

BZUN Earnings Call Transcript

Date: 2025-11-25

Quarter: 3

Operator: Good morning, ladies and gentlemen, and thank you for standing by for Baozun's Third Quarter 2025 Earnings Conference Call. [Operator Instructions] As a reminder, today's conference call is being recorded. I will now turn the meeting over to your host for today's call, Ms. Wendy Sun, Senior Director of Corporate Development and Investor Relations of Baozun. Please proceed, Wendy.

Wendy Sun: Thank you, operator. Hello, everyone, and thank you for joining us today. Our third quarter 2025 earnings release was distributed earlier before this call and is available on our IR website at ir.baozun.com as well as on PR Newswire services. We have also posted a PowerPoint presentation that accompanies our comments to the same IR website where they are available for your download. On the call today from Baozun, we have Mr. Vincent Qiu, Chairman and Chief Executive Officer; Ms. Catherine Zhu, our Chief Financial Officer; Mr. Junhua Wu, Director and Chief Strategy Officer of Baozun Group, and Mr. Ken Huang, Chief Financial Officer of Baozun Brand Management. Mr. Qiu will first share our business strategy and company highlights. Ms. Zhu will then discuss our financials and outlook, followed by Mr. Wu and Mr. Huang, who will share more about our e-commerce and brand management segment, respectively. They will all be available to answer your questions during the Q&A session that follows. Before we begin, I would like to remind you that this conference call contains forward-looking statements within the meaning of the U.S. Securities Act of 1933 as amended, the U.S. Securities Exchange Act of 1934 as amended, and the U.S. 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 United States Securities and Exchange Commission and its announcement notice or other documents published on the website of Stock Exchange of Hong Kong Limited. All information provided in this call is as of the date hereof and is based on assumptions that the company believes to be reasonable as of this date, and the company does not undertake any obligation to update any forward-looking statements, except as required under applicable law. Finally, please note that unless otherwise stated, all figures mentioned during this call are in RMB. You may now turn to Slide #2 for the executive highlights for the quarter. It is now my pleasure to introduce our Chairman and Chief Executive Officer, Mr. Vincent Qiu. Vincent, please go ahead.

Wenbin Qiu: Thank you, Wendy. Hello, everyone, and thank you all for your time. I'm pleased that Baozun is advancing its strategic transformation with steady momentum, delivering a strong quarter marked by 5% total revenue growth and a big improvement in profitability. Fueled by strong gross margin expansion, our non-GAAP operating loss narrowed to RMB 11 million from RMB 85 million a year ago. These results show that our transformation is effective and demonstrate the strength of our business model. Both of our 2 core engines are driving this success. BEC's solid execution and growing agility continue to deliver strong results this quarter. Building on the 56% year-over-year increase in adjusted operating profit from Q2, BEC achieved its most profitable third quarter in recent years with non-GAAP operating profit of RMB 28 million compared with operating loss of RMB 30 million a year ago. This significant improvement in profitability, along with 6% services revenue growth and strong

gains in creative content and marketplace connectivity shows that BEC is now more agile and efficient. BBM continued with strong top line growth with revenue up to 20% year-over-year, driven by impactful merchandising and marketing initiatives. This quarter, we engaged our first Gap China brand ambassador, a top-tier actor with 30 million followers on Weibo and 8 million on Douyin. We also launched a series of marketing campaigns and themed products to deepen emotional connections with local consumers. Hunter continued its brand momentum and opened our new store in Qingdao, bringing Hunter's total offline stores to 8, including 5 in China and 3 in Southeast Asia. These efforts contribute to sales growth, stronger gross margin and improved overall profitability for BBM. In summary, we are firmly on track with our strategic transformation. With a resilient e-commerce foundation, accelerating brand management momentum and the technology as our catalyst, we believe 2025 is a highly productive building phase. We anticipate 2026 to mark our inflection point, shifting from transformation investment to sustained profitable growth. Now I will hand the call over to our team for a deeper dive into our financials and the business performances.

