
LETTER FROM CO-FOUNDER, CHAIRMAN AND CEO

Dear Investors,

I am pleased to inform you that we have successfully initiated the Hong Kong IPO process. I would like to thank you for your continuous care and support for Baozun, which is critical for our continued growth.

The rise of e-commerce has transformed not only the world, but also the retail landscape in China. Rapid growth of C2C e-commerce since 2003 has been driving the development of online payment and logistics services. Since 2008, large businesses and brand owners have been attracted to the e-commerce market, which has boosted the growth of B2C e-commerce, particularly brand-owner-to-consumer e-commerce, over the past decade, making it a mainstream retail channel. These trends have profound implications for brand owners and their operating environment. China has the largest online shopping market in the world with gross merchandise value reaching RMB9.9 trillion in 2019, accounting for 24.1% of the total retail sales. We believe that brand e-commerce is a well-trusted e-commerce model that enjoys the fastest growth and highest popularity among consumers.

Traditional brand operations were not designed for e-commerce. As brand e-commerce evolves, conventional business models and supporting systems encounter a number of challenges, including:

- Shift of branding and marketing activities from TV ads and other traditional media to online media and channels, with dual focus on brand awareness and sales growth
- Disruption to the existing retail channel structure and pricing scheme and erosion of traditional offline channels by e-commerce
- Failure of traditional IT systems like ERP in supporting the changing e-commerce and omni-channel marketing, sales and services
- Requirements for enhanced supply-chain capabilities to address the fast, complicated fulfillment needs and cost pressure

In 2007, we founded Baozun envisioning a promising future for brand e-commerce. In the past decade, Baozun played an essential role in helping many brand owners enter the e-commerce market, operate and expand their online business, and build their direct-to-consumer capabilities. Since its inception, Baozun has maintained strong business growth. We have witnessed growth in the number of our employees from a dozen to more than 5,000, the number of our brand partners from one to 250, and our category coverage from one e-commerce vertical to eight verticals. Our annual GMV grew from RMB1 million in the first year to more than RMB44 billion in 2019. In 2013, we expanded our footprint beyond mainland China, with Hong Kong being the first stop.

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Today, we have established cordial and long-standing relationships with 250 international and domestic brands. We have offices in Shanghai, Suzhou, Chengdu, Hong Kong and Taiwan, and plan to establish presence in Singapore, Malaysia, Japan and South Korea, with capability to provide solutions and services to brand owners across Greater China and other countries and regions in Asia.

We endeavor to help brands succeed in the e-commerce market. We have developed end-to-end, omni-channel solutions and operating capabilities by continually responding to brands' demand and proactively innovating in the past decade, and have successfully helped brands to build and expand their e-commerce business. We are able to help brands build and operate official online stores, Tmall and JD.com flagship stores and WeChat Mini Programs, as well as official online stores on the emerging Douyin and Kuaishou platforms. We have also been working with brands to address the challenges posed by the ever-changing e-commerce market to achieve our mutual business strategies and targets.

In 2017, we started our digital marketing business, foreseeing that traditional branding and marketing solutions could no longer meet brands' new marketing needs with the rise of emerging online sales channels. Over the past three years, we have formed a digital marketing team comprised of approximately 300 marketing experts, and established a large-scale digital marketing business. We developed a series of data-based and AI-enabled digital marketing systems to provide brands with support on brand promotion, creative advertising, data analysis, customer relationship management and media placement on various platforms, with dual focus on brand awareness and sales growth. We are able to help brands respond to marketing challenges in the e-commerce era, seize opportunities and unlock growth.

Another glittering example of our value to brand partners in the e-commerce era lies in the supply chain and logistics sphere. With the growing volume of B2C e-commerce, traditional supply chain may not be able to meet the rising demand of brands. For instance, warehousing management for the B2C e-commerce supply chain is fundamentally different from the traditional B2B model in terms of supporting systems, picking path and stocktaking, given the large quantity of mass-market orders, high speed and large volume of inward/outward parcel flows and high proportion of reverse logistics. When planning for warehousing and the distribution chain, different focus should be placed based on the different nature of brands and products, with a general goal to enable delayering, system integration, rapid response and high flexibility. We have been well aware of the unique feature of the brand e-commerce supply chain since our inception. With that in mind, we have been relentlessly investing in technology and innovation and invented a series of reliable supply chain IT systems that can support the sound business development of our brand partners.

We continued to invest in omni-channel capability, technology and innovation this year, which, together with our other efforts, will help brands continue to overcome challenges and capture growth opportunities.

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Entering into 2020, e-commerce, particularly brand e-commerce, is becoming a more significant part of our daily life amid the COVID-19 pandemic. We expect the demand for brand e-commerce to further grow in the future, and we are committed to capturing the growth potential with continuous improvements and innovation. On the other hand, we will further enhance our omni-channel and O2O (online and offline integration) capabilities and boost synergies with offline operations of brands to drive overall growth. We seek to continue to focus on quality growth, selectively pursue strategic alliances and acquisition opportunities and continue our investment in technology and innovation.

Hong Kong's capital market and e-commerce market present us with dual opportunities. We appreciate the opportunities that Hong Kong gives us for secondary listing and for further business expansion. We will remain faithful to our original aspiration and keep our mission firmly in mind while continuing to help brands succeed in e-commerce and promote business integrity.

Vincent Wenbin Qiu

Baozun Co-Founder, Chairman and CEO