



Baozun Releases 2017 Chairman Letter

April 11, 2018

SHANGHAI, China, April 11, 2018 (GLOBE NEWSWIRE) --

Dear Shareholders:

We have just had another great year! Before I go into details, let me offer my thanks and appreciation to all of my colleagues at Baozun, and to our brand partners, customers, board of directors, and investors. Thank you all for your support and recognition.

2017 marked the start of Baozun's second decade in business. It also marked a tipping point for online retail in China. While the rapid pace of development in the branded e-commerce market continued throughout the year, online shopping began to have a dramatic impact on offline retail. This impact could be seen across the entire industry, including market surveys, product development, brand creation, market promotions, supply chain reorganization, and technology. This transformation creates both a huge opportunity and a challenge for brands, the industry and Baozun.

The Market Opportunities

China's Internet industry had a hyper-active year in 2017. Among the top 10 Internet companies globally, five come from China. China's internet giants have established vast ecosystems and are acting as bellwethers as they break ground across multiple verticals. At the same time, second-tier players continued to develop rapidly with new business models and innovative technologies. On February 27, 2018, the Tech Crunch Unicorn Leaderboard reported that of the 279 global unicorns – startups valued at US\$1 billion or more – 94 were Chinese, more than one-third of the total and a higher share than in 2016. Most of China's unicorns are in the Internet and e-commerce industries, reflecting the enormous potential of the market. Within the Internet universe, e-commerce is clearly one of the fastest developing sectors and is profoundly impacting the entire retail industry.

Sustained rapid growth of e-commerce

Online retail grew by 28% to RMB5.48 trillion in 2017, accounting for approximately 15% of China's total retail market, according to the China National Bureau of Statistics. Within online retail, brand e-commerce grew fastest at 37.6%. Baozun grew its Gross Merchandise Volume (GMV) by 70% to RMB19.1 billion in 2017 as we further strengthened our reputation as the leader of brand e-commerce services and solutions in China. We expect to see GMV continue to grow at fast pace in the coming years.

One of the biggest tail winds is the long-term high-speed growth of the overall market. In the short term, it strengthens our ability to generate revenue and profit growth, and creates a supportive environment for us to improve the efficiency and quality of our management and technology deployment. In the longer term, with this growth, we expect we will have more resources to dedicate to new business models and technology, while creating a sustainable and solid base for future development.

Observations on the market dynamics

If we take a closer look, there are fascinating changes and dynamics taking place behind the scenes in this rapidly developing market.

The entire e-commerce market in China comprises of a number of online channels and platforms, such as Alibaba and JD.com. At the same time, the boundaries between e-commerce and social media are blurring, as Tencent continues to expand its footprint into e-commerce.

Average Internet usage by consumers in China was 5.8 hours a day in 2017, which means that many people are almost "always online". Users accept and share new products and services at light speed. E-commerce has become the most important market channel for big global brands. It has become central to their strategies and is reshaping the way they think about brand equity, marketing strategies, organizations, supply chains and IT systems. As the scale of e-commerce grows and user growth gradually plateaus, brands are seeking lower cost and higher-efficiency ways to reach the market. As an example, more and more brands are using shared-inventory networks to improve the efficiency of their warehouses, and have begun employing this across the distribution chain.

For smaller brands and merchants, mature infrastructure makes it much easier for them to do business online. Opening an online store is no longer very difficult. Most of them have the ability to operate online stores and provide value to their customers. They are both cost-sensitive and flexible, and they are keen for traffic. They can move quickly to fulfill consumer needs and will contribute to the rapid growth of the market in the future.

We firmly believe that big data and advanced technologies and systems are the future of the offline retail industry. We continue to invest in developing cutting-edge technologies so that our brand partners will always be able to rapidly benefit from their roll out. Big data and customer relationships are playing increasingly important roles in e-commerce, and their combination with artificial intelligence (AI) can help reduce much of the cumbersome work needed to maintain the back end of e-commerce platforms, and help brands create value for their customers and increase competitiveness.

Double 11 Shopping Day

China's e-commerce has become a huge marketing and promotional platform which heavily influences market trends. For us, despite the many challenges, this era brings an opportunity to quickly organize and deploy resources to benefit from the growing volume of transactions.

Among China's promotional sales periods, the biggest of all is Double 11, which has taken place every November 11 over the past nine years. Our

total order value settled through payment gateways on all of our e-commerce channels hit another record high of RMB4.99 billion during 2017's Double 11, which is twice what we generated during Double 11 last year and roughly half of our total GMV for 2016. We processed 12 million orders during 2017's Double 11, 87% more than 2016.

In just eight minutes, total order value exceeded the Double 11 number for 2015, which was over RMB1.1 billion. In less than two hours, total order value surpassed RMB2.5 billion, which was equal to the figure for 2016.

Our edge and value come from our revolutionary end-to-end solutions

Leading brands today expect much more from their e-commerce partners than what Business Process Outsourcing (BPO) providers and pure e-retailers can offer. They expect their partners to provide omni-channel solutions that include the establishment of independent brand online stores; fulfillment services; Online to Offline (O2O) services; connected marketing and retail strategies; supply chain restructuring, optimization, and operations; new generation digital operation platforms; online sales forecasts and replenishment; and technologies such as data analytics and AI. These needs require solution providers to step up their game. In this rapidly developing and fast-changing market, we need to always be conscious of the future and take preemptive action, both for ourselves and for our clients. The brands that work with us expect world-class retail technologies and capabilities.

