Q3 2021 Earnings Call

Company Participants

- Lei Xu, President
- Sandy Ran Xu, Chief Financial Officer, JD.com
- Sean Shibiao Zhang, Director of Investor Relations

Other Participants

- Analyst
- Robin Zhu
- Ronald Keung
- Thomas Chong
- Yik Wah Yap

Presentation

Operator

Hello and thank you for standing by for JD.com's Third Quarter 2021 Earnings Conference Call. At this time, all participants are in listen-only mode. After management's prepared remarks, there will be a question-and-answer session. Today's conference is being recorded. If you have any objections, you may disconnect at this time.

I would now like to turn the meeting over to your host for today's conference. Mr.Sean Zhang, Director of Investor Relations. Please go ahead, sir.

Sean Shibiao Zhang {BIO 21615286 <GO>}

Thank you. Good evening and good morning, everyone. Welcome to our third quarter 2021 earnings conference call. Joining us on the call today are Mr.Lei Xu, President of JD.com, and Ms.Sandy Xu, our CFO. For today's call, Lei will kick off with opening remarks and Sandy will discuss the financial highlights. After that, we'll open the call to questions from analysts. Before we continue, let me refer you to our latest Safe Harbor statement in earnings press release on our IR website, which applies to this call as we will make forward-looking statements. Also during this call, we'll discuss certain non-GAAP financial matters. Please also refer to our earnings release, which contains a reconciliation of non-GAAP measures to the comparable GAAP measures.

Finally, please note that unless otherwise stated, all figures mentioned during this call are in RMB. And now, I would like to turn the call over to our President, Mr.Lei Xu.

Lei Xu {BIO 21705778 <GO>}

Hello, everyone. This is Lei Xu. Thank you for joining JD's Third Quarter Earnings Call. Starting from this earnings call, it's great pleasure for me to take the position as President of JD.com and communicate with you in my new capacity.

As we all have observed in the second half of this year, multiple headwinds have brought notable uncertainties and challenges to the world to China and to retail industry such as the COVID cases, the macroeconomic fluctuations, lacking of goods in a wide range of worldwide due to supply chain disruptions. The planet we live in is undergoing profound changes.

JD continued to deliver high-quality growth this quarter. When the external environment shifts, JD is able to continue to outperform the industry with more certainty and stronger resilience. This is due to our stronger control across our supply chain and entire business processes, which allow us to react more agilely to changes and ensure stable business operation and reliable fulfillment even in the face of extreme weathers, COVID, and other special circumstances. Therefore, we're in a unique position to create greater value for our customers, business partners, and the real economy. The core competencies in supply chain and logistics infrastructure, which we have been committed to building for 18 years, have accumulated powerful advantages for us. These advantages have greatly differentiated us particularly in terms of value creation and business resilience from the platform-based traffic driven companies.

First of all, our resilience is reflected by another solid set of results in Q3 despite macro and industry challenges. Our total revenues sustained healthy growth at 26% year-on-year even on a high comp from last year. Regarding active users, in addition to the healthy growth rates in Q3, we are more pleased to see that our continuous improvement in user experience has resulted in stronger consumer mindshare and engagement. In the latest Singles Day Grand Promotion, JD maintained strong growth momentum even on the basis of last year's accelerated growth. This demonstrates the rising recognition JD gained among customers, suppliers and brands.

It is also a testament to JD's contribution in the recovery of the retail industry and the real economy. In particular, JD has helped millions of online and offline micro and SMEs to gain fair growth opportunities and reasonable profits. Moreover, the healthy growth momentum of our core retail business combined with further enhanced supply chain capacities and operating efficiency has put us in a stronger footing to firmly execute our long-term strategies.

And now, I'd like to take a closer look at how JD's resilience is reflected in our core retail business, as well as the execution of JD Logistics and a new business long-term strategies.

JD's marketplace ecosystem has made solid progress in this quarter. Starting from the second half of last year, we have introduced a series of smart operating tools, lowered the entry barriers for new merchants, and provided integrated supply chain solutions to further optimize merchants' operating efficiency and growth path. Our efforts has been --

has generated initial success. I'd like to share a few progresses of our marketplace business made this quarter.

