China Internet & New Media

EQUITY: INTERNET & NEW MEDIA

Takeaways from Douyin ecommerce expert call

Douyin ecommerce growth slows further; greater profit discipline bodes well for sector margins

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On 14 October, we hosted a conference call with a Douyin (unlisted) ecommerce expert to discuss recent ecommerce trends, competitive dynamics and emerging opportunities from AI and new traffic channels. Our key takeaways are below.

Key takeaways: Slower growth, but a more rational competitive environment

According to the expert, Douyin's ecommerce growth slowed significantly in 3Q26, with paid GMV growth decelerating to 11% y-y from approximately 19% in 1H26, broadly reflecting the challenging consumption environment and slowing growth across China's ecommerce sector. Douyin has lowered its 2026 GMV target from CNY5.2tn to approximately CNY5tn, implying around 15% y-y growth for the full year, compared with 29% in FY25, according to the expert.

While Douyin's growth slowdown is not encouraging, we view its increased focus on profitability as a positive development for the broader ecommerce industry. According to the expert, Douyin has become more disciplined in subsidy spending, with management increasingly prioritizing profitability, GMV quality and merchant economics over aggressive market share gains. We believe this shift could contribute to a more stable competitive environment and help support margins across major ecommerce platforms. This is also consistent with our expectation that Alibaba's (BABA US, Buy) traditional ecommerce profitability will remain resilient y-y in the September quarter despite weak consumption demand.

We see two additional implications. First, as platforms become more prudent in promotional spending, we expect this year's Double 11 shopping festival, which has just begun, to deliver relatively subdued sales performance. Second, weaker Double 11 sales could prompt ecommerce platforms and consumer brands to adopt a more cautious approach to advertising spending during what has traditionally been a major marketing season. This could, in turn, create headwinds for China's online advertising industry.

Finally, the expert indicated that ByteDance (unlisted), Douyin's parent company, is exploring new ecommerce growth opportunities through two of its other popular platforms, Doubao and Hongguo. Doubao is China's leading consumer-facing AI chatbot, with DAUs exceeding 200mn based on our estimate, while Hongguo ranks among China's top four apps by time spent and is the leading short-drama platform, with mobile DAUs exceeding 200mn as of September, according to QuestMobile.

The expert believes Doubao's longer-term opportunity lies in AI-powered conversational shopping, which could simplify the traditional process of product search, comparison and purchase. However, this opportunity remains in its early stages, with key challenges including recommendation accuracy, model hallucinations, response latency and the ability to match products with increasingly complex user requirements.

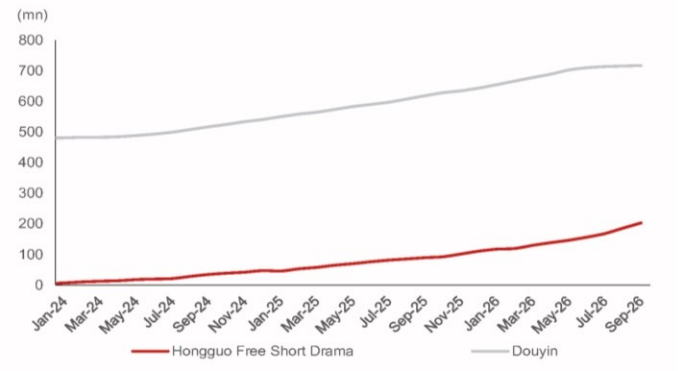
According to the expert, Hongguo has already established an in-app ecommerce transaction process, allowing users to purchase products featured in short dramas without leaving the app. Its ecommerce business reportedly generates approximately CNY500mn in monthly GMV, compared with more than CNY400bn for Douyin ecommerce, and continues to grow rapidly, albeit from a small base.

In our view, Hongguo's rapidly growing user base and high engagement levels (*Fig. 1*, *2*) offer promising monetization potential, particularly in advertising, where user time spent is an important driver of monetization opportunities. However, we are less convinced that Hongguo can replicate Douyin's success in ecommerce. Short dramas offer a more immersive viewing experience than Douyin's short-form video feed, making it more

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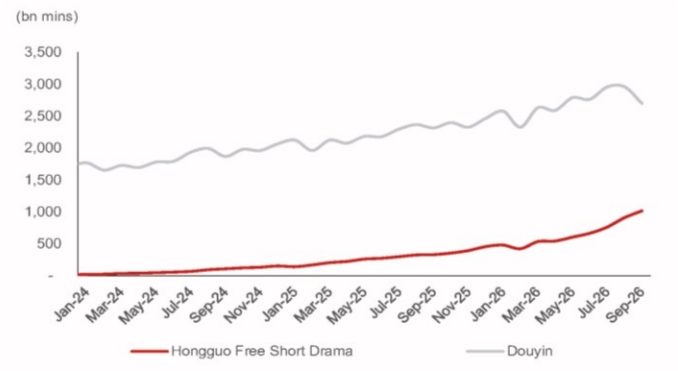
challenging to integrate ecommerce content within or between episodes without disrupting user engagement. We believe ByteDance will need to develop a more innovative approach to ecommerce integration to fully unlock Hongguo's monetization potential.

Fig. 1: DAU trend of Hongguo and Douyin



Source: QuestMobile, Nomura research

Fig. 2: Monthly time spent of Hongguo and Douyin



Source: QuestMobile, Nomura research

Appendix A-1

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Alibaba Group Holding	BABA US	USD 111.13	15-Oct-2026	Buy	N/A	A10

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Alibaba Group Holding (BABA US) **USD 111.13 (15-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
24-Jun-26		178.00	99.80
14-May-26		207.00	141.12
20-Mar-26		200.00	122.41
23-Jan-26		237.00	173.23
09-Jan-26		193.00	150.96
08-Oct-25		215.00	181.12
01-Sep-25		170.00	135.00
09-Jul-25		152.00	103.83
21-Feb-25		172.00	142.62
18-Nov-24		130.00	88.65
10-Oct-24		135.00	108.42
16-Aug-24		106.00	82.52
09-Apr-24		101.00	71.80
08-Feb-24		103.00	69.63
10-Jan-24		117.00	70.25
17-Nov-23		134.00	76.34

For explanation of ratings refer to the stock rating keys located after chart(s)

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