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PRESENTATION

Operator

Good morning, ladies and gentlemen. Thank you for standing by for Baozun's Third Quarter 2021 Earnings Conference Call. At this time, all participants are in listen-only mode. After management's prepared remarks, there will be a question-and-answer session. As a reminder, today's conference is being recorded.

I will 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. Thank you, everyone, and thank you for joining us today. Our third quarter 2021 earnings release was distributed earlier today and is available on our IR website at ir.baozun.com as well as on global newswire services. They have also posted a PowerPoint presentation that accompanies our comments to the same IR website, where they are available from download. This presentation is also available on our webcast, where we will move down the slides in synchronization with our remarks.

On the call today from Baozun, we have Mr. Vincent Qiu, Chairman and Chief Executive Officer; Mr. Arthur Yu, our Chief Financial Officer; and Ms. Tracy Li, our Vice President of Strategic Business Development. Mr. Qiu will review the business operations and company highlights; followed by Mr. Yu, who will discuss financials and guidance. They will all be available to answer your questions during the Q&A section 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 US 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 events that involve known or unknown risks, uncertainties and other factors, all of which 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, uncertainties or factors is included in the company's filings with the US SEC and the announcement on the website of Hong Kong Stock Exchange. The company does not undertake any obligation to update any forward-looking statement, except as required under applicable law. Finally, please note that unless otherwise stated, all figures mentioned during this 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. - Co-Founder, Chairman of the Board & CEO***

Thank you, Wendy. Good morning and evening, everyone. Thank you all for joining us. Today, we are hosting our earnings call for the first time from our new headquarters, where most of the Baozun family has finally come together under one roof. Ever since I founded Baozun back in 2007, our business expanded so rapidly, so that we are end up being spread across multiple offices for many years until now. We call our new home "Baozun New One" symbolizing the start of a new journey and we believe being physically together will greatly enhance our people's sense of belonging, collaboration and productivity.

As many of you already know, China's e-commerce has recently experienced a variety of headwinds, including weak macro environment, consumer sentiment drops as well as new policies and the requirements issued by the government. Despite all these short-term challenges, we were able to grow our revenues and deliver a non-GAAP operating profit of RMB2 million after an one-off adjustment. I'm confident with the great resilience and the sustainability of our business. We believe given e-commerce is rooted in daily life, as headwinds slowly pass, consumer sentiment will eventually improve and various regulatory changes to the e-commerce environment will bring upon the next phase of long-term sustainable growth. Changes and temporary challenges bring opportunities, especially for those who can identify them to be the first-mover to adapt and innovate.

Let me share with you some of the opportunities we are seeing. Now please turn to Slide #3. We continue to see the trend of consumption upgrade, especially in the luxury and the premium sector. We believe the nature of such growth is structural with consumption upgrade driven by rising disposal income and demand for quality lifestyle of the younger generation. The increased online penetration of luxury has also made the luxury goods more accessible and we have laid out a healthy pipeline from global luxury brand partners for next year. During the quarter, we onboarded 7 luxury brands and we are forecasting GMV from luxury to keep double-digit growth momentum in the next few quarters. In addition, with increasing demand for premium warehousing and logistic services, we commissioned 1 more brand-new luxury dedicated warehouse to better support our brands.

For sportswear, despite the lingering impact from the Better Cotton Initiative, we have witnessed a modest recovery trend. Long-term wise, as the government aims to further promote sports and physical exercises in the 14th 5-year plan, we believe sportswear category will likely see better growth. Many leading international sportswear brands will view China as one of the most critical and strategic target markets. And some are even accelerating its localization efforts as a brand of China. In addition, we have identified what we believe to be structural growth opportunity for some sub-verticals, such as outdoor sportswear and adventure sports, which will likely to be the incremental drivers.

Moving on to our omnichannel progress. First, an increase in number of brand partners are accelerating the deployment of omnichannel strategy. And in this quarter alone, we added 54 stores for non-TMALL channels. Of these newly opened stores, over 1/3 are JD stores. We are glad to see our GMV generated on JD nearly tripled from a year ago, accounting for roughly 10% of our total GMV. In addition, we continue to make progress in Tencent mini programs for proprietary domain as well as O2O initiatives. More importantly, the recurring revenue stream of store operations and marketing from our mini program ecosystems continue to grow their stake.

