

RETAIL

JD, Tencent invest in off-price platform Vipshop

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Vipshop sells fashion, beauty and home goods. Image credit: Vipshop

By STAFF REPORTS

Ecommerce company JD.com and technology firm Tencent have entered into share subscription agreements with discount retailer Vipshop.

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Through this agreement, JD and Tencent's combined equity investment by the close of the transaction will be about \$863 million in cash. Beyond their financial stake in the company, both investors are planning to aid Vipshop through platform placement.

Ecommerce investment

Founded in 2008, Vipshop retails discounted goods in categories such as fashion, beauty and home, with more than 10,000 brand partners. In 2012, it was listed on the New York Stock Exchange.

Through this new investment, JD and Tencent will subscribe to newly issued Class A ordinary shares in Vipshop at a price of about \$65.40 per share, with Tencent's investment amount \$604 million and JD's valued at \$259 million. After the close of the transaction, expected in the near future, Tencent and JD will own 7 percent and 5.5 percent of Vipshop, respectively.

These shares are subject to a two-year lockup restriction, during which Tencent can appoint a director to Vipshop's board of directors, and JD can name an observer. Following this period, Tencent and JD will retain their respective rights to a director and observer.

After the two year restriction, Tencent will own about a 12 percent stake in Vipshop, and JD will hold 8 percent of shares.

As part of the investment deal, Tencent will give Vipshop placement on its Weixin Wallet platform. Similarly, JD will let Vipshop publish listings on the homepage of its mobile application, as well as on the main page of its Weixin Discovery channel.

JD will also work with Vipshop to help it achieve gross merchandising value targets on its ecommerce platform.

"The strength of Vipshop's flash sale and apparel businesses, as well as its outstanding management team, create clear and strong synergies with us," said Richard Liu, chairman and CEO of JD.com, in a statement. "This partnership will further extend the strong inroads that we have made with female shoppers, and will expand the breadth and reach of our fashion business.

"We continue to add the top-notch partners to complement JD.com's core strengths, ensuring that JD and our partners provide the best customer experience for every shopping need."



Vipshop counts luxury brands among its partners. Image credit: Vipshop

Vipshop retails a number of luxury brands, including Michael Kors and Shiseido.

Earlier this year, U.S. fashion label Marc Jacobs opened its first Chinese flagship store on vip.com's luxury channel.

Marc Jacobs' new online store opens the brand up to VIP's 300 million members. With existing infrastructures and audiences, China's ecommerce giants have become appealing partners for luxury brands looking to sell online in the market for the first time ([see story](#)).

"I am truly delighted about Vipshop's new strategic cooperation relationships with Tencent and JD.com," said Eric Ya Shen, co-founder, chairman of the board of directors and CEO of Vipshop. "This undoubtedly is an important event for Vipshop as well as China's ecommerce and Internet industries.

"We, together with Tencent and JD.com, will leverage our respective strengths to form a strategic cooperative alliance aiming to achieve a deep, win-win cooperation and to benefit internet users and consumers," he said. "We will develop a holistic cooperation with Tencent on the Weixin platform and expand our strategic alliance with Tencent into more and broader areas.

"We will explore win-win opportunities in multiple areas with JD.com, including establishing a strategic alliance in collaboration with brand suppliers and an on-line traffic alliance. We will continue to operate as an independent ecommerce platform and further deepen and enhance our leading ecommerce capabilities in fashion and cosmetics categories as well as our strong female user base, thereby offering higher value and better user experience to our customers."