First, growth of both total number and the types of merchants accelerated on both a year-on-year and a sequential basis. In Q3, the number of third-party merchants joined JD tripled that of Q1 and Q2 combined with apparel and home categories leading the growth. Second, merchants' operating efficiency, growth path, and satisfaction level further improved.

Third, the Net Promoter Scores, NPS, of our marketplace business continued to improve. Particularly, the NPS of apparel and home categories were at their all-time high. Going forward, we will leverage the healthier competition and development environment of the industry to continuously enrich our marketplace ecosystem, explore new models and formulate our differentiated strategic approaches. Our goal has always been to provide customers with better shopping experience and services, open to and empower merchants and build up JD's marketplace ecosystem.

We made further progress in the implementation of our omni-channel strategy. In our view, the decentralization of the retail industry will continue and our omni-channel strategy will serve as our second curve for growth to break the ceiling of JD's long-term growth. The strategy is also designed to facilitate further integration and the digital transformation of China's offline retailers.

In the industry, JD possesses the most comprehensive supply chain capabilities that underpin the omni-channel model. In particular, the three comprehensive supply chain models, namely the B2C centralized warehouse model, the F2C origin warehouse model, and the local retail model. At this stage, we focus on building our omni-channel capabilities, including decoupling our supply chain capabilities, digital operation, and integrated marketing solutions.

We will then apply these solutions to a wide range of shopping scenarios, both online and offline, and enable millions of a brick-and-mortar merchants in a variety of industries, including FMCG, consumer electronics and home appliances, healthcare, apparel, home goods, live services, automobiles and many more.

In Q3, GMV of our omni-channel business grew by nearly triple-digits year-on-year within which, the O2O on-demand retail business that JD jointly built with Dada Group recorded an accelerated growth. I highly recommend and invite you to visit our innovative offline stores such as JD MALL that was launched at the end of the quarter in Xi'an, JD's Super Experience Stores, 7Fresh and Jingxi community stores.

In addition to the steady growth trajectory of our core retail business, our logistics and a new business has also made many robust growth this quarter.

On JD Logistics, I would like to highlight two positive trends. First, the long-term investments JDL has made in establishing integrated supply chain logistics service capacity started to bear fruit, as it serves more external customers and expands its addressable market. For example, JDL has been developing industry-specific solutions and gaining traction with clients in FMCG fresh produce, 3Cs and home appliances, furniture apparel and automobiles. Going forward, we expect external revenues of its integrated supply chain solution will be the main growth driver for JDL.

Second, JDL received a social security relief for its employees and other measures from government for its distinguished contribution in containing the COVID outbreak last year. Starting from Q3 last year, JDL invested these financial gains in network capacity expansion at large scale in lower tier cities, as well as in frontline worker recruitment, which created additional employment opportunities. The quick expansion of JDL's business and operation optimization this year have gradually mitigated the financial impacts from these upfront investments in capacity. As a result, JDL's overall margin performance meaningfully improved in Q3 compared to the first half of the year.

Our Jingxi business is committed to serving mass consumers and merchants in the lower tier markets in China, providing cost-effective products and services in support of their pursuit for a better life. The industry today is a still characterized by high merchandise circulation costs, low efficiency of supply chain of fulfillment, especially for fresh produce, while local small or shopkeepers and the store owners are left underserved and user experience is far from ideal.

JD is better positioned to make breakthroughs on these fronts, where we have been working -- where we have been working on our core business logic for many years. In our view, Jingxi business is in the sector that requires five to 10 years commitment to building up the infrastructure capabilities for short chain logistics and users mindshare. It is not the time to prioritize a scale expansion at the current stage. Instead, Jingxi business will focus on building the core capabilities at the city level exploring business models that create real value to local stakeholders, while ensuring that we have a sound compliance base.

Since July, Jingxi has proactively shifted focus on ten selected provinces, where we are pleased to see improving supply chain efficiency and cost structure in Q3. In particular, fulfillment cost per order has lowered by nearly 50% compared to that in the early stage of the business, and user experience have largely improved as well. More importantly, thanks to our focused effort and investment in infrastructure, revenues generated by local group leaders, and the mom-and-pop stores and Jingxi have been clearly climbing up.