Since day one, we have dedicated ourselves to the needs of our brand partners. We work closely with them to ensure our direction and thought processes are tightly aligned with their needs, and we continuously invest in supply chain technologies, IT systems, and innovation. In recent years, our investments have focused on in-store IT systems for next generation brands; O2O strategies; inventory integration and digital marketing. These services have proven to be visionary and effective. Our efforts not only ensure the success of our brand partners, but also provide benefits and showcase brand e-commerce to our industry peers.

Small and Medium-sized Enterprises (SMEs) have very different requirements. When it comes to making investments, we carefully assess our ability to provide adaptable, quality and cost-effective services.

Baozun: A clear strategy for branded e-commerce

Baozun is the first choice for leading brands based on its capabilities, scale and speed

We have always adopted a brand-oriented philosophy and approach as we work to continuously improve and innovate our capabilities both vertically and horizontally. Among the top 1,000 brands, Baozun is the first choice because of our mastery of the four "I's" – interpretation, implementation, integration and innovation – and because of our omni-channel solutions. All of this is helping us increase our market share and expand our leading position in the market.

Clear leadership in logistics and supply chain management

Baotong, our wholly-owned warehousing and logistics solutions subsidiary, provides market-leading delivery services and has become one of the foremost brands in the industry. In 2017, Baozun and Baotong launched a new service line and established a consulting service for supply chain management, which will help bring Baotong to the next level as a service provider.

Innovation and technology development in Software as a Service (SaaS)

The Baozun Innovation Center was established in mid-2017. The Innovation Center is leveraging our research and development capabilities to develop new technologies, including computer vision, machine learning and data analytics, which meet the needs of our engineering teams and brand partners. As the foundation of our future technological development, the Innovation Center is creating new dimensions to e-commerce. We are also leveraging the Baozun Innovation Center as a bridge between us and universities and research institutions.

Improvements in digital marketing

We made substantial progress in enhancing our digital marketing capabilities in 2017. Our digital marketing team is stronger than ever, as a result of recruitment and restructuring. We saw improved service revenue, enhanced capabilities, and new solutions in customer relationship management (CRM) and customer experience management (CEM). A number of our successful business cases in which our digital marketing capabilities were applied attracted significant attention from the industry and helped us win a number of awards, including the Alibaba Databank Competition, ROI Festival, Golden Wheat and M-Awards.

Key Strategies for 2018

Invest more in technology to serve clients better

We will invest more in technology, including upgrading our core e-commerce system, internal management systems, next generation business service systems for brands and merchants, and innovative value-added systems based on data analytics and artificial intelligence (AI).

Strengthen the ability to serve large and medium sized customers

We intend to provide more software services to our large and medium-sized brand partners, in addition to retail operations, logistics, IT and digital marketing. These new services will leverage our deep industry experience and knowledge in technological innovation. We believe our services will help brand partners to strengthen their leading market positions and support the evolving transformation of their businesses. Baozun plans to offer more value-added services to our brand partners, including production design automation, retail assortment planning, business intelligence, and other innovative services. By making investments in these areas, Baozun will be able to cross sell and strengthen its capabilities in serving large and medium-sized brand partners.

Serve more clients

With our more than 10 years of brand e-commerce experience, we have been able to transform our experience and knowledge into valuable software products, platforms, services and solutions, providing them to not only large, medium, and small-scale brands, but also merchants. A larger base of clients will help to reduce the costs of technology, and increase scale and profitability.

Strengthen technology innovation and commercialization

We will continue to invest in technology and innovation, which can be seen in the number of patent applications for which we apply. We released several new software products and modules and will continue to do so in the future. In 2018, we are especially focused on commercialization and promotion of these products and services to a larger group of clients.

Making Baozun a better company

We remain firmly committed to being one of the best employers. We are working hard to build a better overall office environment, improve our administration system, make our compensation packages more equitable, and provide greater career advancement by giving employees access to new training opportunities. In addition, our management team is constantly striving to become more active and responsible.

Through our persistence and hard work, we hope to increasingly benefit from the investments we have made and the tremendous opportunities that are being created by the market we are in.

Thank you again for your support of Baozun.

Sincerely,

Vincent Wenbin Qiu
Chairman and Chief Executive Officer

Baozun Inc.

Safe Harbor Statements

This letter contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "target," "going forward," "outlook" and similar statements. Such 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, performance or achievements 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 U.S. Securities and Exchange Commission. The Company does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under law.

About Baozun Inc.

Baozun is the leading brand e-commerce service partner that helps brands execute their e-commerce strategies in China by selling their goods directly to customers online or by providing services to assist with their e-commerce operations. The Company's integrated end-to-end brand e-commerce capabilities encompass all aspects of the e-commerce value chain, covering IT solutions, store operations, digital marketing, customer services, warehousing and fulfillment.

For more information, please visit <http://ir.baozun.com>

For investor and media inquiries, please contact:

Baozun Inc.

Ms. Caroline Dong
ir@baozun.com

Christensen

In China
Mr. Christian Arnell
Phone: +86-10-5900-1548
E-mail: carnell@christensenir.com

In US

Ms. Linda Bergkamp
Phone: +1-480-614-3004
Email: lbergkamp@Christensenir.com

Baozun Inc.