level integration through our data intelligence and insights solutions.

Our co-branding and co-marketing initiatives would help brand partners to optimizing their brand positioning and even SKU planning as well as manufacturing that relates to the supply chain. Another understated, but very important benefit will be enriching their touch points with a wider range of omnichannel marketplaces.

We have strong prospects in the pipeline, and we will be able to share more progress about them early next year.

Following our successful secondary listing on the Hong Kong Stock Exchange, we have started on a new journey. We believe it is an opportune time to accelerate our growth further by using strategic channels to capture high potential pipeline opportunities.

Lastly, as you may have also noted earlier today, we announced a few leadership enhancing changes to push forward with initiatives. We are happy to announce that Robin Lu, whom all of you know as our CFO, is moving forward to take a new role to lead the company's devotion to strategic business development and investment initiatives both financially and operationally.

We plan to leverage on these initiatives to promote exposure to emerging brands, new e-commerce trends and other business development opportunities, also to pre-lock emerging opportunities in China e-commerce arena. Taking his place as CFO, is Arthur Yu, our current VP of Finance, who came on board with substantial experience in global finance acquired as large multinational organizations such as Jaguar Land Rover and BT Group.

We couldn't be happier to have him with us, and we are confident that our deeped bench will sharpen our focus and help drive long-term growth.

I will now pass the call to Robin to go over financials for the quarter.

Bin Lu *Baozun Inc. - CFO*

Thanks, Vincent. This will be my last earnings call as CFO of Baozun, and I want to thank all of our investors and friends for your support over the past 2 years.

Brand e-commerce and digitalization is becoming a more significant part of every life post COVID-19, and we are pleased to see that our initiatives in high-quality growth strategy are bearing fruits and that our balance sheet is the strongest as it's ever been. We believe we are uniquely positioned to compete and win as China e-commerce evolves. And we are accelerating our process for best utilizing our industry insights and the know-how to identify and secure new e-commerce trends.

I'm sure that this will be the exciting journey for us going forward, and I'm honored to be handing over the CFO position to Arthur so that I can focus more on these initiatives and capture the fast-changing opportunities.

Before we go into details on our financials, let me update you on the class action complaints filed last December.

As we noted in our 2019 annual report, earlier this November, the lead counsel has filed a notice of voluntary dismissal against all defendants. And consequently, the court asigned the notice of voluntary dismissal, thereby adopting it as an order of the court and officially dismissed the consolidated action.

One last thing. Given our listing on the Hong Kong Stock Exchange, we will follow the common practice for companies listed in Hong Kong and will not provide guidance on net revenues or net revenue growth going forward.

Let's now go over the third quarter 2020 financial results in detail. As always, we believe a year-over-year comparison is the best way to review our performance. All percentage change I'm going to give will be on that basis.

Once again, please note that all figures that I mentioned will be in RMB unless otherwise stated.

As we mentioned on our previous call, we are in progress with optimizing our category mix, which may negatively impact year-over-year comparison. Despite this, our total GMV this quarter increased by 19.4% to CNY 10.8 billion. Our distribution GMV rose by 17.4% to CNY 868.3 million, and our non-distribution GMV increased 19.6% to CNY 10 billion.

During the quarter, we continued to see modest growth momentum in the sportswear, luxury and FMCG categories. In addition, the men's and women's clothing category returned to double-digit growth. I will give a quick summary of the categories that account for over 10% of our total GMV.

The apparel category, which includes sportswear, luxury and the men's and women's clothing, grew by approximately 35% year-over-year. Electronics declined by double digits, which was mainly due to our optimization of the smartphone sector. FMCG, for the first time, contributed over 10% of our total GMV, becoming one of top 3 categories for us.

Accordingly, total net revenues increased by 21.7% to CNY 1.83 billion. Breaking this down, product sales revenue increased by 21.3% to CNY 803.4 million. And service revenue increased by 22% to CNY 1 billion during the quarter. Total costs and operating expenses were CNY 1.7 billion compared to CNY 1.4 billion in the same quarter last year. In particular, cost of products increased to CNY 673.7 million from CNY 529 million last year, which was mainly due to higher costs associated with an increase in product sales revenue. Product sales gross margin declined slightly by 30 bps to 16.1% from the previous quarter, which was mainly due to the change in category mix and continued discounting initiatives.