On the emerging channels, we have made quite some breakthrough for Douyin. We are happy to be at the forefront of action helping our brand partners to explore and expand into such emerging channel with over 2 dozen of brands, partners are piloting there. Our unique insight in brand value proposition and merchandise in this regard has been instrumental in delivering strong sales on some of our trial programs. In the first 9 months of 2021, we helped our brands to generate over RMB100 million in GMV with extremely successful cases for 1 fast fashion brand and 1 FMCG brand. The trend has been encouraging month-over-month, as in October alone, all brand partners generated over RMB70 million GMV. It is worth noting that in some of our end-to-end services, we have managed to hit a take rate of over 20%, indicating attractive economics potential for us on Douyin.

Although some emerging channels are still in early phase exploring optimum monetization models, we are happy to see our initial channel investments already start to bear fruits. Just a rough reference, in the third quarter, our revenue contribution from non-TMALL platforms along with the associated back-end services has continued to increase to more than 20%.

Now please turn to Slide #4. On the technology front, we further upgraded our core e-commerce infrastructure to be more omnichannel oriented. Following the government's new policies regarding data privacy, we also upgraded our system for personal identity information protection to ensure our brand partners are compliant with the latest laws and regulations. Such upgrades applied to our order management system, warehouse and logistics management system and CRM ensure smooth order fulfillment and stronger user engagement. To drive business operating efficiency and flexibility, we keep making further upgrades to enable our digitalized, centralized and integrated operating platforms and middle-office.

Ross now has a multi-level authorization system helping our brand partners manage distributor networks and we launched "Service Anywhere" or S-ANY, an intelligent customer service management system to unify workflow dispatching, training and resource management. We believe S-ANY is both unique and disruptive within the e-commerce industry, and we have seen great uptake by over 300 brand stores deploying since its launch and in just 1 month time frame. Lastly, our remote service centers in Nantong and Hefei are ramping up smoothly with over 1,000 employees moved over. These regional service centers and S-ANY are highly complementary, allowing us to attain better service quality, gain greater operational efficiency, while lowering operating cost. We anticipate such initiative to save over RMB20 million in operating cost in 2022.

In addition, we received a 30% equity interest investment from Cainiao Network into Baotong, our warehousing and logistics arm. At the beginning of the year, when we formulated our medium-term plan, we set objectives that Baotong needs to be disruptive game and that is needed to expand business scope to be wider and deeper, while also innovating on its supply chain practices. We consider several leading players in the industry to be our strategic partner, each with its own advantages and characteristics. Ultimately, we concluded that Baotong and Cainiao are the most complementary in terms of capabilities and assets. The combination elevates the partnership competitive advantage in the sports, outdoor, luxury and cosmetics industry. We believe such strategic alliance will lead to substantial cost optimization and greater synergistic business opportunities. In summary, we witnessed a number of short-term headwinds and we anticipate further changes as the industry adapts and evolves.

As part of our corporate vision, we have always believed that technology empowers success and committed to delivering quality through developing our people. 1 quick example is our advanced preparations for the year's Double 11 festival, where we have facilitated more than 40 brand partners to rank #1 in order value in their specific product categories during the mega campaign.

Throughout the year, we have made considerable investment in enhancing our platform, enriching our technological capabilities and as well as establishing a special force full of talent. We believe Baozun has the most comprehensive, reliable and powerful set of infrastructure, empowering our business partners. We are more confident in our competitive landscape, and as a leader of brand e-commerce partner, we are well placed to navigate through these changes, adapt to the new environment and capitalize our opportunities. At the same time, we continue to promote sustainable Baozun ecosystem for the longer-term. And I'm happy to point out that this September MSCI, in recognition of our comprehensive ESG initiatives, upgraded Baozun's ESG rating to an A as demonstrated on Slide #5. We are very proud of our team's resilience through the quarter and are confident in the future.

I will now pass the call over to Arthur to go through our financials. Thank you.

Arthur Yu ***Baozun Inc. - CFO***

Okay. Thank you, Vincent, and hello, everyone. Before diving into the numbers for this quarter, I would like to talk about 3 key topics. #1, our M&A strategy; #2, the near and long-term impact of our recent acquisitions; and #3, our prudent and conservative accounting approach.