Catherine Yanjie Zhu: Thanks, Vincent, and hello, everyone. Now let me provide a more detailed overview of financial results for the third quarter of 2025. Please turn to Slide #3. Baozun Group's total net revenues for the third quarter of 2025 increased by 5% year-over-year to RMB 2.2 billion. Of this total, E-Commerce revenue grew by 2.4% to RMB 1.8 billion, while Brand Management revenue rose by 20% to RMB 396 million. Breaking down E-Commerce revenue by business model, services revenue increased 6.3% year-over-year to RMB 1.4 billion. This increase was driven by revenue growth in online store operations and digital marketing and IT solutions. BEC product sales revenue decreased 8.9% year-over-year to RMB 413.4 million, mainly due to decline in Appliances, and Health and Nutrition categories. BBM product sales totaled RMB 395.2 million, representing a 20% year-over-year growth. This growth was mainly driven by the strong performance of the Gap brand. Please turn to Slide #4. From a profitability perspective, our blended gross margin for product sales at the group level was 34.3%, an expansion of 620 basis points year-over-year. Gross profit increased by 26.1% year-over-year to RMB 277.4 million for the quarter. Breaking this down by our key business lines. Gross margin for E-Commerce product sales expanded to 13.1%, reflecting a 300 basis point improvement compared to 10.2% a year ago. This margin expansion was primarily driven by product mix diversification consistent with our progress throughout the year. Gross margin for BBM was 56.5% compared with 52.8% a year ago, reflecting the success of merchandising and marketing initiatives of BBM. Now please turn to Slide #5 for a walk-through of our OpEx. Sales and marketing expenses increased by 10.7% to RMB 886.6 million. This included an increase of RMB 67.5 million for BEC, which was mainly due to higher spending on creative content on Douyin and RedNote, and more revenue contribution from digital marketing for BEC during the quarter. BBM sales and marketing expenses increased by RMB 18.8 million due to higher front-end expenses from expanded offline network and more marketing initiatives for BBM during the quarter. Fulfillment cost for the quarter was reduced by 4.5% to RMB 495.9 million, reflecting our ongoing efforts in cost optimization. Technology and content expenses decreased by 18.2% to RMB 115.2 million as we continue to enhance tech monetization efficiency. G&A; expenses decreased by 4.4% to RMB 168.9 million, primarily attributable to our ongoing efforts in efficiency enhancement and cost optimization. Turning to bottom line items, please refer to Slide #6. During the quarter, our non-GAAP loss from operations was RMB 10.8 million, a sharp improvement from RMB 85.2 million in the same period of last year. BEC's adjusted non-GAAP income from operations was RMB 28.1 million, while non-GAAP loss from operations was RMB 29.8 million a year ago. BBM reported a non-GAAP operating loss of RMB 38.7 million, an improvement of 30% compared to the same period of last year. As of September 30, 2025, our cash and cash equivalents, restricted cash and short-term investments totaled RMB 2.7 billion. Lastly, I'd like to quickly address an accounting update on the balance sheet to reflect expiration of options related to the Cainiao minority investment in Baotong, our warehouse and logistics business. According to the agreement with Cainiao, if certain triggering events occur, Cainiao had the right to exercise a put option requiring Baotong to redeem Baotong's shares within 12 months starting from August 2024. As a result, this investment was originally recorded as redeemable noncontrolling interest, which is a complex financial instrument classified between liabilities and equity. With these options expiring during the third quarter, the investment has now been reclassified as noncontrolling interest and equity item. Following

this accounting adjustment, our total equity increased to RMB 5.5 billion compared with RMB 4 billion in the previous quarter. Importantly, this adjustment has no impact on our warehouse and logistics operations. Let me now pass the call over to Junhua to update you on BEC, our E-Commerce business.

