

ALIBABA 11.11 SINGLES' DAY GLOBAL SHOPPING FESTIVAL DAY TWO KEY TAKEAWAYS



- Total gross merchandize volume (GMV) reached \$17.8 billion on Singles' Day 2016, up 24% from 2015 and up 32% in local currency (RMB), missing our estimate of \$20 billion. The year-over-year growth rate slowed from last year's significant 54% in 2015.
- Alibaba executives reiterated the role of its Rural Taobao initiative in tapping into the huge underserved rural consumer base in China. Village residents come to the Rural Taobao stations to place online orders with the help of a local Taobao employee. Since its initiation a year and half ago, Alibaba has established 20,000 Rural Taobao stations that serve a rural population of 50 million in China.
- International brands on Tmall and Tmall Global have benefited from participation in Singles' Day 2016. On average, international brands enjoyed a 47% year-over-year sales lift on Singles' Day 2016. International GMV accounted for 27% of the total GMV.

Fung Global Retail & Technology continues to attend the Singles' Day Global Shopping Festival in Shenzhen, China. The day was packed with live demos of Alibaba's cutting-edge innovations, executive briefings and presentations from Alibaba's business partners, all of which were attended by over 600 members of the international media. The global festival in Shenzhen concluded with a media briefing by Founder and Executive Chairman Jack Ma and CEO Daniel Zhang with key statistics released about the past 24 hours.

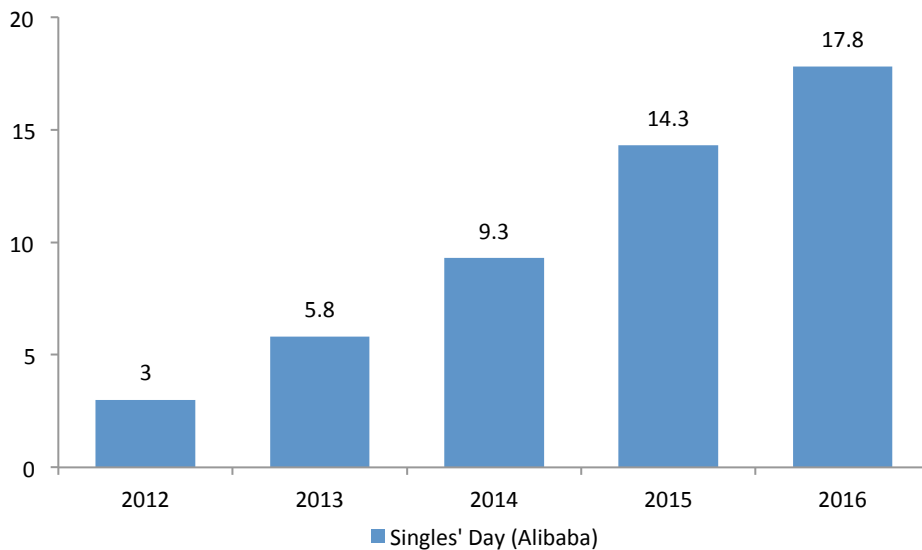
Here are our key takeaways:

Total GMV Misses Our Estimate, as Alibaba Takes a More Long-Term Approach to Its Overall Growth Strategy

Some key statistics of the past 24-hour period include:

- Total GMV was \$17.8 billion (RMB120.7 billion) for Singles’ Day 2016, up 24% in USD and up 32% in RMB from 2015, missing our estimate of \$20 billion. The growth rate slowed from the whopping 54% year-over-year growth in 2015.
- Mobile penetration on Singles’ Day was 82%, compared to 68% the previous year.
- AliPay-settled transactions reached \$14.6 billion or RMB99 billion, which accounted for 82% of the total GMV, up 69% from last year.
- About 657 million delivery orders were made, up 41% from last year’s 467 million packages; this is more than the 630 million packages UPS delivered between Black Friday and New Year’s Eve in the US. According to Jack Ma, Founder and Executive Chairman of Alibaba Group, this volume of orders is likely to test the limit of China’s logistics infrastructure.
- Globalization was demonstrated by statistics: international GMV accounted for 27% of the total GMV on Singles’ Day; More than 47 million, or 37% of shoppers, purchased international brands. Cross-border transactions occurred in 235 countries and regions globally.
- At the peak, 120,000 transactions were processed for AliPay, and 175,000 transactions were processed for Alibaba Clouds.