Our blended gross margin was 63.2%, a decrease of 1.6% from last year, mainly due to lower product sales gross margin, partially offset by stronger revenue contribution from service revenue.

Fulfillment expenses increased to CNY 419.8 million from CNY 333.4 million in the same quarter of last year, mainly due to a rise in GMV contribution from our distribution and consignment model and an increase in warehouse rental expenses associated with the expanded warehouse capacity to address additional growth opportunities.

Our fulfillment expenses as a percentage of GMV increased to 3.9% from 3.7% a year ago, which was mainly due to a higher proportion of the consignment model in our non-distribution GMV. This was partially offset by our improved efficiency enhancement.

Sales and marketing expenses increased to CNY 501.1 million from CNY 443.1 million in the same quarter last year, which was mainly due to the GMV growth as well as growth in digital marketing services. As a percentage of GMV, our sales and the marketing expense ratio improved to 4.6% from 4.9% a year ago, which was mainly due to the effectiveness and the efficiency improvements of our marketing services and our continual cost control initiatives.

Technology and content expenses increased by 7.9% year-over-year to CNY 101.6 million. And our investments in future innovation and productization totaled CNY 23.4 million compared with CNY 21 million in the same period of last year. Technology and the content expenses as a percentage of GMV improved to 0.9% from 1% last year, as we experienced greater operating leverage.

G&A expenses totaled CNY 51.1 million, a slight decrease from CNY 51.7 million in the same quarter last year, which reflected our disciplined cost control initiatives and leverage gained while we scaled our business.

All in all, income from operations increased by 50.9% year-over-year to CNY 84.6 million. And on a non-GAAP basis, income from operations was CNY 111.7 million, up 47.1% from the same quarter last year.

Operating margin stayed 4.6%, while non-GAAP operating margin reached 6.1%, which were both new third quarter record highs for us.

Offsetting interest income, interest expense totaled CNY 8 million compared with CNY 9 million a quarter ago. As we just completed our Hong Kong secondary leasing, we plan to further optimize our capital structure and expect to have further savings in our net interest expense going forward.

Net income attributable to ordinary shareholders of Baozun totaled CNY 64.6 million, an increase of 64.2%. Basic and dilutive net income contributable ordinary shareholders of Baozun per ADS were CNY 1.09 and CNY 1.07, respectively, for the quarter. Non-GAAP net income attributable to ordinary shareholders of Baozun totaled CNY 91.5 million, an increase of 55.1%.

Basic and diluted non-GAAP net income attributable to shareholder -- ordinary shareholders of Baozun per ADS were CNY 1.55 and CNY 1.52, respectively, for the quarter.

As of September 30, 2020, we had CNY 4.5 billion in cash and cash equivalents and short-term investments compared with CNY 2.3 billion as of June 30, 2020.

The significant increase in cash, cash equivalents and short-term investments was mainly attributable to the offering proceeds received in connection with our secondary listing on the Hong Kong Stock Exchange.

Gross proceeds from the global offering, including partial exercise of the over-allotment option before underwriting fee and the other offering expenses were approximately HKD 3.6 billion.

Lastly, I want to offer some clarity on how to gauge expectations for the fourth quarter.

The growth rate of this year's Double 11 Shopping Festival should not be taken as a proxy for full quarter growth rate, especially due to a periodic peak promotional initiatives and extended time frame in this pandemic year.

Overall, we believe the solid results during Double 11 speaks to the health of the economic recovery in China and expect the fourth quarter will deliver sequential improvement in growth momentum.

We remain committed to deliver sustainable growth with steady improvements in profitability over the long-term as well as creating long-term value for our shareholders.

Now before we turn the call to the operator for Q&A, I want to welcome and introduce Arthur to you. Arthur, please go ahead.

Arthur Yu

Okay. Hello, everyone. Thank you, Robin. It's a pleasure to join the call and taking over Robin as the new CFO.

I joined Baozun because of its impressive growth story in the fast-growing Chinese e commerce industry. But after working for Baozun as the finance VP since September, I now have more faith in Baozun because it has a great set of assets, including 3 things.

Number one, it has an impressive customer base with 260 globally famous brands. Number two, it has a well-developed technology and innovation capability. And number three, more than 6,000 engaged and unaffected people.

So as company's new CFO, I look forward to work with the Board and executive management team to take Baozun's success to the next level.

And I hope to meet all of you in person soon on the call to gather your view on Baozun's future.