Now please turn to Slide #6. Firstly, I'm confident that our M&A plan is making solid progress. We target complementary business and enhance our vertical competitiveness, expand economies of scale and help make our business portfolio more resilient and balanced. We believe the current tough market environment offers an excellent window of opportunities for us to seek and consummate a variety of strategic long-term focused acquisitions at a favorable valuation. The initial revenue contribution from our acquisition earlier this year helped drive top line growth and balance against market headwinds, and we will look to do more of these bolt-on acquisitions as opportunities arises.

And secondly, while we continue to make notable progress in our M&A strategy and integrating new acquisitions, let me provide you with the anticipated near and long-term impacts to our business and financials. 1 near-term impact is that while the initial revenue contribution benefited our top line this quarter, the associated cost contributed to a small quarterly operating losses of RMB7 million on a non-GAAP basis. As acquisitions typically need several quarters to be integrated, we anticipate an improving bottom line contribution in the future. On the positive side, we expect greater synergies and ROIs once acquisition is fully integrated, which will contribute to our financial resilience as well.

And thirdly and finally, we strive for a prudent and conservative accounting approach in our financial reporting. Every reporting period, we thoroughly evaluate our assets and liabilities. And this quarter, we conservatively made a decision to reduce the outstanding accounts receivables of 1 distributor via a write-down of RMB86 million. Although we have initiated legal proceeding to collect the overdue amount and believe we have a reasonable chance to prevail, we decided it is more prudent at this time to write-down 65% of the total amount owed to us. We believe this is a one-off adjustment and it is an isolated incident in our 14 years of history. Overall, our accounts receivables are healthy and we have taken measures to strengthen risk management and quality control in the future. While this write-down had a negative impact this quarter, it preserved the integrity of our financial reporting.

Now let me share with you some observations on the consumption trends during the quarter. Please turn to Slide #7. First to share some of the macro statistics in light of the weakening of consumption momentum in China. According to the National Bureau of Statistics of China, retail sales growth decelerated noticeably to 5.1% year-on-year in the third quarter compared with 13.9% a quarter ago, while e-commerce continued to gain share of retail. The growth rate of online physical goods for the third quarter also fell to 8.7% from 13.3% in the second quarter, and 25.8% in the first quarter of 2021. Respectively in the previous 2 quarters, discretionary categories, including apparel and appliance struggled, while FMCG and electronics flourished.

Such macro consumption trend was consistent with our financial performance as depicted on Slide #8. During the quarter, our total GMV increased by 48% to RMB16.1 billion. However, there was a gap among performance by sectors. Electronics did extremely well with triple-digit year-on-year increase as there was an [international] (corrected by company after the call) 3 key brands that launched several new SKUs during the third quarter. In fact, if we're excluding that, our GMV growth would have been 2%, in line with our observation of weaker consumption. In addition to electronics, FMCG and luxury both delivered high double-digit growth rate. On the flip side, apparel and accessories declined by the mid-teen percentage during the quarter, with persistent impact from the BCI, adding further to the weakened consumption sentiment. Sportswear continued to show a year-over-year decline. However, the contraction rate has narrowed and we now see a modest month-by-month recovery trend. Appliance also declined by mid single-digit.

Overall, the GMV split between categories for the first 9 months are as follows: Apparels and accessories at 40%, followed by electronics at 30%, FMCG at 16% and appliance at mid single-digit. We also saw a division between our distribution and non-distribution model this quarter. Specifically, our distribution GMV declined by 13% to RMB786 million, while non-distribution GMV increased 54% to RMB15.3 billion.

Please turn to Slide #9. Total net revenues increased by 4% to RMB1.9 billion, of which our acquisitions contributed a total revenue of RMB212 million. Product sales revenues declined by 13%, mainly due to the decline of key brands in the appliance category, our planned business model transition of a new brand partner as well as our tighter control on brand and channel selection criteria for the distribution model. In light of the macro uncertainty, our strategy for our distribution model is to pursue high-quality growth with a clear focus on profitability and working capital efficiency.

