Trends in Business-to-Consumer E-Commerce

PRESENTER CLARK MENG | JD.COM

GLOBAL OUTLOOK FOR AQUACULTURE LEADERSHIP
GUANGZHOU, CHINA | DAY 2
HEALTHY FISH | HEALTHY PEOPLE | HEALTHY PLANET
Mr. Clark Meng

• Mr. Clark Meng is general manager of project development in the Fresh Business Unit at JD.com, China’s largest business-to-consumer online retailer by transaction volume and revenue.

• He is responsible for innovation project, management of strategic suppliers, synergy with invested partners, global resources and overseas media for the Fresh Food Division.

• Previously, he worked at Walmart China for 17 years and Amazon for two years, focusing on merchandise management, including merchandising, category planning, strategic supplier development and pricing strategy.

• He graduated from Tangshan University and got his EMBA from CEIBS (China Europe International Business School).
EMBRACE
CHANGE
EMBRACE
INTERNET
JD.COM 京东
Nielsen predicts that China's fresh food e-commerce market will grow to sales of more than US$15 billion in 2017 and more than US$ 22.5 billion by 2018.

Source: Nielsen – China Fresh E-Commerce Development White Paper 2015.10
Target: People Who Care About Life, Safety and Quality

Gender:
- Male: 49%
- Female: 51%

Age:
- 18-25: 19%
- 26-35: 17%
- 36-45: 54%
- 46-55: 6%
- Above 56: 4%

Education:
- Junior School: 9%
- High School: 9%
- College: 12%
- Postgraduate: 12%

Occupation:
- Student: 9%
- White Collar: 10%
- Blue Collar: 11%
- Self-Employed: 9%
- Civil servant: 11%
- Teacher: 10%
- Others: 2%

Income:
- <1K: 2%
- 1K-3.5K: 5%
- 3.5K-6K: 10%
- 6K-8.5K: 15%
- 8.5K-10K: 20%
- 10K-20K: 25%
- Above 20K: 25%

Challenges for Online Fresh E-Commerce in China

1. Low Penetration
   Less than 1% penetration rate means there is enormous room for future growth.

2. Fierce Competition Negative ROI
   Major players have joined the market, but most players have yet to make a profit.

3. Lack of Clear Profitable Models
   Fresh e-commerce requires complex infrastructure, making it difficult to build supply chains and maintain a low spoilage rate. As a result, the industry lacks a clearly defined business model.

4. Numerous Copycats
   For every business model, there are scores of companies targeting similar customer bases with similar product lines.

## Capital Drives Growth of Online Fresh

### Fresh E-Commerce Funding Rounds

<table>
<thead>
<tr>
<th>Company</th>
<th>Investors</th>
<th>Funding (USD)</th>
<th>Stage</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yiguo.com</td>
<td>Alibaba</td>
<td>10M</td>
<td>A</td>
<td>2013</td>
</tr>
<tr>
<td></td>
<td>Alibaba YF Capital</td>
<td>Undisclosed</td>
<td>B</td>
<td>2014</td>
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<tr>
<td>Fields China</td>
<td>Undisclosed</td>
<td>5M</td>
<td>A</td>
<td>2013</td>
</tr>
<tr>
<td>Womai.com</td>
<td>IDG, SAIF Partners</td>
<td>100M</td>
<td>B</td>
<td>2014</td>
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<tr>
<td>Yummy77</td>
<td>Amazon</td>
<td>20M</td>
<td>Undisclosed</td>
<td>2014</td>
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<tr>
<td>Bee Quick</td>
<td>Crystal Stream,</td>
<td>10M</td>
<td>Angel</td>
<td>2014</td>
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<tr>
<td></td>
<td>Sequoia Capital,</td>
<td>20M</td>
<td>A</td>
<td>2014</td>
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<td></td>
<td>Hillhouse, Sequoia</td>
<td>Undisclosed</td>
<td>B</td>
<td>2015</td>
</tr>
<tr>
<td>Fruit Day</td>
<td>JD, SIG, Clearvue</td>
<td>70M</td>
<td>C</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>Undisclosed</td>
<td>100M+</td>
<td>D</td>
<td>2016</td>
</tr>
<tr>
<td>Benlai.com</td>
<td>Undisclosed</td>
<td>10M+</td>
<td>B</td>
<td>2015</td>
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<td></td>
<td>JOYOUNG CO...</td>
<td>100M+</td>
<td>C</td>
<td>2016</td>
</tr>
<tr>
<td>Yiguo.com</td>
<td>KKR, Alibaba</td>
<td>15M+</td>
<td>C</td>
<td>2016</td>
</tr>
<tr>
<td>HeMaXianSheng</td>
<td>Alibaba</td>
<td>150M</td>
<td>A</td>
<td>2016</td>
</tr>
</tbody>
</table>