And thank you, Robin, I hand it back to you.

Bin Lu ***Baozun Inc. - CFO***

Okay. Thank you, operator. We are now ready to begin the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) First question comes from the line of Alicia Yap of Citigroup.

Alicia Yap ***Citigroup Inc., Research Division - MD & Head of Pan-Asia Internet Research***

Congratulations to Robin for your new role. And also welcome and congratulations to Arthur as the new CFO.

My question is related to how we should think about in terms of what we have learned. So as we just finished another record year for Singles Day sales, while the result was strong and likely have exceeded management expectation, just wondering, were there any areas that you hope that your team or the results could be even better? Any brand that is underperforming? How do you deal with helping the brands that experience lackluster performance?

And then as we head into 2021 will Baozun retain your initiative like what you did for 2020 in terms of balancing the top line growth versus the margin improvement? So if you can give us some color on that, it would be great.

Bin Lu ***Baozun Inc. - CFO***

Sure. Alicia, it's Robin. I think I can take a part of your question and then Junhua will give you more details about Double 11 and the trend of the business.

Basically, I think when you recall the previous call, we do notice or discuss with you about this year is a very stressful year, a special year because of the pandemic. And the -- for both brands and the consumers, they are more focused on the promotional events, just as in the 6 '18. So I think we do see the similar pattern in Double 11, especially this year, Double 11 is extended time frame, which had about like 11 days.

So we do see they have a big promotion, and they just want to dump out the inventory. And especially there is some like rising up about the pandemic and the COVID-19 globally. And people always have some concerns about the future for the next year.

So that really have some negative impact. And also the pattern is more focused on the promotional events.

And going forward, in the next year, we think -- we started -- even though it was a very late compared with the previous year, we started our new business development to acquire more and more brands coming in, we do have a very strong pipeline in the current business.

And additionally, because there are more like traffic diversified in the other marketplaces and other areas like Mini Program and Douyin and Kuaishou, we have more focus on this new business. And I'm very happy to say we see the second sequential quarter, we make profit in the Mini Program, and we have a very high-growth in the Mini Program business, really demonstrate our capability to expand our business from current arena to the new areas. Junhua?

Junhua Wu ***Baozun Inc. - Chief Growth Officer & Director***

Okay. Thank you, Robin. So Alicia, let me share with you some color about the Double 11. So we do have a lot of learnings from the past Double 11 considered this Double 11 had a very special gameplay, including 2 big waves of everything, 2 waves of warm-up pre-order and booking period. So everything doubled, including sales opportunities and also potential operation risks.

So this is new to everybody. So we need to help the brand to reallocate or the merchandising for 2 waves.

The first wave, how do we just make sure that the brand has the right assortment with the right price to attract the first wave of consumers. In terms of the consumer engagement, we need to prepare how do we drive the second wave for the repeat purchase rate for the consumers.

And including all those kind of traffic management and the consumer experience management, we do learn a lot of things from that, also including our fulfillment and warehousing. Consider between the 2 big moving phases, we have engaged a new wave of return between the 2 booking periods.

So the great part is our system and our fulfillment team did a great job. So there are definitely a few brands are underperforming during the Double 11, of course, because the post-COVID-19 did affect some of the brands, including their merchandising and assortment preparation.

And also, some of them are lacking their marketing spending for the 2 waves, very hard to reallocate their offline resources to online at the end of the year. So there's a lot of things we are reviewing with our brand partners after the Double 11.

And we believe that we can do a lot of new initiatives by helping them in the next year doing a greater job.

Operator

(Operator Instructions) Next question will come from the line of Binnie Wong of HSBC.

Binnie Wong ***HSBC, Research Division - Head of Internet Research of Asia Pacific & Analyst***

Congrats on a very, very strong quarter on both top line, bottom line.

My question here is on the competition side and also one on the take rate. So one on the competition. Do you see that as we see more of this e-commerce like service provider emerging in various verticals?

So long ago, you had the Lily & Beauty, Lirenlizhuang, and then also we saw like One Chance, Yiwangyichuang. What are the competitive advantages if you can remind us as to we can further like strengthen ourselves against some of these like verticals to become the partner of choice, right, for more of these brands?

And then how do you see that in terms of -- if you look back at our take rate, just looking at the 9 months quarter -- well, I would say, quarter to 9 months to date, the take rate actually increased by like 50 bps in terms of the total service revenue.

