2018 INVESTOR DAY
September 17-18  Hangzhou China
Hema - The Pathfinder of Alibaba’s New Retail
HOU Yi, CEO of Hema
<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>01</th>
<th>02</th>
<th>03</th>
</tr>
</thead>
<tbody>
<tr>
<td>目录</td>
<td>ፋḘฎ猤᲋܉</td>
<td>᠈ेःสิ่ง</td>
<td>ᖢSortable</td>
</tr>
</tbody>
</table>

*Hema - Pathfinder of Alibaba’s New Retail*

盒马是新零售的探路者

*The New Retail Model*

盒马的新零售模式

*Driving Retail Revolution Through Technology and Data*

技术+数据驱动零售变革
Hema - Pathfinder of Alibaba’s New Retail

盒马是阿里巴巴新零售的探路者

Note: *RT-Mart, Koubei, and Easyhome are non-consolidated subsidiaries of Alibaba Group.
New Retail Experience
and New Business Model

Online + Offline
Store + Logistics Center
Supermarket + Restaurant
The New Retail Model

- **Stores***: 18 in Shanghai, 12 in Beijing, 6 in Chengdu, 4 in Shenzhen, 4 in Hangzhou, 3 in Guangzhou, 3 in Xi'an, 3 in Suzhou, 2 in Fuzhou, 2 in Wuhan, 2 in Nanjing, 2 in Ningbo, 2 in Guiyang, 1 in Kunshan
- **Cites***: 18
- **Customers****: 64

Notes:
- As of July 31, 2018
- Franchise stores included
- As of July 31, 2018
- Included customers who shopped at Hema or downloaded Hema App.
Robust & Profitable

* Mature store is defined as Hema store operated >1.5 years by July 31, 2018. There were seven such stores as of July 31, 2018. All data on this page is based on sales of those stores occurred in the month of July 2018.

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annualized Avg. Sales Per Sqm of Mature Stores*</td>
<td>RMB50K+</td>
</tr>
<tr>
<td>Daily Avg. Sales Per Mature Store*</td>
<td>RMB800K+</td>
</tr>
<tr>
<td>Avg. % of Online Sales of Mature Stores*</td>
<td>60%+</td>
</tr>
</tbody>
</table>
Two Growth Trajectories (Online Orders Exceeded Offline Orders in Less Than 4 Months)

Avg. Monthly Orders Per Store*

Growing Wallet Share

Avg. Monthly Customer Spending Per Store**

Increasing Basket Size

Avg. Basket Size Per Store*

Notes

* All the data on this page is from Hema stores operated >1.5 years by July 31, 2018.

** Pure online stands for customer who only shop online. Pure offline stands for customer who only shop offline. Online & Offline stands for customer who shop both online and offline.
Rapid Customer Penetration in Neighborhood Markets*

Jan. 2016, 1st Store

Note: Data from Hema stores operated >1.5 years by July 31, 2018. Colored areas represent neighborhoods with the most penetration. Haystack colors represent Hema stores. Each of the seven Hema stores shows has 384,000 members on average as of July 31, 2018.
Rapid Customer Penetration in Neighborhood Markets*

Jan. 2017, Seven Stores

* Data from Hema stores operated >1.5 years by July 31, 2018. Colored areas represent neighborhoods with the most customer visits. Darker colors represent Hema and other stores, while white areas represent other retailers. Each of the seven Hema stores shown has 384,000 members on average as of July 31, 2018.
Rapid Customer Penetration in Neighborhood Markets*

Jul. 2018, Seven Stores

Note * Data from Hema stores operated >1.5 years by July 31, 2018. Colored areas represent neighborhoods with the most ... colors represent other retailers. Each of the seven Hema stores shown has 384,000 members on average as of July 31, 2018
Offering Unique Customer Value for Consumption Upgrade

More Selection
- One-stop grocery shopping, esp. for fresh food
- Variety of plant-based, making cooking easy and fun
- The ability to buy fruits and vegetables for bulk warehouse dining and online delivery

Better Merchandise
- Global direct sourcing and farm-to-table supply chain guarantee fresh quality and competitive cost structure
- Private label brand DailyFlash redefine fresh, Chilled/reheated, Heat n’ Serve
- Seasonal goods first to shelf, e.g., branch-ripened mango, sakura coke