Junhua Wu: Thanks, Catherine, and hello, everyone. I'm pleased to share our progress and achievements for the third quarter. Building on the momentum established in the first half of the year, we continued advancing our strategic priorities with a clear focus on sustainable profitability and growth. As previously outlined, our 2025 roadmap follows a clear progression, Q1 for adjustment, Q2 for stabilization, and the second half for acceleration. I'm pleased to report that Q3 delivered meaningful progress across key business segments. BEC posted solid performance with a stabilizing revenue based a significantly improved revenue mix and quality, leading to a notable improvement in profitability. On a non-GAAP basis, operating profit reached RMB 28 million, making the most profitable third quarter in the recent years for BEC. Please turn to Slide #7. BEC product sales declined by 9% this quarter, reflecting our transition strategy towards a quality-driven portfolio, optimizing selected clients in the Health and Nutrition category and shifting certain clients in Beauty and Cosmetics category from a DC mode to a service model. In the Appliances category, top line softness persisted as we prioritize profitability over volume. These adjustments followed a thorough review of each segment's market dynamics and have led to stronger profitability under a distribution model. As a result, BEC delivered a 300 basis point improvement in gross profit margin to 13.1% for product sales. Just as importantly, enhancements in procurement discipline and turnaround management drove nearly a 20% improvement in inventory turnover days, enabling us to maintain a healthy and efficient inventory levels. In addition, we remain focused on building a more sustainable and quality-driven distribution portfolio. During the quarter, we achieved healthy growth in Beauty and Cosmetics, Alcohol and Apparel categories. Notably, we are expanding our pipeline into nonstandard categories, including Apparel within distribution mode. By leveraging our Brand Management expertise in our core category, we are increasingly able to apply deeper expertise and a more brand owner-oriented mindset. Looking ahead, we expect BEC product sales to return to top line growth in 2026. Turning to Slide #8. Our services revenue grew by 6% in the third quarter, primarily driven by strong performance from online store operations, which saw 16% growth and a 6% growth in DM and IT solutions. Within online store operations, the core apparel and accessory category was a key driver with all key segments generating encouraging top line growth. The strong performance of our services mode reflects how we have advanced the brand empowerment by utilizing our data-driven insights and expertise, and capturing opportunities from ever-changing industry dynamics. We remain committed to leading innovation in creative content as these are critical for consumer engagement and traffic attraction. On RedNote, we plant content seeds to drive interest and brand awareness, which enhances emotional connection and refines the consumer shopping experience. Furthermore, by leveraging enhanced connectivity between marketplaces such as the Tmall Red Cat and JD R.E.D. Jean collaborations, we help brands to generate better marketing conversion and sales performance. This quarter, we were accredited as a premium service partner, further validating our leadership position on this viral live platform and building on our earlier designation as one of the first batch of Red partners in February. On Douyin, we continue to pioneer live stream content and formats, including scenario-based showcases and celebrity collaborations to drive quality business contribution to our brands. In mid-September, we successfully partnered with a leading international electronics brand to launch its flagship stores to further enhance the brand's cultural engagement and product promotion. This initiative was immediately effective. Within a month, we helped the brand gain 3 million consumer followers and achieved the #1 GMV ranking in its category. We are proud to continue setting new industry benchmarks for Douyin brand e-commerce. Overall, this quarter is another solid quarter for BEC, marked by a return to profitability in a lower seasonality quarter, which demonstrates the effectiveness of our strategic focus on sustainable and high-quality growth. We are actively driving the bottom line through efficiency enhancing measures, including the ongoing application of artificial intelligence and automation tools as well as our lean cost control initiatives. We are confident that the foundation built throughout 2025 will continue to accelerate our momentum and deliver long-term value. Now I'll pass to Ken for an update on BBM.

Ken Huang: Thank you, team, and hello, everyone. Please turn to Slide #9 for BBM's performance in

