Logistics in China: Scale and Uniqueness

Logistics in China is vast, complex and unique. China’s logistics infrastructure and network already exist. Rebuilding it completely is unnecessary.

2015 China’s daily package volume: ~57 million (3)
2015 US’ daily package volume: ~35 million (3)

China’s estimated daily package volume in 2020: 145 million (3)

143 cities with 1mn+ population (1)
10 cities with 1mn+ population (2)
Platform approach is the only solution in China

We believe a data-driven platform is the only way to solve the coverage and complexity issues in China logistics.

Note (1): JD.com’s core GMV in US$ in year 2015, as reported in JD.com’s 2015 Annual Report.
(2): Average daily orders fulfilled for core business in year 2015, according to JD.com’s 2015 Annual Report.
(3) Headcount as of December 2015, according to JD.com’s 2015 Annual Report.
(4): Alibaba’s China retail marketplaces GMV in US$ in fiscal year 2016, as reported in Alibaba’s Fiscal Year 2016 Annual Report.
(5): Average daily package volume of Alibaba’s China retail marketplaces in fiscal year 2016, according to Alibaba’s Fiscal Year 2016 Annual Report.
(7): GMV in year 2015, according to Morgan Stanley research.
(8): Headcount as of December 2015, according to Amazon’s 2015 Annual Report.
Through a data-driven platform approach, Cainiao solves problems and creates value for logistics partners and merchants, transforming logistics in China.

**Challenges Faced by Logistics in China**

**Large merchants**
- Lack of data to forecast inventory size and location
- Lack of omni-channel management

**Medium-size merchants**
- Lack of supply chain management tools
- Lack of connected nationwide warehousing network
- Low inventory turnover

**Small merchants**
- Lack of data to provide reliable and customized logistics services
- Lack of resources to build warehouses
- Difficult to differentiate services
- Difficult to optimize operational efficiency

**Logistics service providers**
- Difficult to optimize operational efficiency
Cainiao – A Logistics Data Platform

Cainiao is not a traditional logistics company. Cainiao leverages the capacity and capabilities of logistics partners and empowers the logistics ecosystem through data, standards and collaboration.

Establish standards by data

Develop an infrastructure network by connecting partners’ resources

Empower merchants and logistics partners and improve efficiency through data
Cainiao’s Service Offerings

- Assisted delivery
- End-to-end logistics solutions
- Network Extension
- Crossborder
- Last-mile
- Rural
Assisted-Delivery - Empowering Express Courier Companies

Service offerings:
- **Basic Services**
  - Cainiao E-Shipping Label
  - Level 4 and Level 5 Address Database

- **Value Added Services**
  - Smart Routing
  - Logistics Radar Portal
  - Express Delivery Eagle Eye

Achievements:
- **Level 4 Address Database Penetration**
  - ~80%

- **Sorting Error Rate Reduction**
  - ~67%+

- **Cainiao E-Shipping Label Penetration**
  - ~80%

- **Smart Routing Accuracy**
  - 98%+

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1. As of May 2016, represents consumer addresses in Level 4 format as a percentage of total addresses on Alibaba’s China retail marketplaces.
2. In May 2016, represents packages shipped with Cainiao E-Shipping Label as a percentage of total packages on Alibaba’s China retail marketplaces.
3. Represents internal result based on a series of testing conducted with merchants and express courier companies using Cainiao E-Shipping Label and Smart Routing services during Fiscal Year 2016.

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**Note:** The text in this document is not legible due to the quality of the image. It appears to discuss service offerings and achievements, including statistics on address database penetration and routing accuracy. The text includes footnotes providing additional context for the data presented.
Assisted-Delivery - Empowering Express Courier Companies (Cont’d)

- Case Study: Cainiao E-Shipping Label and Smart routing

Before: Experience-based manual routing sorting
Now: Optimized smart routing based on data insights

Before: Handwritten and in each vendor's format
Now: Printed online with pre-populated data in universally recognized format

Establish standards by data
Optimize routing and sorting efficiency
Reduce delivery error rate
End-to-End Logistics Solutions – Nationwide Warehousing and Distribution Network

Service offerings
- Central Locations: Self-built + Merchants’ and Partners’ Warehouses (“Earthnet”)
- For suitable categories, offer data and system connection and one-stop warehousing and distribution solutions

Domestic Cainiao Partners (CP)
- 40+ (Collaboration with RRS and Suning)

Hubs in operation GFA:
- 1.7 Mn+ sqm (Controlled by Cainiao)

Next Day Delivery Coverage
- 550+ counties and districts

Achievements
- Hubs in operation GFA: 1.7 Mn+ sqm (Controlled by Cainiao)
- Daily Order Volume Growth (FY2016 vs FY2015): 2.5+ Times

Note:
1. As of March 2016.
2. As of March 2016, represents warehouses used in domestic end-to-end logistics solutions only, including self-built warehouses of 0.7 million+ sqm and Cainiao-leased and Cainiao Partners’ warehouses of 1 million+ sqm.
3. As of May 2016.
End-to-End Logistics Solutions - Nationwide Warehousing and Distribution Network (Cont’d)

Case Study: Large Appliance Supply Chain Solution

Supply Chain Management

- Suppliers
- Rolling Plan (set by merchants online)
- Merchants

Large Appliance Merchant A’s inventory turnover

43 days to 22 days

Note*: Based on Merchant A’s average inventory turnover during a 1-month period before and after adopting Cainiao’s supply chain management solution in 2016.
Cross-border and Rural

**Note**: As of May 2016.

The color of map above represents density of coverage, regions with darkest color represents most densely covered regions.

Coverage: 280+ Counties

Coverage*: Bonded warehouses connected* 13

Coverage*: Overseas warehouses connected* 16

224 countries and regions

14,000+ Villages

**Note**: As of March 2016.
Cainiao Post Coverage

- College Campus Stations: 1,500+ (covers 50%+ of colleges in China)
- Community Stations: 40,000+

Note*: As of March 2016.

Consumers

- College Campus Stations
- Community Stations

Last-Mile

- Place order to send packages
- Communicate with delivery personnel ANYWHERE
Cainiao Ecosystem

- Daily Average Package Volume*: 33 million+
- Daily Delivery Status Updates**: 600 million+
- A suite of data-based value-added services
- Connecting with delivery personnel***: 1.7 million+
- Connecting with delivery stations***: 180,000+
- Domestic and International Cainiao Partners***: 90+

Data

Collaboration

Standards

- Cainiao E-shipping label
- Level 4&5 Address Database
- Cainiao Alliance
- AliExpress Standard Shipping

Note*: Represents scale achieved during Fiscal Year 2016 on Alibaba’s China retail marketplaces.
Note**: In March 2016.
Note***: As of March 2016.
Cainiao's Mission

Cainiao is a platform empowered by data and collaboration

To enable the logistics ecosystem

To service merchants and consumers