So can you remind us as to, down the road, what are some of the things that we have been improving to drive this increase in the take rate? And then how do we think about like balancing in terms of monetization on the take rate versus in terms of growing our GMV?

Do you think that there are any value-added services we can to improve in this -- in terms of this take rate? Or is it that we're still aiming for the growing the GMV procuring more brands on board?

Wenbin Qiu ***Baozun Inc. - Chairman of the Board & CEO***

Thank you, Binnie. This is Vincent. I will take your first question and give the second one to Robin later on. About the combination, yes, we see -- we would rather use word active. I mean the whole industry run is getting more and more active, not only the players are getting more and more covered for different categories and also the service, so many different kinds of services are now emerging in the market to help the brands to do a better business.

So that is our opinion. We think actively in some more accurate work for this competition horizon. For Baozun, I think the advantage is quite clear. Number one, I think Baozun is in a leading position with a very good brand name in serving, especially, the global brands in the market.

Secondly, we think that we will be continuously investing into the technology side. And we have a very completed service and solution offerings to run based on technologies and data technologies.

So that is a very important long-term strength from us certainly because we are covering the omnichannel. So Baozun can help the brands not only on the major market bases, but also emerging in the channels to help them to achieve sales growth and also engage customers.

And lastly, I think because we are doing this multichannel and also multi-category business. So we are knowing the consumers much better than the others. So that gives us a good chance in delivering consumer insights and also CRM-related data-based marketing in the future. So that is about the competition and about the advantage.

Now about take rate, Robin?

Bin Lu ***Baozun Inc. - CFO***

Sure. It's Robin. Basically, I think numerically our take rate was heavily decided by the product -- the category mix, as we mentioned before. That's why we did a lot about optimization in our categories. And I think that's the first factor.

The second factor is we continuously add the value-added services to our existing brands and new brands. For example, we provide more services in the marketing, IT services, integrate them together. And then, we provide supply chain services in addition to the operations.

And the third factor, I think we are testing this now, and we made some progress with so-called deep cooperation, which means we do a lot of co-marketing and co-branding from very start point with the brand partners, and then we share some of the costs.

But based on our data -- the accumulative data and based on our very high level knowhow about operations, on the technology base and the marketing, we are very confident to be working with some brands to do the deep corporation and the change the landscape of the structure in the take rate.

So these 3 factors really contribute to the take rate improvement. I think, especially for the second one and the third one will contribute more in the later years.

Operator

Next question will come from the line of John Choi of Daiwa.

Hyungwook Choi ***Daiwa Securities Co. Ltd., Research Division - Head of Hong Kong & China Internet and Regional Head of Small/Mid Cap***

Congratulations, Robin, on your new role, and welcome, Arthur, and congratulations to your new role as CFO.

I have 2 questions. First of all, a quick follow-up to Binnie's question on the take rate. I think if you look at your -- this quarter's per se, I think the service revenue growth has been more or less in line. We did experience, I guess you mentioned, a slight improvement on the take rate.

But how should we think about this going forward? I think, Robin, you just mentioned that we're going to see a good momentum. But considering that we have been investing quite a lot over the past couple of years in terms of fulfillment and also logistics. And also -- we've also have done some brand optimization to improve our take rate and business.

So I'm just wondering, should we be expecting a further acceleration of take rate and service revenue that should outpace the overall revenue growth? That's my first question.

And your second question is something related to your new role, Robin. I was wondering if management could kind of share with us, in the longer term, there have been a lot of new business players in this field that are providing more software as a service and kind of alternative to Baozun for some of these smaller brands or smaller merchants. So I'm -- could management kind of let us know or share what are the key priorities or areas that you will have to further strengthen going forward?

Bin Lu ***Baozun Inc. - CFO***

Sure. I think for the first question, I think there is some seasonality issues in Q3. So you may see our our take rate and the service revenue grew quarter-by-quarter but it's not -- it's a large improvement for some certain quarters due to the seasonality.

I think it's really the -- it's not about our service. It's about the macroeconomic issues and some certain quarters. And we do believe we will have a consistent improvement in the take rate and the service revenue.

And also we are experiencing some optimization continuously, as we mentioned in the past quarters. And we think we are ready to have more contribution for the next year. I think that's the first question.