the third quarter of 2025. I'm pleased to share that BBM maintained its strong growth momentum this quarter with total revenue growing 20% year-over-year to RMB 396 million. The strong growth was driven by improvements across key operating metrics, including same-store sales, traffic, average transaction value and network expansion. Overall, Gap's same-store sales growth was 7% for the quarter. Gross profit for BBM totaled RMB 223 million, an increase of 28% year-over-year, with gross profit margin expanding to 56.5%, up 370 basis points from 52.8% a year ago. This margin expansion, along with strong top line growth, highlights the effectiveness of our merchandising and marketing initiatives. The higher gross profits, combined with improved operating efficiency, further enhanced our overall profitability. As a result, BBM's non-GAAP operating loss for the quarter improved by 30% to RMB 39 million from RMB 55 million in the same period of last year. Now let me expand on our key initiatives for Gap China in the third quarter. First, marketing, as we made a major leap forward in brand storytelling and culture engagement this quarter. On September 15, we announced the appointment of Cheng Yi, one of China's most acclaimed actors, as the inaugural brand ambassador for Gap China. In accordance, we launched Mind the Gap, Bridge the Gap campaign using music as a bridge to engage younger audiences and reintroduce Gap as a comfort, confident, modern lifestyle brand. We also introduced the Gap Club Capsule collection and upgraded the brand image in our offline stores to reflect stronger creative energy and local relevance. To provide immersive experiences, we hosted 2 pop-up experience stores, one in Shanghai's Anfu Road and one on Shenzhen COCO Park, both featuring live performance, vinyl shops and art collaborations, successfully merging lifestyle and fashion. In this campaign, we also introduced innovative interactions with social PGC and UGC content. These efforts helped us attract more customers, strengthen brand awareness and deliver meaningful business results. In total, the campaign had more than 1.2 billion impression, 9 million interactions and 176,000 new followers. These efforts also drove a 25% increase in young customers and strengthened Gap's position as an authentic and aspirational brand for China's younger generation. Meanwhile, we continue to work closely with Gap Inc. to capitalize on its global marketing assets and upward momentum. This August, Gap Inc. partnered with KATSEYE on the Better in Denim campaign, blending Gap's iconic timeless denim with KATSEYE's contemporary and education sensibilities. And China is one of the few countries that offer KATSEYE's exclusive products to the market, also achieved a very satisfying result. Second, merchandising, which remains the core engine of our growth. We continuously sharpened the product offerings and introduced a higher mix of online exclusive and segmented products across different marketplaces over the summer and fall. We also deepened the collaboration with major platforms through exclusive assortments and joint marketing programs such as Tmall Fashion Show and Douyin Super Brand Day. This tailored e-commerce strategy, coupled with our participation in platform promotional events, accelerated traffic and conversion growth. At the same time, our improved supply chain ensured fast and localized fulfillment. We believe that our agility and flexibility in shifting between online and offline channels has become an important competitive advantage. From a channel perspective, we continue to expand our physical presence. For Gap, we opened 11 new stores in Tier 1 and Tier 2 cities, including Guangzhou and Yichang, while closing 4 low productivity stores. We also started to remodel existing stores in Wuhan and Wuxi this quarter to upgrade our store image, visual merchandising and the customers' experience. This brought the total number of Gap stores to 163 by the end of this third quarter. Together with Hunter's network expansion, our Baozun brand management offline portfolio now stands at 171 stores. In addition, we hosted a National Partner Conference in September, convening a dozen top-tier business partners, which cover all important provinces. Notably, half of these partners were new with strong brand portfolio and operating expertise in their regions. Cooperations with these new partners also aligned with our expansion plan by enhancing our business in the key cities in North, Southwest and South China. This event allowed our partners to directly experience our ascending brand influence and our marketing product and channel strategy in the coming year. Their positive feedback reaffirmed the strong partners' confidence in our brand direction. In summary, BBM delivered another quarter of healthy growth and brand revitalization. Furthermore, our integrated marketing campaigns have laid a solid foundation for the Gap brand to further unlock market potential. This was evident in the big improvements in brand rankings across all key divisions, men's, women's and kids during the most recent Double 11 campaign. This success places us on track to achieve Gap's first breakeven quarter

in the upcoming fourth quarter. With both Gap and Hunter building stronger emotional relevance and culture momentum, we are confident in sustaining our growth through year-end and beyond. That concludes our prepared remarks. Thank you. Operator, we are now ready to begin the Q&A session.

Operator: [Operator Instructions] Our first question comes from Alicia Yap with Citigroup.

Alicia Yap: Congrats on the solid results. Two questions. First, can you provide some observations on the latest consumer sentiment? So have you seen any shift of the consumer spending behavior recently, especially with the recent Singles' Day promotions? Any change of the consumer preference in terms of the purchase willingness? And then categories that you have seen doing better than you previously expected, and also categories that performing worse than you anticipated? And then also, what are the brands -- how are the brands' willingness to spend on the marketing budget during this year's Singles' Day? How should we be thinking about the impact from the Singles' Day to the fourth quarter outlook? And then second question is, I know it's a little bit early, but then any comments on the 2026 outlook in terms of your different business segments? And also, what are your top strategic priorities? For example, is there any target for margin expansions or any of these brand expansions? And also, how AI will play a role in helping you to achieve some of your 2026 priorities?