Source: Compiled from Public Sources
Various Models of Fresh E-commerce

JD Groups and Partners

- JD.COM
- Walmart
- The Store
- YH 永辉超市
- 达达
- 京东到家

Others

- suning.com
- amazon.cn
- 顺丰优选
- 本来生活
- 天猫TMALL.COM
- 易果生鲜

About JD & JD FRESH
JD.com - A Global Leader in E-commerce

2016 Global Fortune 500 Company

Global TOP 10 Internet Company *

Largest Online Retailer in China

Largest Internet Company by Revenue in China

* Calculated by market value
Sustained and Rapid Growth

2016 Q2 Performance

- **GMV**[^1]: USD 24 billion, increase of 47% YoY
- **Net Revenue**: USD 10 billion, increase of 42% YoY
- **Fulfilled Orders**[^2]: 373 million, increase of 56% YoY
- **Active Customer**[^3]: 188 million, increase of 65% YoY
- **Merchants**: 100,000
- **Employees**: 113,679

GMV for the full year of 2015 were **USD 70 billion**, an increase of **78%** from the full year of 2014.

Rapid Growth in GMV

Data source: JD.com’s financial reports, as of June 30, 2016

Unit: USD
Connect people with safe, healthy and delicious fresh food. In Fresh, We Believe!
Our Comprehensive Shopping Platform

- **3C BU**
- **FMCG BU**
- **Fresh Food BU**
- **Home Appliances BU**
- **Apparel and Home Furnishing BU**
- **New Markets Program**

**JD.com** has become China's largest retailer in **mobile phones, digital products** and **computers**. Our sales have surpassed any other platforms' online and offline sales.

- **JD Home Appliance** is now China's largest home appliance channel.

- **JD Mall** has become one of the China's largest retailers of **milk powder, diapers, imported milk, wine** and other fast moving consumer goods both online and offline.

- **JD Apparel** sales grew 100% year-on-year in 2015.

- **JD Fresh Food BU** can leverage JD global industry leading warehousing and delivery network, including a frozen and chilled ecommerce network which is on track to be China's largest, to provide the JD.com guarantee of safe, fresh produce.

- **JD New Markets Program** will help merchants better target new and developing markets within China.
Key Categories Under JD Fresh

- Produce
- Seafood
- Meat
- Chilled & Frozen
Strategic Positioning at JD.com

Link: http://www.jd.com

Apple/Android App Store: JD
JD Fresh Channel Homepage

Link: http://fresh.jd.com
JD.com has a strict zero-tolerance policy toward counterfeit goods. We source products directly from world-leading global brands, and work tirelessly to eliminate counterfeits.
Onsite Inspection to Ensure Food Quality

Work with Top Suppliers Worldwide
Strict Process for Quality Assurance

Basic Qualifications
Operational Ability
Warehouse & Distribution Capacity
Quality Control

Target
Points Earned

Certificated
JD. COM
SHOPS

JD Fresh Food
fresh.jd.com
JD.com's active user base has grown from 118 million in Q2 2015 to 188 million in Q2 2016, a nearly 60% increase in just a year.

Source: JD.com 2015Q2 – 2016Q2 Financial Reports

JD.com's active user base has grown from 118 million in Q2 2015 to 188 million in Q2 2016, a nearly 60% increase in just a year.
Largest ecommerce logistics infrastructure in China

- Over 85% of direct sales orders were delivered with JD's same day- and next-day delivery service in 2015
- Express delivery service has been upgraded to 2 hours
- 234 warehouses
- 6,756 delivery stations, pickup points, and pickup stations in 2,639 counties and districts
- Warehousing facilities covering an area of 5.2 million square meters

The leader in providing small-to-medium sized warehousing, oversized warehousing, cold chain delivery and frozen and chilled warehousing facilities, enabling truly global standard logistics services

Data source: JD.com's financial report, as of June 30, 2016
Competitive Edge – Cold Chain Network

Cities Covered by Cold Chain Network:

100+

Note: Data as of June 30, 2016 (Q2)
Just the Start – 618 Fresh Promotions

500%  In 20 days, JD Fresh Food direct sales orders grew by 500% YoY

1000% On the day, from midnight to 9AM, JD Fresh Food direct sales orders grew by 1,000%

43.5%  43.5% of JD Fresh Food customers are JD Gold and Diamond members
JD Fresh Food has signed cooperative agreements with ambassadors and counselors from 16 countries.
Just the Start – Marketing & Promotion Activities
Engine Starts with Top Brands in the Industry
We Are A Group Of Ordinary People, Trying To Do Something Extraordinary...

In Fresh, We Believe!