The second question about my personal task. Yes, I -- in the e-commerce landscape, when you look at that, there are a lot of changes, most recently, especially after COVID-19, I think the first change is more and more emerging brands coming up in Tmall and the other platforms.

And the second one, the traffic coming from lots of other marketplaces. And you may recall about like 2 years ago, we started our Mini Program, and we made a significant improvement on the progress up to today.

And I think we can replicate less success in the other marketplaces, especially in the live streaming driven marketplaces.

And also for the emerging brands, we will do some trial and will focus more with our -- to incubate the smaller brands or emerging brands working with our existing brand partners rather than to do the investment in the nonrelated emerging brands. So it's kind of our strategy to do based on our strong data support in the past.

So I think we have a very clear picture how we can expand our business to the other platforms and how we can incubate or working with the emerging brands and also how we can expand our categories in some certain category like FMCG. That's my -- part of my role to drive up the new business for the company.

Operator

Next question comes from the line of Tian Hou of T.H. Capital.

Tianxiao Hou ***T.H. Capital, LLC - Founder, CEO & Senior Analyst***

Congratulations on a good quarter. And also, congratulations on the new roles to both of you.

Two questions. One is related to the cooperation with Alibaba. So you used to cooperate, Meilihui and YooX with Alibaba and also a net supporter. And now Alibaba team up with FARFETCH or invested in FARFETCH.

How that's going to impact your future cooperation with Alibabaor Meilihui or Yoox? So that's the number one question.

The second question is related to the channels. So you start from operating shops on the Tmall platform and you've gradually expanded it out to the other sites.

So I wonder, today, what's the ratio of the shops that you operate on Tmall platform? And what's the ratio for non-Tmall platform?

And so for different channel, what's the cost and the operational expense structure looks like? Or which one makes more money for you? That's the 2 questions.

Junhua Wu ***Baozun Inc. - Chief Growth Officer & Director***

Okay. So this is Junhua. Let me answer your first question. So regarding the Mei.COM, YOOX NET-A-PORTOR and as FARFETCH. So let me address this question from 2 dimensions.

Number one, you need to understand the difference between Mei.COM and YNAP and FARFETCH.Mei.COM is a first-party platform running large products, focused on the product life cycle status to be the long tail.

So basically, on theMei.COM, all the products are off-season products, and they provide the first 10 purchased by Alibaba, and they only focus on the last circle of the product life cycle status. Like off-season and clearance, et cetera.

And YOOX NET-A-PORTER and FARFETCH are kind of similar to each other. So all of them are listing new arrivals in season products, and most of them are selling across either within the Richemont Group also across another luxury categories.

So we don't think there are head-to-head competitions within the Luxury Pavilion or Tmall Luxury. It's -- FARFETCH are getting open at Tmall flagship store because consider the consumer engagement and the traffic source, there is a huge sales opportunity for both of the platform to share with their products across different kind of portfolio within ready-to-wear and bags and accessories and jewelries.

There are a lot of opportunities. That's the first dimension.

The second dimension is I cannot mention the details, but Baozun is running all of those 3 platforms that you just mentioned, including MEI.COM, YNAP and FARFETCH on JD for now.

So as long as FARFETCH is opening their flagship store on Tmall, so it doesn't affect the current Baozun service scope and Baozun business. And on the other hand, we believe that we are very, very confident in helping all of those luxury platform to do a better job on Tmall with their consumer engagement.

Bin Lu ***Baozun Inc. - CFO***

It's Robin. Let me take the second question. I think, right now, the Tmall business is about like 70% to 75% of our business, and we are driving up more from the other marketplaces right now.

And I think for the other marketplaces, because of the difference of the nature in business, both the revenue model and the cost structure are different.

For example, we can utilize more SaaS-based system we already developed internally to support our Mini Program as well as our Douyin store.

Also we have more marketing-oriented business coming up from the other platforms. So that really gave us more color for the new platforms.

However, I want to say for the current cost structure you saw in our P/L, for example, we already accumulated lots of basic structure to be ready for the business in the other platforms. We don't need to just redo our infrastructure again in the other platforms so we can create more efficiency and effectiveness when we grow this business.

Operator

Our next question will come from the line of Joyce Ju of Bank of America.

Lixin Ju ***BofA Merrill Lynch, Research Division - VP & Research Analyst***

It is me, Lixin Ju. Robin and Arthur congrats on the very solid quarter and the Hong Kong listing.