Junhua Wu: Okay. This is Junhua. So let me address your first question, and maybe Vincent can address the second one. So in terms of the latest consumer sentiment, from our perspective, according to the just finished Double 11, so we realize that the consumer sentiment is getting better. So you can see a lot of consumers, they are paying for value. So they are not just -- they are being very targeted. They know what they want and they wait until all those kind of the values and profitabilities from the brand and all those coupons are addressed. So especially with the recent promotion, we can definitely expect a very strong finish for the Double 11 this year. And from the preference, so as far as our observation, so it's still towards the sports category and apparel category and the FMCG category follows. So if you're talking about some kind of the categories performing worse than we anticipated, I would say, after the pullback of the subsidiaries of the home appliance category, so consumers rather to wait for another kind of benefit from the platform and from another support when their subsidiaries are supported. But the willingness of the consuming power is still getting stronger and the willingness of the brand in spending marketing budget and allocate our new inventory is getting stronger. So after 6/18 this year and after Double 11, we are saying that we definitely can expect a stronger support in terms of the marketing fee from the brand perspective and the inventory allocation for the new year. A lot of brands during this past Double 11, they are focused on their P&L; rather than the GMV growth. So a lot of our brand partners, they have increased their P&L; to several point percent and which maybe lead better results from their global strategy. So that's my answer for the first question.

Wenbin Qiu: Okay. Thank you for the question. This is Vincent. And I think your second question about our strategies is a very important question. Basically, we have 2 business divisions or units, BEC and BBM. One by one, for BEC, I think next year, the most important job for them to do is to expand the margin, and in the meanwhile, to optimize the cost efficiency. I think these 2 are very important. So for the margin expansion part, we are doing more and more distribution model. We are taking more ownership in the process of the sales, trying to get better margin. That is one side. The other side is that we are initiating a lot of these kind of lean operation initiatives to help us to get a better cost. So it is to do more with less strategy for BEC. On the other hand, we have the BBM business, which the priorities are quite different. So firstly, for the existing brands like Gap, Hunter and others, we are trying to make every brand to be successful business operations. That is very important, not only for the quarter-to-quarter business performance, but also for the future potential of how many and how well we can work with the other brands. So the first priority for the BBM is doing well for each brand. The second thing is that we are trying to develop the synergy between BBM and the BEC, trying to convene more and more knowledge, experiences and mechanisms to BEC to enable them to have more ownership in the distribution business. More ownership always means more margin and puts more potential on profitability. So that is very important. Because in the past 3 years, we spent a lot of time and energy in BBM and we gained, as a group, a lot of solid experiences, how to do higher ownership business. So this kind of knowledge, experience and mechanisms can transfer to BEC to make them a better potential to do this kind of high-quality distribution business, especially in the softer goods sections categories. So in the past more than 1 year, we have some of the experiments. We have

several projects, which is quite more, apparel, fashion products, distribution model. They are very successful. So next year, we're trying to expand this model into more brands. So we are expecting a huge potential of growth for this soft goods distribution model. So this gives us a huge potential space to grow the business, not only the top line, but more importantly on the margin expansion side. So that is basically our plan for 2026 and the years ahead. So for the -- of course, we are actively looking for brands for the BBM portfolio. But I think we'll be very careful in bringing new brands in to make sure we have a good chance to be successful each brand, as I mentioned, for the first priority. And also, we are investing in data warehouse, AI, all these kind of technology factors, and we are seeing yields from these efforts and investments. We are going to do this in the future as well. So all these kind of technology, AI capability and data warehouse can contribute in the future. So synergy between BBM and BEC is very important. Just like what Ken just said, Mind the Gap, Bridge the Gap, yes. So BEC and BBM are getting more and more as one.

Operator: And the next question comes from Yin Jiawei with CITIC.