I hope that my sharing today has showed that JD is a new type of real economy-based enterprise that has the traits of both real economy and digital technology capabilities. Such type of enterprises will play an even greater role in China's economic development in a new era. From a long-term perspective, JD is strategically positioned to generate compelling growth opportunities despite the current complex and evolving micro environment. We remain fully confident in the future as we have been relentlessly working on the most difficult, the hardest, yet the most valuable things for all our shareholders. Thanks to our core capabilities and a unique business model that we have built over the years. That said, we still have a lot to do. And thank you all for your continuous trust and support for us along the way. This concludes my remarks today.

Now, I'll like to give the floor to our CFO, Sandy for more details.

Sandy Ran Xu

Thank you, Xu Lei. Hello, everyone. We delivered a set of solid operating and financial results while making steady progress on many of our strategic priorities in Q3. This demonstrates our commitment to pursuing sustainable quality growth. We are encouraged by the overall strength and resilience of our unique business model which continues to put us on a strong footing to navigate, the unprecedented complexities in the macro environment.

Our total net revenues reached RMP219 billion in Q3, representing 26% year-on-year growth and 37% two-year CAGR, maintaining a strong growth momentum, even on a high comp from last year. Our growth continued to outperform the industry and we further gained market share in the quarter. Our top-line growth was backed by sustained improvement in our user base and user engagement. We are very pleased to see a 25% year-on-year growth of our LTM active user base, reaching a total of RMB552 million -- RMB552 million in Q3 with the addition of RMB111 million users from a year ago.

We attached greater importance on improving our user experience and user engagement in Q3. Our mobile DAU grew even faster than active users accelerating to over 30% year-on-year in September, which demonstrates our expanded consumer mindshare. In addition to gaining mindshare, we are also winning users' wallet share. Average order frequency for all our users increased 23% year-on-year, driven by both our new and existing users, while total order volume sustained a year-on-year growth of about 40% in Q3.

Within JD Retail, the number of categories users purchased expanded to a historical high even in the low season. In particular users, who have stayed with JD for more than a year tend to double the number of categories they purchase. These core JD users love the new products and categories that we introduce, and are increasingly spending more on fresh produce, cosmetics, fashion and luxury goods. The improved user engagement is again driven by our continued focus on customers' experience.

Our NPS score has been on a steady growth trajectory hitting all-time high this quarter as we continued to enrich our product offering and improve shopping experience after sales and fulfillment services through technology. Category-wise, we would like to highlight that the growth of our net service revenues was over 43% year-on-year, compared to 23% growth of net product revenue. Net service revenues contributed a historical high of 15% to our net total revenues.

Marketplace and advertising revenues continued a high growth of 35% year-on-year, a notable acceleration from 24% that we achieved in the same period last year. This is a strong testament of our continuous efforts to improve our marketplace ecosystem, which drove an influx and higher engagement with third-party merchants across almost all categories. We expect our marketplace business to continue to gain momentum in the coming quarters. Logistics and other services revenues grew by 53% year-on-year, mainly driven by the hyper growth of JD Logistics' external revenue, which I will discuss more shortly.

Now, let's look at our segment performance. First, our core business JD Retail's revenues reached RMB198 billion in Q3 with a 23% year-on-year growth, and the two-year CAGR of 25%. The power of JD's supply chain capability was on full display against the global supply chain constraints. Our electronics and home appliance revenues maintained resilient growth of 19% year-on-year, significantly outpacing the industry's low single-digit growth in the same quarter.

We are also delighted to see GMV growth of our third party sales in these categories accelerated to 45% year-on-year, significantly outpacing that of our 1P business. General merchandise revenues grew 29% year-on-year and 32% two-year CAGR in Q3. This was mainly driven by the 35% two-year CAGR of our supermarket 1P order volume growth in the quarter.

I want to share a few observations of our supermarket categories. First, supermarket categories were again the largest contributor of our new users in this quarter. Second, the average number of orders per user for supermarket categories continued to increase and reached its all-time highest level. Third, users are purchasing more high-frequency supermarket products on JD, including food and beverage, fresh produce, and baby and maternity products. All these have helped drive our daily user engagement meaningfully.