Now turning to service revenue. It increased by 17% to RMB1.2 billion, benefiting from several acquisitions made early this year. Service revenue of our organic business declined by 4% to about RMB1 billion as BCI continued to impact sales of many sportswear brands. If we refer to the total outbound orders of our logistics service, it declined by more than 25% year-on-year for the quarter. As the proportion of our consignment model reduced, our blended take rate also declined accordingly. During the quarter, the take rate for the non-distribution model was 7.8%, down from 10.3% a year ago. Looking at the take rate of the consignment model itself on a like-for-like basis, it is flat year-on-year at 12.2%. During the third quarter, our overall gross profit totaled RMB1.3 billion, an increase of 12.7% year-over-year, and our gross profit margin expanded by 540 basis point to 68.6% from 63.2% a year ago.

Now let's turn to operating expenses on Slide #10. Fulfillment expenses were RMB634 million, an increase of 51% year-over-year. This quarter, there was an incremental fulfillment cost of RMB205 million related to our 2 newly acquired warehouse and supply chain businesses for BolTone and Baobida. Sales and marketing expenses were RMB536 million, an increase of 6.9% year-over-year. The increase was mainly due to increased cost as our business scaled and an expansion in headcount in digital marketing services, which was partially offset by efficiency improvements. Technology and content expenses were RMB114 million, an increase of 12.2% year-over-year. The increase was mainly due to higher staff costs for incremental IT development, offset by efficiency improvements. G&A expenses increased to RMB191 million. This increase was mainly due to some of our investments in talent and sustainability, as well as a write-down of RMB86 million in accounts receivables from 1 specific client that I talked about earlier.

As a percentage of GMV, we continue to optimize OpEx to drive greater operational efficiency as displayed on Slide #11. For the third quarter, total OpEx as a percentage of GMV improved by 80 base points to 9.1%, driven by efficiency gains in marketing and technology ratios. More specifically, our sales and marketing improved by 130 base points to 3.3% from 4.6% a year ago, driven by a combination of more effective digital marketing services and lower marketing and promotion expenses in absolute dollars. We also improved by 20 base points from higher efficiency in technology ratio. This quarter, the total fulfillment ratio was unchanged year-over-year at 3.9%. Lastly, our G&A due to the one-off extraordinary breakdown as well as more strategic investment in talent increased to 1.2% from 0.5% a year ago.

Now turn to Slide #12, reflecting the above mentioned items, our non-GAAP loss from operations was RMB84 million during the quarter and non-GAAP OP margin was negative 4.4%.

And on Slide 13, let me walk you through our analysis on non-GAAP operating profit. This slide shows the breakdown of our various operating profit and cost streams and how they evolved year-over-year. I would like to note that this is an indicative number, which aims for you to better understand our financial performance. So, in red, you can see the BCI continued to have a major negative impact as it dragged down the performance of sportswear, fashion apparel, along with our organic logistic business. We are encouraged to see that while revenues from our distribution model decreased, operating profit from distribution was largely unchanged year-over-year, benefiting from our high-quality growth strategy. Additionally, some of our strategic investments combined for a negative variance of RMB42 million, including the temporary higher cost of concurrently occupying 2 headquarters during our move to Baozun New One as well as increasing talent recruitment and investment in our Douyin and regional service centers.

In blue, we saw positive gains in digital marketing, luxury and technology. As mentioned earlier, we also had the extraordinary write-down of RMB86 million, excluding which our adjusted non-GAAP operating profit, which is calculated based on the non-GAAP operating profit, adding back the write-down of RMB86 million, was a positive at RMB2 million.

Turning to Slide 14. Non-GAAP net loss attributable to ordinary shareholders totaled RMB88 million, and basic and diluted non-GAAP loss per ADS were both 1.21 for the quarter.

Lastly, turning to Slide 15. Operating cash flow for the quarter was negative RMB740 million. As usual, cash flow was impacted by our need to procure additional inventory during the third quarter in preparation for the Double 11 season in November. During the quarter, we also deployed RMB178 million for M&A activities. Total financing cash outflow was RMB739 million, mainly due to our execution of share repurchase program. This means our Board of Directors authorized a share repurchase program, allowing us to repurchase up to $125 million worth of our shares. As of September 30, 2021, we completed the full purchase, totaled 18.6 million ordinary shares with an average cost of $6.7 per ordinary share. Each ADS represents 3 Class A ordinary shares.