Jiawei Yin: Congratulations on this quarter's strong performance. I have 2 questions regarding BEC. The first question is that, as we have seen recently, premium consumption has shown signs of stabilizing and recovering. Has the company's relevant categories benefited from this trend? And my second question is, in recent years, the growth gap between content e-commerce and traditional e-commerce has narrowed. Meanwhile, China's online traffic and sales channels has become more diversified. With emerging platforms like RedNote and Bilibili, how does the company view the strategic shift brands should make? And how is Baozun adapting to this change?

Junhua Wu: Okay. Let me address your 2 questions. The first one is a very positive answer. So yes. So premium luxury category is still taking the lead of the result, especially after Double 11. So I can make one example about a leading American premium brand, which maintains a 60% Y-o-Y, and the pattern keeps going for the past 3 years. So in this category, if you want to drive a higher margin, a higher GMV, it's not relied on listing more products online, it relies on the content-driven, how do you want to just set up the emotion linkage before making transactions. So I cannot review a lot of details, but if you have the chance to go to our live stream studio for that brand, you can see that. They are scenario-based. They are building a lot of different scenes for selling total look instead of a single article for top or for bottom. So the luxury and premium category, they can provide a very big value for consumers to purchase, and they can provide a lot of history, the brand storytelling, a lot of things. So this is very much promising in the future. And we realize that the consumer shopping is pay for value. So they rather wait until the good momentum and a good window to shop in all those premium and luxury brands. And the second question is related to content e-commerce and traditional e-commerce. So I mean, for the past 2, 3 years, there's no such thing to separate the content with the traditional e-commerce. They are merging together. They are interweaved with each other. You need to just build up the content before making transactions, not just getting the traffic to your store and let them convert. So the RedNote, before they had the Red Cat initiative, they were the UGC platform. That was the pure content. And in the past 6/18, their initiatives, all those RedCat initiatives link all those content to the transaction, which makes that the brands are shifting their strategy, putting a lot of marketing fee and marketing spending into an ROI-driven kind of the initiatives. So more and more brands realize that investing in content and getting more investment into the content creation, set up the emotion linkage is the key, because we can trace all those content, how much ROI can be driven from those content to the transaction. So we are providing -- the platforms are also providing a lot of tools and mechanism to validate all those kind of investments from the marketing to EC operations. So if in the future we believe that in that marketing and EC operation they are going to be rebudgeting for the future growth, from the brand perspective, you need to just harmonize the marketing spending and the EC operation, not just inside performance marketing driving traffic, but also invest in the content to drive from the content to transactions. Yes, that's my answer for 2 questions.

Operator: And the next question comes from Joanna Ma with CMBI.

Joanna Ma: Congratulations on a strong quarter. So I have 2 questions. The first is regarding what can management share with us regarding your revenue and profitability outlook in the last quarter and also for the full year '26. While my second question is, can management share with us your development plan for BBM business in the full year '26, both regarding Gap, Hunter and other new initiatives?

Wenbin Qiu: Okay. This is Vincent. Let me answer these questions. For the first one, right now, we are already in late November. So we can see that from day-to-day business management and updates, we are quite confident for both BEC and BBM results in the coming quarter. We are trying to deliver another solid quarter in the near future. So, so far, I think it is quite on track, and we are quite confident for the results. For the coming year, 2026, we are hoping that both business with its performance and also with the synergy in between to be developed, we are expecting a big improvement in profitability for the whole business. Separately, BEC, we are expecting big improvements and also BBM because we are developing synergy. So in general, we are expecting big improvements for profitability. For the BBM business, as I just mentioned, the priority is that we just make each of the single brand to achieve the expectations and plan we made for this year and next and in the coming 3 years. And also, we are developing a synergy between BEC and the BBM. Certainly, we'll be actively looking for new opportunities, but we'll be very careful in bringing in new brands. So that is about the BBM strategy. Yes.

Operator: [Operator Instructions] Our next question comes from [Tao Xiaoming] with Huatai Securities.