I have 2 questions. My first question actually is a follow-up on the Singles Day performance. This quarter, for the first time, like company disclosed like for the key category growth for the third quarter, just try to understand for our remarkable like 55% year-over-year growth of the Singles Day GMV results. Could you provide like similar breakdown in terms of the category like growth?

Like apparel the faster-growing category? Or like if electronics within the Singles Day is showing a year-over-year declining trend? Just want to get more color in terms of how these different categories together contribute to our Singles Day sales growth?

My second question was related to our margins and investment because we see the company like restructured organization to put more efforts in terms of like launching new initiatives. And this year, we also raised a lot of capital so just want to understand like what's the area we are going to invest specifically?

And will these investments actually affect our margin probably for the fourth quarter or maybe just for the next year? What's the outlook for the margins will look like?

Bin Lu ***Baozun Inc. - CFO***

Sure. It's Robin. I think the line is not clear, but I try catch up and answer your question.

I think that the downturn in the electronics side, mainly from as I mentioned in the prepared remarks, that's because of the adjustment and the optimization of our smartphone. You remember, we have a smartphone brand, which has some GMV contribution for the last year.

And we just ended the corporation by the last third quarter. And also, we did some optimization in the other smaller brand in the smartphone. In general, we are not going to grow up this type of low-quality growth -- we call the low-quality growth business in this category. That's why you see the double-digit decrease in this sector, which really negatively impact our overall GMV for this quarter.

And about the margin impact because we raise financing recently, we think in the past, we continuously invest in the technology. But also, we are strengthening our supply chain. And in the meantime, we utilize some money to do our new business like Mini Program.

In the last questions, I explained what we will do. But I want to reiterate, we are not going to do a drastic investment in our new business. And we have a very strong support for our technology already. And also, we have a strong support for our data accumulation. And we know what we can do to expand our business and capture the opportunities, which is always at the low cost, I don't think that would affect too much about our margin.

And you can see we have a continuous or consistent investment in the different areas. You can see just as a status quo in the future, and we are not going to have a big investment to affect our margins.

Operator

Next question comes from the line of Ashley Xu of Crédit Suisse.

Ashley Xu ***Crédit Suisse AG, Research Division - Associate***

Two questions from me. First one is that given we have printed a nice third quarter and fourth quarter momentum has been quite strong. Is our previous outlook that next year we should be able to post around 30% revenue growth remain unchanged?

And my second question is about our fulfillment side, given we are onboarding more luxury brands, do we have any investment plan on this front? And how should we see the trend of fulfillment expense ratio?

Bin Lu ***Baozun Inc. - CFO***

Sure. Ashley, it's Robin. When we provided 2020 guidance, we did have some precondition about the post-COVID-19. Based on current situation, we don't think we have much change about our guidance, but we are very cautious about what's happened for the next year in the COVID-19 globally.

And just most recently, when the season go into the winter, there is some change and we do feel about the brand -- most of our brands are very conservative right now for the next year. So we are cautiously watching our debt now. And if there is no big change in the macro, we are going to keep this outlook.

And about the fulfillment, I want to say fulfillment is one of the very important area we want to invest. I think should be the continued or consistent investment. We expand our format in the warehouse. We upgrade our warehouse for the luxury, and I think that's one of the driver to grow up our business.

And in the next year, we think we do have some investment in the warehouse, but we are in the budgeting process right now, we haven't decided the exact number. As we have the number, we will share with the investors.

Operator

Next question comes from the line of Thomas Chong of Jefferies.

Thomas Chong ***Jefferies LLC, Research Division - Equity Analyst***

(inaudible)

Bin Lu ***Baozun Inc. - CFO***

Yes. Operator, it's not clear. We barely hear. So can we just skip one and he can adjust his speaker?

Operator

Certainly. Mr. Chong, allow us to take your question later. You can dial back again. Next question will go to Charlie Chen of China Renaissance.

Y. Chen ***China Renaissance Securities (US) Inc., Research Division - Analyst***

I have 2 questions here. First one is about the strategy of the luxury brands and domestic local brands. I would imagine those 2 brands are actually operating quite differently in the marketplace.

So based on your previous experience, I can see your comment has done very well for the international big consumer brands. So how would you do differently to do business with international luxury brands? And also, how do you do differently to handle this domestic smaller brands? And how would that impact your overall business structure like margins, take rate? So can you comment on that? That's the first question.