As of September 30, 2021, our cash and cash equivalent totaled RMB2.8 billion. Importantly, as discussed earlier, our warehouse and logistics entity, Baotong, received the investment payment from Cainiao Network in late October. Therefore, we believe we have sufficient cash for normal operations and to pursue additional strategic opportunities. As we are confident with our comfortable cash position, I'm pleased to announce that the Board of Directors has approved an additional share repurchase of up to $50 million over the next 12 months.

And that wraps up my financial review for the third quarter and concludes our prepared remarks. Thank you, everyone. Operator, we are now ready to begin the Q&A session.

QUESTIONS AND ANSWERS

Operator

Certainly. (Operator Instructions) Your first question comes from the line of Alicia Yap from Citigoup.

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

The first question that I have actually, I think you explained very well the discrepancy between the GMV growth, especially on the non-distribution GMV versus the service revenue growth this quarter. But I think my follow-up questions on that is, when can we expect these discretionary category like the apparels or the sportswear to recover to a more normalized level which could help our service revenue to grow more in line with the non-distribution GMV growth? And then secondly also on the Singles' Day performance, I think you announced about 16.3% year-over-year growth during the Singles' Day performance. So, should we expect this more or less 4Q GMV growth to be? Or any colors on the service revenue for 4Q as well as the margin direction for 4Q as well?

Arthur Yu ***Baozun Inc. - CFO***

Alicia, I will take your question. On the first one, you were talking about the sports coming back to the normal growth. Back in quarter 2, when we communicated to the market, we thought the BCI could be one-off impact. And in Q3 and Q4, it will get back to normal. And our current assessment is that it'll take longer than our expectation to get back to normal. So, even though the decline trend has coming back to narrowed down from Q3 and also we're going to further narrow down in Q4, but we expect this trend to continue into the next year, at least quarter 1 and quarter 2. Our current view is maybe from the quarter 3 onwards, we could see some positive kind of trend on the sport and apparel.

And also I would like to add, so despite we have some headwinds on the sport and apparel, we do have some positive gains from the luxury and also FMCG. And in this quarter, we have seen a good growth on the GMV on the luxury. And we recently had won quite a number of luxury brands. So, we anticipate the strength of luxury will continue in the next few quarters. And also our omnichannel strategy has helped us to grow the FMCG and some other category, which also can help us to balance the impact from the sport. So, that's on the first question.

So, on the second question, regarding to the Singles' Day performance, as I mentioned, overall, we still see some headwinds in the quarter 4. So, from a GMV perspective, we think quarter 4 will be a low-teen kind of growth in the GMV. So, we saw the sports and apparel will slowly recover. But overall, it will slowly recover. But within the sports, there are some highlights or some kind of the spotlight we would like to highlight, which is some sub-verticals, such as the outdoor or the winter sports because we will hold the Winter Olympics next year, we see that from some of the brands we do, we see some good growth. And also as I mentioned, the luxury will continue its very strong trend into the quarter 4. So, that's the overall what we have seen.

Operator

Your next question comes from the line of Thomas Chong from Jefferies.

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

I think management has mentioned in the prepared remarks about the non-TMALL GMV trend. Can you comment about how we should think about the mix between TMALL and non-TMALL over the next couple of years? And then my second question is more about the cooperation with Cainiao. Can you share with us more about the strategies going forward and the synergies that we should expect?

Arthur Yu ***Baozun Inc. - CFO***

So, I will take the question on the TMALL and non-TMALL, and probably comment a little bit on Cainiao. Yes, okay.

Arthur Yu ***Baozun Inc. - CFO***

So, in terms of the TMALL, so as I mentioned earlier, for this quarter, we have seen the TMALL has seen some weakness. And if we take out that 1 specific electronic brand, for the first time, the non-TMALL has surpassed 50% of overall GMV. So, that's a trend we have seen very clearly, i.e., people are starting to explore more opportunities in terms of the non-TMALL channel. Our expectation is this is a trend will continue at least going into the early part of next year. We believe this represents a lot of opportunity for Baozun. We have from the last 2 years continued to make investments into the omnichannel technology. We laid out the team to do more business on the mini program and also on Douyin and on Jingdong. As Vincent mentioned earlier, in this quarter, we made some solid progress in Douyin, now operating about 20 kind of stores on Douyin, which we are quite satisfied with. But going forward, I think this trend will continue. And I think Baozun, we have prepared pretty well for this trend.