Unknown Analyst: I have 2 questions. The first question is about quick commerce. Driven by the traffic from Taobao's quick commerce on the main app, Taobao's DAU recorded a noticeable year-on-year increase in third quarter with further momentum continuing into 4Q. Have we observed any positive impact from the increase in Taobao main site traffic on our third quarter performance, and in which aspect is this mainly reflected? And looking ahead to fourth quarter, should we expect any sustained positive influence or some potential action on the quick commerce? And my second question is about the recent new regulation on advertising spend and tax. Some of our brands under our portfolio in the beauty category, the new tax policy introduced updated requirements on advertising spending. Have we seen any impact on our advertising operations so far? How should we assess the potential magnitude and extent of this policy's impact on revenue and profitability going forward?

Junhua Wu: Okay. Thank you for the question. This is Junhua. Let me address your 2 questions. The first one is related to the instant shopping, quick commerce. So when you're talking about the instant shopping, you need to talk about the categories. The category really just have that business nature, like FMCG, food, wine, some kind of category, they are more related to the instant shopping. So this is not our majority battlefield in the Baozun BEC business growth. We are in the fashion business, in the luxury business, electronic devices. Some of our FMCG and wine brands, they are pilot run and they devote themselves into the quick commerce. But it's very hard for us to imagine a premium luxury brand listing their products next to, for example, like birth control products. So that scenario is not our majority part of the battlefield. And this is the second one. The second one is the traffic pool from the instant shopping to the Tmall and Taobao, they are very different. So they are personalized to a very targeted traffic into different brands. So we are not targeting all those instant shopping traffic rather than we just targeted the OAIP. So we need to just spend our money wisely in the big pool. So we are focused on more the top tier, I mean, the 300 million among the 800 million traffic among all the Tmall, for example. So this is our target traffic, not the instant shopping traffic. That's the first one. The second one, you mentioned about especially the cosmetics category because we realize that in that category, the marketing spending is mostly bigger than the other categories. But after the pandemic, all the brands are spending their money wisely. So even in the cosmetics brand, the brand doesn't really just spend that much pie like years ago. So within the regulation and policy, we have not realized any kind of impact about the regulation to us. So the brands in that category, also the other categories also still maintain a decent and very logical investment proportion among their GMV.

Operator: And the last question comes from Yin Jiawei with CITIC.

Jiawei Yin: I have one question regarding BBM. In September, Gap has signed a top-tier brand ambassador, and the Brand Management business also delivered a strong growth this quarter. So what impact has this collaboration had on Gap's brand awareness and user profile? And has there been any synergetic sales growth in other business lines like children's wear? And what is the company's long-term view on Gap's profit potential and the development vision?

Ken Huang: Thank you for the question. This is Ken. I will answer your question. Firstly, as I mentioned

before, in this campaign, we attracted more customers from the younger generations, 25% increase. It's not only increase in the young generation, but in the whole customer base, we see a big increase in all the APL customer base. And more importantly, we see a lot of new UGC content in the social media. Our brand and our products are discussed within the young generations and our consumers. And this campaign also helped us to promote our key category products, especially denim and sweatshirt. Our ambassador wears different colors, different fit, style, logo sweatshirts during the campaign. It helped us further strengthen the brand awareness and the key product awareness to the market. And second, for the kids and baby business, we do see that synergy, because kids and baby is a very strong division of Gap brand. And it's also our advantage because nearly all our stores sell both adult and kids and baby products. So this can be proved from our increase of our units per transaction. So we see more family customers also shop both adult and kids products at the same time. And for your last question about Gap's future profit potential, I think by capitalizing this marketing asset of this full campaign, we will continue using our winning formula to continue to expand our customer base, brand and sales in the coming quarters and the coming year. So we expect to continue our double-digit growth in Q4, around 20% increase. And for next year, we also expect a continuous double-digit increase in our sales. In Q4, we will also introduce our new store image. So with this new store image, we expect a bigger store sales productivity in our new store format in next year. So we will further accelerate our store expansion, keep the momentum of sales growth in both scale and unit stores, which in total, I think, will help us to improve the profit.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Ms. Wendy Sun for any closing remarks.

Wendy Sun: Thank you, operator. On behalf of the Baozun management team, we'd like to thank you again for your participation in today's call. If you require any further information, feel free to reach out to us. Thank you for joining us today. This concludes the call.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.