Moving on to JD Retail's margin, its fulfilled gross margin was similar to that of Q3 last year and operating margin was 4.0%, which retained largely stable compared to its all-time high in Q3 last year. Again, we are successfully shifting our category mix towards high frequency items that can better engage customers and experimenting new business strategies, such as omni-channel and Shop Now without compromising our margin trajectory. We remain confident in healthy category expansion and long-term margin improvement of our core retail business.

Our strategic investments also made steady progress in Q3. JD Logistics, JDL, maintained its growth trajectory in the quarter with revenues growing 43% year on year to RMB25.7 billion, mainly driven by the growth in the number of external integrated supply chain logistics customers, and their average revenue per customer. External revenues continued to account for over 50% of JDL's total revenues, while reaching a historic high in this quarter.

JD Logistics operating loss ratio was 2.8%, on track to achieve a better margin profile compared to that in the first half of 2021 as JDL continues to ramp-up the utilization and improve operating efficiencies. The number of warehouses operated and managed by JDL has steadily expanded to approximately 1,300 with an aggregated gross floor area of over 23 million square meters.

Our new businesses segment revenues grew 33% year-on-year to RMB5.7 billion in Q3. JD Property recorded a gain from sales of logistics facilities of RMB579 million in the quarter. Growth of our international business continued to accelerate in Q3. For our Jingxi business, we want to highlight that during the quarter, it achieved a notable improvement in both user experience and operating efficiency, which are our strategic priorities over scale. As we started to proactively focus our Jingxi Pinpin business in selected markets, we are able to better allocate resources to improve our supply chain for fresh produce and short chain logistics' infrastructure capacity, empower the local merchants, and achieve better UE.

On the back of our 1P supply chain capacity, we also helped local merchants and farmers to grow quickly on our Jingxi platform. As a result of this strategic shift, the operating loss of new businesses was RMB2.1 billion as compared to RMB1.2 billion in the same period last year. We remain fully committed to empowering local SMEs, including mom-and-pop stores by providing supply chain support and creating diverse revenue streams for them, while we expect the operating loss ratio to GMV to gradually narrow down as we continue to optimize the operating efficiency.

Moving to the consolidated bottom line. Our non-GAAP net income attributable to ordinary shareholders was RMB5.0 billion with non-GAAP net margin of 2.3% compared to 3.2% in the same period last year. The decrease is mainly attributable to normalized marketing expenses as increased investments -- and increase the investments in logistics and new business segments for our long-term strategic positioning.

Notably, since 2012, we have maintained inventory turnover days consistently below 40 days despite the significant increase in the number of SKUs under our management. By Q3 this year, we further shortened our inventory turnover days by 4 days to 30 days in the last 12 months, thanks to our continuously improving supply chain managing capacity. We then passed on this efficiency gain to further increase our support for our business partners, as we -- as we also shortened our LTM accounts payable days by 4 days to 46 days. This is another example how JD's unique business model and the relentless focus on building processing capacity can really create value for all our business partners in the real economy.

Our LTM free cash flow this quarter came in at RMB28.5 billion, which remained largely stable year-on-year. As of September 30, 2021, cash, cash equivalents, restricted cash, and short-term investments added up to a total of RMB196 billion, up from RMB178 billion at the end of Q2 or RMB127 billion a year ago.

In summary, JD showed remarkable resilience again in face of macro and supply chain headwinds, with a solid top line growth and steady profitability in our core business. This showcases our resolute commitment and effective implementation of our strategies, which we are very proud of and we want to say our greatest appreciation to our hundreds of thousands of employees.

Finally, I want to reiterate that JD's sustainable growth will continue in the new era where our 18 years of trailblazing efforts in building our core competence and our right way to success business philosophy will continue to be rewarded. With that, let's now move to the Q&A. Thank you.

Sean Shibiao Zhang {BIO 21615286 <GO>}

Operator, we can open the floor for Q&A now. Thank you.

Questions And Answers

Operator

(Question And Answer)

Thank you. The question-and-answer session of this conference will start in a moment. (Operator Instructions) Thank you. The first question comes from the line of Ronald Keung from Goldman Sachs. Please go ahead.