More Convenience
- Order online and get delivery within 30min
- Small pack, single-serving, Less waste
- 3km x 30min local service network, i.e. SOS service (e.g. batteries, medicine)
- Household services (e.g. laundry)

More Assurance
- Hassle-free return and refund
- Transparent and data-driven supply chain traceability from farm to consumer
- The country’s first fresh grocery traceability platform that connects directly with consumers

Note: 3R stands for Ready-to-cook, Ready-to-heat and Ready-to-eat products.
Digital Operation & Management, Making Retailing more Efficient

- Accurate Customer Portrait
- Big Data Merchandising
- Targeted Marketing
- Flexible Supply Chain
- Composite Work Mode
- Intelligent Fulfillment and Rapid Delivery
- Membership
- Merchandise & Inventory
- Price & Pricing
- Marketing
- Payment
- Store Ops.

- GPS, Cameras...
- Bluetooth, Wi-Fi, Beacon, NFC...
- RF Guns...
- Front-end: App, Cloud POS, Chatbot...
- Mobile Internet...
- Mobile Internet
- Middle-end: CRM, Payment, Fulfillment...
- Back-end: ERP, Store Ops. System, Algorithm...
- AI-POS, Electronic Shelf Label (ESL), Access Point (AP)...
- IoT-based Conveyor Belt...
- Smart Hardware...
- Automatic Guided Vehicle (AGV), Unmanned Vehicle...

Accurate Customer Portrait
Big Data Merchandising
Targeted Marketing
Flexible Supply Chain
Composite Work Mode
Intelligent Fulfillment and Rapid Delivery
Accurate Customer Portrait

Age group ~28  Young Adventurer
- 20% of customer base

Age group ~33  Working Couple
- 35% of customer base

Age group ~36  Affluent Middle-class
- 25% of customer base

Age group ~43  Exquisite SoHoer
- 10% of customer base

Age group ~52  Fashionable Senior
- 10% of customer base

Note: Based on analysis of Hema customers in Nov. 2017 (2000+ sample)
Modular Solutions Empower Other Retailers to Succeed in This New Era

Empowering New Retail Stores for Other Retailers*

- Avg. Daily Online Orders Per Store
- Avg. Monthly Sales Increase Per Store
- Avg. No. of Newly Added Young Customers Per Store**

1,200+
10%+
20K+

Notes:
* Data from RT-Mart Taoxianda New Retail stores operated more than three months as of July 31, 2018. ** Young customer is defined as age 35 or below.
The New Retail Model

- **Low Cost Traffic**
  - 低成本的流量

- **Better Customer Experience**
  - 更好的客户体验

- **Community-level Service Infrastructure Network**
  - 社区化的服务设施网络

Hema App

Super App

Logistics Center

Mini-kitchen Logistics Center
Driving Retail Revolution Through Technology and Data

USD660bn+
2016 China Fresh Grocery Market*

2016年中国生鲜零售市场规模

U.S. Fresh Grocery Sales by Channel**
- Super/Hypermarket: 90%
- Others: 10%

China Fresh Grocery Sales by Channel**
- Super/Hypermarket: 22%
- E-commerce: 3%
- Wet Market: 73%
- Others: 2%

Notes
* Huatai Securities 2018.  ** China Merchants Securities 2018
Huge Opportunities

1. Grower/Brand/Manufacturer
   - R&D, Production
2. Retailer
   - Sales, Marketing, Operations
3. Consumer
   - Profile, Preference, Behavior
4. Logistics & Delivery
   - collaborative supply chain
5. Technology & Data
   - 5G, AI, Quantum Computing...
   - Cloud, Internet, Device
   - customized offerings

**In Summary:**
- 巨大的机会
- 新的市场趋势和商业机会
- 技术和数据的整合
- 5G, AI, Quantum Computing等新兴技术的应用
Integral Part of the Alibaba Digital Economy

与阿里数字经济体的其他业务协同发展

Note: *Alibaba Pictures, Koubei, Yiguo, Sanjiang, RT-Mart, Ant Financial, Dianwoda, Shenghuobanjin, and Easyhome are non-consolidated business of Alibaba Group.
THANK YOU