So, regarding to Cainiao, our cooperation with Cainiao will bring 2 synergies. So, the first synergy is we have comparable -- I mean, we have a very matched kind of capability. So, from Cainiao perspective, they are doing a lot of business based on a volume basis. And also, they do quite the standard logistics and warehouse products. For Baotong, we are focused on the premium and we are focused on customized kind of solutions for the large brands. So, when we combine together, we will be able to depend on each other to further strengthen our capability. And we could introduce the business to each other from Cainiao to Baozun we think from a sports, luxury and cosmetics, which is what Baotong is really strong on, we will get some synergy from the Cainiao Network. So, that's on the capability.

On top of the capability, we also contain some resource efficiency. So, as we know, Cainiao operates a national network of a large -- I mean, of a much bigger kind of scale in terms of logistics and warehouse. And by utilizing that, I think it can further reduce our cost base and improve our capital efficiency when we make investments into the new warehouse. So, that could also help Baotong to grow into a much bigger and much efficient business. So, based on those 2, we think that could be pretty good in terms of going forward.

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

Yes. Some more words to say about the Cainiao collaboration is that we view the collaboration with Cainiao as a big business development opportunity for us as well. Because by working with Cainiao closely, I think we can have much more BD opportunities for the categories, including sports, luxury, apparel, cosmetics, these kind of categories. So, in this case, we work with Cainiao closely, deliver a better and comprehensive solutions to the industry. So, potentially, we can work with much more the potential brands in different categories.

Operator

Your next question comes from the line of Charlie Chen from China Renaissance.

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

I have 2 questions, one related to GMV and the other related to take rate. So, the first one is regarding the GMV from the distribution business. We can see there's a slight decline of the GMV year-on-year for this quarter, so we understand the company is doing some strategic optimization. So, how should we think about the negative impact going forward for the GMV from distribution business? And my second question is related to the take rate. So, I can see for the non-distribution business, GMV growth actually significantly outpaced revenue growth, so we understand that we are still on the investment stage for non-TMALL channels as -- on the omnichannel efforts. How do you think about this -- or what do you think would be a reasonable estimate we can see meaningful improvement of take rate as a result of the long-term investment seeing some returns?

Arthur Yu ***Baozun Inc. - CFO***

On the GMV, as you mentioned, we do have seen some decline of the distribution model, but there are 3 main drivers behind this fact. The first one is we have initiated some of the business model change along with the brand partner or distribution. We convert the distribution model into the service fee model, which for the brand and also for Baozun is actually a good thing because it improved our capital efficiency. So, we don't need to use our own cash to hold the inventory. So, that's the first factor. The second factor is since about 18 months ago, we initiated a high-quality growth strategy. And in this quarter, specifically, we stopped some low return kind of low profit of the distribution business. So, that's -- we don't want to do that type of business, especially during the weak market performance. We're concerned quite a lot of about kind of the quality of that type of revenue. And thirdly, as we all know, 1 small home appliance brand made quite a significant contribution to our overall distribution revenue. And for this quarter, that 1 brand showed a low single-digit year-on-year decline, which also contributing to this fact. So, that's the reason behind the decline of the distribution model.

Going forward, we will focus on quality. So, if we see good business, or good category, which provide us with a good profitable return, which is a distribution model, then we definitely would like to do it because the positive side of the distribution model is it shows a higher client stickiness with the brand partner. So, if we have a chance to do it, we will use that model to do the profitable business. So, that's our strategy going forward.

Chunlu Li ***Baozun Inc. - VP of BD***

This is Tracy. I would like to add another point is when we talk about the emerging channel like Douyin and TikTok operation, what we observed in the past few months is, for this channel, the take rate and also the revenue portion is positively flat or even higher than the

TMALL channel. Because right now in the early stage of the channel development part, a brand is heavily rely on partner like Baozun to further dig out the consumer value and also to improve the ROI compared with TMALL channel. So, at that part, which means besides the operation part, we can combine the digital marketing and also, I mean, the technology into the total take rate, which means our revenue income part. So, that is the, I think, one of the positive way we can see the trend on going forward. Yes.