And the second question is, since you have taken this new initiatives to acquire new international luxury brands and also domestic brands, I can say this year, the quality growth strategy has been carried out very well. So next year, would that new initiative change your focus on the growth in terms of top line growth versus quality growth or margins? How do you think about that in next year?

Wenbin Qiu ***Baozun Inc. - Chairman of the Board & CEO***

Okay. Thank you for the question. Let me take the questions. And maybe Robin can say more, yes, for these two.

Firstly, about the luxury brands and local brands. Yes, I think actually, they are not new to us. Firstly, luxury brands, we are working with them for several years already. Although mostly, we are helping them on the official brand side. Today, going to the marketplace stores, I think because we have profound experiences on the marketplace at Tmall. So there is not a big gap for us to run these kind of luxury brands on the marketplaces.

So in general, we are quite familiar with luxury -- international luxury brands.

And for the local brand, we are generally already working with them for many years. And talking about the strategy, I think for the luxury brands, we're more focused on the fulfillment side, given we're trying to deliver a very premier customer experience and also with some of the technologies and the CRM system to help the brands to acquire new users and also fulfilling the demand from the existing customers as well.

So the local brands, I think more values will be from the technology side and also digital marketing side. So we have been in this kind of initiatives for years. So we are ready to have the local brands for these capabilities.

Talking about the margin structure revenues from this tool, yes, I think maybe Robin can say more about this, the dynamics of luxury and the local brands.

Bin Lu ***Baozun Inc. - CFO***

Sure. It's Robin. I think just back to your question about high-quality growth. I think that's a corporate level strategy. That's really going to every categories, every sector, it's not differentiated between the international and the domestic.

Regarding domestic, just as Vincent mentioned, they want more in the technology. They want more in the automation, which we invested a lot in this area.

And we do have a very strong competency, especially compared with our competitors when we compete with them in the market. And that's what the domestic brands are like.

And also, we are trying to figure out something like a brand-new approach to be working with the brands, either in the international or domestic, for example, just how I mentioned with so-called deep cooperation with and try to optimize the landscape to be working with this brand.

I think that's really spread across the international and the domestic. There isn't much difference between the domestic and international.

And also what I want to say, if you ask me about the take rate as a number, we don't see much difference between domestic, international, as long as you provide the service what they do need.

Wenbin Qiu ***Baozun Inc. - Chairman of the Board & CEO***

And also talking about the strategy, I think the quality growth, high-quality growth strategy will remain the same. It will not be changing next year.

Operator

Once again, we'll take the next question from Thomas Chong of Jefferies.

Unidentified Analyst

I'm sorry about the connection problem earlier, and I will be asking on behalf of Thomas. Can you share some update on our Mini Program strategies and the competition between the centralized and decentralized traffic in 2021?

Wenbin Qiu ***Baozun Inc. - Chairman of the Board & CEO***

Thank you. Sorry, can you say that again. Mini Program what? I didn't hear that very clearly.

Unidentified Analyst

Can you share some update on the Mini Program strategy?

Wenbin Qiu ***Baozun Inc. - Chairman of the Board & CEO***

Okay. Baozun was quite brand-oriented in the past. So we actually serve the brand for different channels and also different services, not only about e-commerce transactions but also digital marketing needs, I mean the demand generation needs.

So Mini Program is one of the practice. We are serving the brand for omnichannel methodology. So Mini Program versus the other platform is very interesting because where you can cover not only the transaction part, but also the digital marketing part and integrate these 2 efforts into one.

So we think the path in the Mini Program, e-commerce will be shorter than in the other platforms.

So our strategy is that we are serving the brands, not only for the transaction, but also serving on the very SAAS plus customization base. Means that we will deliver a lot of common micro services to the brands. And also, we can customize for customer dissolution for them to fit the Tencent ecosystem. So that is a SASS plus operation strategy.

Operator

In the interest of time, that concludes the Q&A session. I would now like to hand the call back to Ms. Wendy Sun for closing remarks.

Wendy Sun ***Baozun Inc. - IR Director***

Thank you, operator. In closing, on behalf of the Baozun management team, we'd like to thank you all for your participation in today's call. If you require any further information, feel free to reach out to us.

Thank you for joining us today. This concludes the call.

Operator

Ladies and gentlemen, you may now disconnect your lines. Thank you for your participation.