Q - Ronald Keung {BIO 15432736 <GO>}

Thank you. (Foreign Language) Thank you management. So my question is on JD Retail margins. We've seen that the margins were strong in the third quarter despite strong growth in supermarkets. Just want to hear your strategies in private labels, omnichannel and a fast-growing marketplace. And how would that kind of couple with the category mix that could drive the overall blended margins? Are we on track to pull out -- reiterating our long-term margin target of mid-to-high single-digits? Thank you.

A - Sandy Ran Xu

Thanks, Ronald. Let me take this question. Yes, your understanding is correct. As we are experimenting new areas, new business models, including omnichannel, including the Shop Now business model. Overall, our financial model may be affected a little bit. For example, for omnichannel business, we may leverage the warehouse and inventory of offline business partners. We would share the gross profit with them, but at the same time, we will also save the fulfillment cost. So the fulfilled gross margin remains stable, while you may see a decline in the gross margin because of the growth of this new business model.

And then our gross margin will also be affected by the category mix shift as we have been discussing in the past couple of years. However, what we have seen this quarter is because of the higher growth of 3P business, that kind of offset the impact from the category mix shift towards higher frequency revenue contribution from the supermarket products, which has relatively lower fulfilled gross margin. So overall, for Q3, if you look at the fulfilled gross margin for JD Retail, it was relatively stable compared to same quarter last year.

So looking ahead, I would say our expectation on the margin profile or margin trajectory remain unchanged. In the short-term, we may be facing the drag from the category mix shift, as well as the change of the business model. But as JD has been continuously building our capabilities in the supply chain and improve the operating efficiency of inventory management through technology. So, we can gradually improve the margin, I would say, in the long-term steadily.

And also, as I mentioned before, for many of our categories, our current procurement price is still higher compared to the offline channels. So as we continue to grow in scale, we can gradually realize the scale benefit as well. So in short, our long-term margin trajectory remain unchanged for JD Retail.

Q - Ronald Keung {BIO 15432736 <GO>}

Thank you.

Operator

Thank you. Your next question comes from the line of Eddie Leung from Bank of America. Please go ahead.

Q - Analyst

(Foreign Language) Thank you management for taking my question. I am asking on behalf of Eddie. Wondering the potential impact from the macro factor such as the lockdown or the weakness of real estate, any impact to our category growth trend? Thank you.

A - Lei Xu {BIO 21705778 <GO>}

(Foreign Language) This is Xu Lei. Let me take your questions.

(Foreign Language) And from the macro level, we do see quite a lot of challenges, especially in the second half of the year, especially relatively weak consumption demand and the tight supply chain from the upstream and also the rising price of raw materials coupled with the COVID cases and extreme weather, et cetera. This all have posed a lot of challenges for the retail industry. And certain product categories were impacted by the shortage of chips and other component parts. We anticipate -- we foresee this shortage of supply of the chips and so on will continue to last into the first half of next year. And for JD.com, we have always been holding our strength with our core capacities in supply chain, which have helped us to deliver more stable performance in this time of uncertainties.

(Foreign Language) And on the point of a weaker consumption demand, I want to highlight here that for the main consumption group, the customers group with the JD, they feature more like urban residents and they shop with their families. They have more plans and have more certain shopping plans when they're shopping on JD's platform. So this is the main factor of our consumer base, and they are taking the majority of the proportion of our platform. So in such way, we are getting smaller or limited impact on this overall trend. But however, under these circumstances, I also want to point out that for those kind of a random shopping and endpoint shopping for some companies or platforms who are featuring more of this kind of shopping will get a better hit -- will get a large -- greater hit.

(Foreign Language) And also facing these challenges of the shortage of supplies and the rise of the price from the upstream, and we can see that in this Q4 and the next Q1, the price rise will be transmitted or passed on to the consumer side. As I emphasized that JD will focus on our core strategy and supply chain, and this will give us a better position to tighten our cooperation with our partners. And our merchant partners would like to close with us more closely and to use our strength to help them to improve their cost and efficiencies, and we will also take as much effort as possible to help them and help the customers to offset the fluctuation in the prices.

(Foreign Language) And on the impact of the real estate on the home appliances category, actually, this is not an impact only happen now as you see on the news. If you observe the overall, the one-year performance, you can see that the performance of home appliances categories on JD platform is outgrowing the industry average the whole year.