Arthur Yu ***Baozun Inc. - CFO***

Okay. And also I would like to add, for some of our business model, take rate is not the only measure. We actually look at the profit, the operating profit contributing to the bottom line. So, for example, as I mentioned in the past, for the mini program, in this quarter, we actually doubled our revenue year-over-year. And for the mini program, we are making the profit for this quarter. So, we focus on not the take rate, but the profitability of this kind of the business.

Operator

Your next question comes from the line of Ashley Xu from Credit Suisse.

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

Firstly, I want to get management's preliminary review on our next year's outlook, given the currently challenging macro environment. And my second question is related to our operation on JD. I understand there have been quite some positive progress there. I want to check on the key categories or brand types we are cooperating on this platform. And at the same time, what types of model are we deploying there?

Chunlu Li ***Baozun Inc. - VP of BD***

Yes. So, for the Jingdong part, I think Jingdong's e-commerce operation logic is more similar to TMALL, especially adopt to Jingdong's pop economy environment build up, which is the main focus for this year and next year for Jingdong. I think Baozun's operational experience can effectively improve the service capability of the non-standard category like fashion, luxury, beauty, home and others, which all of this, as mentioned, is our main focus, fashion, luxury, beauty and home, this kind of non-standard category. And also, I think our value on this, not just about the marketing, consumer acquisition, but also the aftersales customer service and also how to assist the platform in operating their tailor made solution for the pop-up flagship stores. So, this is the direction for the next year regarding the collaboration with Jingdong. And you can see from the Double 11, actually, we have doubled the brands participating in Jingdong's Double 11 this year and also is resulting the 100% Y-o-Y growth compared with last year in terms of the transition itself. So, the momentum is promising. And even right now, actually, we're being positively prepared for the Double 12 for Jingdong platform too, I think the momentum is keep the same pattern.

Arthur Yu ***Baozun Inc. - CFO***

Okay. In terms of the outlook for next year, we are currently in the process of doing our annual operating plans. And so at this moment, we only have a direction in terms of -- for the GMV, given our portfolio of brands, we continue to see a healthy growth year-over-year, maybe towards a high-teen to even the 20%-ish mark. But in terms of the revenue and profit, I think there are still a lot of the moving space. So, like I mentioned, we can see a recovery in terms of the overall economy and also the BCI impact stopped from Q3 and Q4 next year, then from a revenue perspective, we could see a kind of double-digit growth on the revenue. And in terms of the profit, while we keep making the profit improvement, we think our profitability will be in line with our revenue growth to the same percentage. Having said that, we will also look into other MA opportunity for inorganic growth. And also, we will look into other opportunities to make investment into the future. For example, on some technology and to further enhance our omnichannel. So, there are still some moving parts at this moment. So, once we completed our annual operating plans in the next few weeks, we will be able to give the market a little bit more guidance.

Operator

Your next question comes from the line of Lixin Ju from Bank of America.

Joyce Ju ***BofA Securities, Research Division - VP in Equity Research & Research Analyst***

My question was related to -- first is our future M&A strategy in terms of like for the rest of the year or next year, if we have seen other areas we probably want to invest in the future. And second thing just want to understand the connectivity impact between Ali and Tencent and how this affected our operations for brands.

Arthur Yu ***Baozun Inc. - CFO***

So, I will do the M&A strategy for Tencent, maybe Tracy can comment on the connection between TMALL and Tencent. So, on the M&A, overall, we see the current market environment provide some real attractive valuation on some of the target. And given our cash position, we are actively looking for using the inorganic growth to create value for our shareholders and to ensure our future growth. So, the opportunity we are looking arein the 4 areas. So, the #1 is, we still think the kind of the TP industry or the service provider industry needs to further consolidation. So, in this quarter, in Q3, we actually completed our acquisition of eFashion, which is another e-commerce service provider. We have seen some early signs that integration could lead to some great synergy. So, we will continue on that, i.e., the e-commerce service provider consolidation. So, that's #1.