Figure 1: Online Gross Merchandise Volume on Singles’ Day for Alibaba, 2012-16 (in Billions USD)



Source: Alibaba Group



Source: Fung Global Retail & Technology

Rural Taobao a Key Growth Strategy that Aims to Serve the Untapped 600-Million Rural Consumer Base in China

Alibaba executives reiterated the role of its Rural Taobao initiative in tapping into a huge underserved consumer base in China. Village residents come to the Rural Taobao stations to place online orders with the help of a local Taobao employee.

Since its initiation a year and half ago, Alibaba has established 20,000 Rural Taobao stations that serve the 50-million rural population in China. The commercial significance of Rural Taobao is twofold: 1) it gives rural Chinese people access to quality consumer products that are otherwise unavailable to the regions; and 2) rural villagers gain access to a platform to sell local farm products to the rest of the country via e-commerce. Over time, Rural Taobao stations have also become a convening space where local events are held and services are delivered. For example, Rural Taobao stations provide remote online education to local children and host dance classes for local women.

International Merchants on Tmall and Tmall Global Enjoyed Significant Growth on Singles' Day 2016

International brands on Tmall and Tmall Global benefited from participation in Singles' Day. On average, international brands enjoyed a 47% year-over-year sales lift this year. International GMV accounted for 27% of the total GMV on Singles' Day. We continue to see a strong desire for international brands from Chinese consumers. More than 47 million users, or 37% of Singles' Day shoppers, purchased international brands.

Cross-Border E-commerce Site AliExpress a Critical Property for Alibaba to Expand its Global Shopper Base

Alibaba's cross-border e-commerce site AliExpress is critical in realizing Alibaba's globalization strategy, part of which is to sell Chinese goods globally and to establish a significant local merchant base in international markets. As Alibaba masters the Chinese consumer markets, it is hoping to use this expertise to serve similar markets where the middle-class consumer base is growing and demand for quality foreign brands is rising, as Michael Evans, President of Alibaba noted.

The AliExpress site offers over 100 million SKUs to 243 countries and regions. The site is operated in 17 languages. The AliExpress' mobile app is the number-one shopping app in many international markets. Michael Evans, President of Alibaba, identified Russia as the top country for sales generated on AliExpress. Citing the lack of consumer goods

manufacturing capabilities, Evans highlighted the untapped consumer demand for Chinese goods in Russia and how AliExpress has been able to serve the consumer there.

For Singles' Day promotions, AliExpress established offline showrooms in Moscow where local consumers could scan QR codes and shop on AliExpress' mobile app. Alibaba also promoted Singles' Day deals on AliExpress in subways in Spain.



Source: Fung Global Retail & Technology

Live Demos of Alibaba's Cutting-edge Technologies Showcased the Company's Commitment to Innovation

There were a number of presentations and demo sessions dedicated to technology at this year's Singles' Day event. Brian Wong, Group Vice President of Global Initiatives, led a tour of Alibaba's innovation ecosystem exhibition at the media center, where the company showcased its cloud capabilities, experiments for a smart city in Hangzhou, an Alibaba-owned smart lifestyle ecosystem, virtual reality (VR) applications in its logistics network Cioniao and a facial recognition powered payment system, among others. During a live Buy+ VR shopping demo, over 600 international journalists experienced the end-to-end virtual shopping experience firsthand. For innovative product displays, a scientist from Alibaba's research lab introduced different ways brands can create 3D models using VR technology to create more realistic product displays for e-commerce merchants.



FLASH REPORT

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