(Foreign Language) And this can be attributed for several reasons. First is our B2C model on our main sites, and we have been introducing more emerging and new brands, new products and high-end products, the home appliances product on our platform and to upgrade our products mix. And at the same time, the consumers are looking to buy more high-quality and better quality products. At the same time, this is coupled with our premium services, including some worry-free change of the products or some trade-ins, and all these have driven up the sales and performance of this category.

(Foreign Language) And secondly, actually, a few years ago, we already started to deploy our lower tier markets. So they have been also bearing some fruits from the offline market. The offline market sales of the home appliances is gaining an increasing share of our overall categories, and helping us to gain more new users and new markets.

(Foreign Language) And thirdly, we also paid a lot of attention to work closely with our partners on the production of customers and manufacture products and also differentiated products. And all the three points I need to say that this home appliances industry has been quite fluctuated market, and under different circumstances our special efforts and our differentiated strength in these above three points have helped us to achieve continued growth in the home appliance industry -- home appliance category. Thank you.

Q - Analyst

Thank you, very helpful.

Operator

Thank you. Your next question comes from the line of Thomas Chong from Jefferies. Please go ahead.

Q - Thomas Chong {BIO 21155199 <GO>}

(Foreign Language) Thanks management for taking my questions, and congratulations on a very strong set of results. Given that we have done very well in our Double 11 campaign, just want to get a sense from the management, what has been learned from Double 11 in particular, from the behavior of the merchants, as well as the consumer behavior for this year. And separately, because of the strong Double 11, how should we think about our JD Retail performance in the fourth quarter? Any qualitative color will be grateful. Thank you.

A - Lei Xu {BIO 21705778 <GO>}

(Foreign Language) This is Xu Lei. Let me share something about the Singles' Day grand promotions, and we have already released our performance and results and sales details. So I won't elaborate on this part.

(Foreign Language) And the one major change we have made in this year's Singles' Day is that we kick-offed all the discount activities at 8:00 PM, four hours earlier. And this decision has actually made during our June 18 Shopping Festival period. So, it gave us three to four months' time for the preparations. We have done a lot of communications and preparations internally and externally. So with this campaign, it's very well received by all parties from the consumers, brand partners and logistics partners. This has given a more convenience for our consumers to shop as well as our partners to prepare and reduce their cost, and they can operate at more ease.

(Foreign Language) And secondly, during this year's Singles' Day, we have been making a big progress in our marketplace ecosystem as well as omnichannel deployment. And for this, we have also made a lot of preparations before, and which has been very well received, and involved a lot of our merchants' participation. So overall the performance of our marketplace merchants are surprisingly well. And even in those categories that we do not traditionally have the advantage, the less advantaged categories, they also get very good results.

(Foreign Language) Of course, this is only one-time campaign, which already proved that validated our models and innovations and the efforts we have made. And in the following period, there's still a lot of work for us to do.

A - Sandy Ran Xu

Okay. Let me add on the outlook for Q4. So, there are few factors I would like to highlight for JD Retail. One is that the user growth is still -- is the growth driver for JD Retail. We expect JD Retail to continue to deliver quality growth in terms of total user base, user engagement and stickiness as they continue to reinforce the consumers' mindshare. Second, the supply chain disruptions for certain products remain unchanged and existing as we just discussed. So this will affect the growth of our 1P business to a certain extent, in particular, the mobile phones and the electronics categories,

However, as Xu Lei mentioned, based on the strengths of our supply chain capacity, we expect that we can create even more value and certainties for our business partners in this changing environment, and continue to outpace the industry growth for these categories.

And then third, with the implementation of 3P ecosystem and omnichannel strategy, since the beginning of this year, the 3P business is growing well on our platform. So the 3P merchants served as a great supplement of our 1P business for the categories that are facing supply chain disruptions. So overall, we expect that the growth of 3P will be faster than 1P in Q4, similar to what you have seen in Q3.

And fourth, we see that the seasonality is getting stronger this year. Similar to the first half year, users' mindshare for big promotions is also getting stronger. They are better educated. So there was pent-up demand from October, and the consumption demand from December being released early during the Double 11 Shopping Festival.

So overall, we expect JD Retail to largely maintain the growth momentum from Q3.

Q - Thomas Chong {BIO 21155199 <GO>}

Thank you.