The second thing is, we will look into the capability enhancement. So, in this quarter, we completed the kind of 2 logistics deals. And also, we completed 1 deal on the digital marketing. So, that helped us to build our capability to provide a better solution to our brand partner to enhance our kind of the stickiness with the customer and also to win more business. So, that's the second one. The third one is we want to use the investment to improve our cooperation and the business with our brand. So, for example, in earlier this year, we made investment into the Fosun Fashion Group and with the 5 brands in Fosun Fashion Group. They all have seen some positive year-on-year improvement. And our cooperation with the brand partner, we have been making some really good progress. So, we will continue that. And finally, we will be looking for some overseas expansion opportunity through both organic and inorganic. So, that overall is our planned strategy for the MA in the next year or so. And I also would like to add, so after we start to do more structured M&A, we have internally built a strong team of experienced people and we believe we will be able to capture this opportunity in the following years.

Chunlu Li ***Baozun Inc. - VP of BD***

And regarding the Tencent and the Taobao breakthrough, we do see there's a lot of improvement on the consumer journey, especially about the share links and also in the payment level regarding the friends-pay But actually I think there has not seen essential change in the user behavior, which means right now it's hard for us to validate the positive impact on traffic and conversion itself. But in the longer run, we do believe because we know Taobao has many potential plans in the data level interaction, that will be carried out in next year. So, I think, potentially, it will bring a massive new wave of the traffic for e-commerce, especially the social app user base is much bigger, consider this point. Yes.

Operator

The next question comes from the line of Robin Leung from Daiwa.

Robin Leung ***Daiwa Securities Co. Ltd., Research Division - Research Analyst***

This is Robin asking on behalf of John Choi. Could management share the number of new brand partners that Baozun added in this quarter in addition to those 54 new stores in the non-TMALL channels? So, will these new brands be able to offset some of the weakness in the first half of 2022?

Arthur Yu ***Baozun Inc. - CFO***

I think we currently -- I mean, from the last quarter, we communicated to the market, we will stop to giving guidance or giving the numbers on the numbers of brand. That's partly because after we have done several acquisitions, we found there are several different brands being operated by the acquired company, which is very different from our usual stand. So, therefore, we will not take that. But what we currently have seen is there are some good brands we have been able to gain from this quarter and we have seen some of the major brands. In total, we have gained 29 brands net addition in this quarter. So, that's the overall number we have gained in this quarter. On top of the new brands, we also have seen we have added another 122 stores, many of them coming from our existing kind of brand partner, which shows our existing brand partner are opening more stores. A lot of them are in the omnichannel. So, for example, our existing TMALL brand partner opening JD, opening mini program stores. So, that contributed to the 122 additional stores. So, going forward, as we mentioned earlier, the omnichannel strategy will further expand. We will -- we think we will continue to see more stores being added in the coming years.

Tracy, you want to add something?

Chunlu Li ***Baozun Inc. - VP of BD***

Yes. Actually, I think in numbers-wise, we're definitely much higher than last year, I mean, the numbers. But the pattern is different because this year most of our new clients is concentrating on the luxury and this kind of category, which means we need longer time to prepare for the open up, which means we put efforts in the Q2 and even Q3, but we have it maybe Q1 next year or Q2 next year. So, you can see Vincent just published some number, in the Q1 next year, we're going to open over 20 stores in luxury. So, that is the -- actually the efforts we invested this year. And also on the other part is, I think for the emerging channel like TikTok and Jingdong, this more like extend our current brands into the new channels. So, we call this the existing client new channels. And on this part, we have a very steady growth this year because actually, I think, the infrastructure investment, including technology and the logistics, have helped us more fluently to help our clients to open their -- I mean, omnichannel strategy. So, all of this will also be contributed in the Q4 and also next -- in the Q1 next year. Yes.

Operator

Thank you. As there are no further questions at this point of time, I would like to hand the call back to management for any closing remarks. Thank you.

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

Thank you, operator. In closing, on behalf of the Baozun management team, we'd like to thank you for your participation in today's call. If you have any further questions, please feel free to reach out to us. Thank you again for joining us today. This concludes the call.

Operator

Thank you.