Operator

Thank you. Your next question comes from the line of Alicia Yap from Citigroup. Please go ahead.

Q - Yik Wah Yap

Hi. Thank you. Good evening, management. Thanks for taking my questions. Congratulations on the strong result. I have a pretty simple question. First is regarding your consumer spending cohort. For those that newly added last two years, what are the typical spending pattern as compared to the older user who were already on JD platform like 10 years ago? So if you can give us some color, it would be helpful. (Foreign Language)

A - Lei Xu {BIO 21705778 <GO>}

(Foreign Language) And this is Xu Lei. Let me share with you some observations on the new users on this platform. Actually, since last year, we have seen some very remarkable features. And in the past, we believe that actually most of the people who shop online, they are already online. However, there are two groups of people characterized by ages are rising rapidly on the Internet. Besides, as I mentioned before, from the lower tier market on the regional perspective, over 70% of users -- new users are from the lower tier market.

Beyond them, there are two groups -- age groups of people. One is the consumers aged 45 years or above. They are going online later than those people from 25 to 30 years to 35 years old. However, when they start to shopping online, they have been demonstrating a very strong purchasing power, thanks to the education of all kinds of e-commerce platforms they get access to before. And after a period of time, when they are customized to the online shopping habits, they find JD and they find shopping with JD is more at ease and to give them more guarantees. So their shopping power start to manifest on JD's platform.

And the second group is Gen Z, people aged between 18 to 25 years old. They have demonstrated also an increasing consumption demand and purchasing power on our platform beyond our imagination. So for those newcomers -- shoppers on our platform, their op value in the midst of time to (technical difficulty) to ramp up, they often take six months' time or after they shop for four to five times, they will start to accelerate their online shopping activities in terms of their shopping frequencies, in terms of the money they spend on these platforms. So this is a very remarkable trend we have seen very different from four, five years ago.

A - Sandy Ran Xu

This is Sandy. I'll add on one point. I think 10 years ago, most users they came to our platform to make their first purchase on electronic products, mainly computers or mobile phones. But as I discussed just now, that in Q3, supermarket categories contributed the most new users to our platform. So we can see that the consumers' mindshare on supermarket categories is getting stronger and stronger.

Q - Yik Wah Yap

Okay. Thank you, Sandy. Thank you, Xu Lei.

Operator

Thank you. Your next question comes from the line of Robin Zhu from Bernstein. Please go ahead.

Q - Robin Zhu {BIO 17643541 <GO>}

(Foreign Language) So my question is JD this year has likely benefited from both the poor performance of Suning and share gains from peer platforms. Just want management to share some thoughts on how durable these tailwinds are, when do these tailwinds become sort of annualized and become less apparent. Thank you.

A - Lei Xu {BIO 21705778 <GO>}

(Foreign Language) And to share a bit about our electronic products, this includes IT, digital products, telecom products and home appliances, which are traditionally advantageous categories on JD's platform. And on these categories, we are not nearly a retailer to sell these products. Actually, we have gone a long way to collaborate with the partners on their integrated supply chain, their R&D and Sichuan products production. Especially during this special time of as we're facing the uncertainties of the global supply chain challenges, this help us to perform better together with our partners than the overall market performance.

(Foreign Language) And for this category, maybe at specific certain points, we are facing competitions from external. But more importantly, we focus on the development of this industry. We focus on the consumers' actual needs and try to satisfy them. So this is what we have been oriented on doing ourselves better to meet the demand of our customers and partners.

(Foreign Language) And for the apparel and home categories, it's quite a different stories, and is not our traditional advantageous categories and their development in the past is not as we expected. But there's a huge potential to develop. And with the ban of the pick one from two in the past two years, we have been stepping up our efforts in building the teams and the systems and the ecosystems in these categories. And for this year, we still have a stellar performance in the Singles' Day grand promotion, and we're setting up and accelerate our investments and expectations in this category. Thank you.

Operator

Thank you. We are now approaching the end of the conference call. I will now turn the call over to JD.com's Sean Zhang for closing remarks.

A - Sean Shibiao Zhang {BIO 21615286 <GO>}

Thank you for joining our call. We look forward to talking with you again next quarter. Thank you.

Operator

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Good day. Thank you all.
