Analysis and strategy of take-out industry based on Porter's Five Forces model -- taking Meituan Take-out as an example

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Abstract. Based on the Porter’s Five Forces Model’s perspective, Meituan’s takeaway business is analyzed and it is found that Meituan’s takeaway suppliers have the strongest bargaining power. Although consumers are far more sensitive to product prices than product quality, it’s because individual consumers Most of them and there are few platform choices, so consumers have the weakest bargaining power, and there is no threat of substitutes yet. In addition, despite the existence of potential competitors, Meituan Waimai has excellent Internet technology and a strong capital chain, and its marketing model has relatively high barriers. Based on this, the article uses the Porter Five Forces model to analyze the current advantages and competitive threats of Meituan Food Delivery, and proposes strategic improvement measures for its future development.

Keywords: Porter's five forces model; Food delivery industry; Meituan food delivery.

1. Meituan takeout overview

1.1. The development of Meituan takeout

2015 was the most frequent year of integration and mergers in the Internet catering industry. Ele.me, Meituan, Baidu Takeout and Dianping accounted for more than 90% of the market share. The merger and acquisition of Dianping by Meituan is an important step in the development of the industry and enterprises. The two focus on slightly different fields. Compared with Main, Dianping has a more complete evaluation system, while Meituan has a more developed distribution system. This merger is also a complementary advantage of Main and Dianping. Moreover, the audience groups of the two groups have a high degree of coincidence, and after the merger, the group can be aggregated to save various price subsidies; After integrating user data and sharing resources, a larger database is established, which is the basis for understanding user needs and preferences and making accurate recommendations, and ultimately promoting the development of the platform.

Since 2013, the platform economy has rapidly become a new driving force for economic development. With population growth, urbanization, rising incomes and the prevalence of the "lazy economy", the growth of both supply and demand in the catering industry has accelerated the development and expansion of food sharing platforms. With this wave of development, it can be seen from Table 1. that from 2016 to 2020, take-out business has developed well, and many operational data: take-out transaction volume, total transaction volume, realization rate, take-out business income, user scale, number of active merchants, etc., have achieved substantial growth. Before the merger, the industry scope of Meituan and Dianping was not completely consistent, and the absorption merger expanded Meituan's business to meet the diversified business model. After experiencing financing and listing, abundant funds have enabled Meituan's company scale and business to continue to expand, and the company’s operating capacity has also been improved. And make full use of offline operation team, distribution network and other marketing resources, improve user purchase frequency, and promote online traffic to attract new users.
Table 1. Meituan take-out business data over the years

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of takeout transactions (hundreds of millions)</td>
<td>15.85</td>
<td>40.9</td>
<td>63.93</td>
<td>87.22</td>
<td>101.47</td>
</tr>
<tr>
<td>Total transaction value (Millions)</td>
<td>587</td>
<td>1711</td>
<td>2828</td>
<td>39927</td>
<td>4889</td>
</tr>
<tr>
<td>Cash rate (%)</td>
<td>9.0</td>
<td>12.3</td>
<td>13.5</td>
<td>14.0</td>
<td>13.6</td>
</tr>
<tr>
<td>Revenue of food delivery business (billion)</td>
<td>53</td>
<td>210.32</td>
<td>381.43</td>
<td>548.43</td>
<td>662.65</td>
</tr>
<tr>
<td>User size (billion)</td>
<td>1.6</td>
<td>2.3</td>
<td>3.2</td>
<td>4.0</td>
<td>6.1</td>
</tr>
<tr>
<td>Active Merchants (10,000)</td>
<td>300</td>
<td>440</td>
<td>580</td>
<td>620</td>
<td>680</td>
</tr>
</tbody>
</table>

1.2. Meituan takeaway market status

Among them, the number of Meituan takeaways in the 12 months as of Q3 reached 13.788 billion, the average daily transaction number reached 37.78 million, and the average daily transaction number in the third quarter reached 43.62 million, and the 12-month orders of takeaways increased by 48.5% year-on-year. A notable feature of bilateral network trading platforms is that the more consumers, the more orders, the more merchants can be attracted to do business, which in turn can attract more consumers, generate more orders, and enter a virtuous circle. The number of active merchants in the third quarter of the United States reached 8.3 million, a net increase of 600,000 in a single quarter, the increment reached a new record high, and the annual increase of merchants increased by 1.8 million, which is also the highest record in history. In the context of repeated epidemics and sluggish consumption, Meituan's appeal to merchants has the resilience to cross the economic cycle.

Another unique feature of Meituan is that most of its orders are completed by the instant distribution system. The self-operated instant distribution system has built a strong moat, which is a higher certainty consumption experience for consumers and a higher certainty business development potential for the platform, which can effectively distinguish the invasion of pure traffic platforms.

In the past 12 months as of Q3, Meituan takeout transaction volume reached 669.7 billion yuan, which is close to the transaction volume of all businesses of the entire platform in 2020. When there are more consumers, more merchants, and a rapid increase in order volume, performance growth is only a natural thing. Revenue for the 12 months ended Q3 came to 168.1 billion yuan.

The realization rate of takeout business has been at a historical low in the last three years for two consecutive quarters, which is influenced by seasonal factors, as well as the adjustment of platform autonomy and appropriate subsidies, which is equivalent to reducing the commission cost of merchants in disguised form.

Table 2. Meituan take-out business data for the first three quarters

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of takeout transactions (hundreds of millions)</td>
<td>116.75</td>
<td>129.88</td>
<td>137.88</td>
</tr>
<tr>
<td>Total transaction value (Millions)</td>
<td>5601</td>
<td>6249</td>
<td>6697</td>
</tr>
<tr>
<td>Cash rate (%)</td>
<td>14.4</td>
<td>13.3</td>
<td>13.4</td>
</tr>
<tr>
<td>Revenue of food delivery business (billion)</td>
<td>206</td>
<td>231</td>
<td>265</td>
</tr>
<tr>
<td>User size (billion)</td>
<td>5.69</td>
<td>6.28</td>
<td>6.98</td>
</tr>
<tr>
<td>Active Merchants (10,000)</td>
<td>710</td>
<td>770</td>
<td>830</td>
</tr>
</tbody>
</table>

2. Meituan takeaway competitive advantage and existing problems

2.1. Meituan takeaway competitive advantage

2.1.1 Brand advantage

Meituan.com, the largest life service group purchase website, is established on the basis of its brand extension strategy, which is an important part of Meituan.com's T-type strategy. Meituan.com provides strong brand, technology, traffic and financial support, and Main.com enjoys high
Meituan.com's high degree of Meituan.com and popularity, high brand loyalty and good reputation. As well as the original strong customer base, a large number of offline resources can be used for the development of Meituan Takeout and the implementation of marketing activities. This is a huge competitive advantage compared to Meituan Takeout's biggest competitor Ele.me. Meituan takeout should make full use of the brand advantage of "Meituan", transform the brand power of the parent company into its own brand advantage, and implement matching marketing activities.

2.1.2 Logistics advantage

Logistics distribution is the key factor in the second half of the take-away battle, fast delivery speed, high service quality, in order to really move and win the local life service market. Meituan delivery platform began to build its own logistics distribution system in May 2015, and gradually formed a "trinity" distribution model of Meituan special delivery (self-support + franchise) plus crowdsourcing, providing different distribution solutions for different types of merchants, and committed to providing integrated distribution solutions. In addition, Meituan takeout has also made a lot of innovative attempts in product technology, process mechanism, distribution safety and other aspects. The intelligent delivery system of Meituan Takeout tracks the direction and current position of the rider in real time, combined with the current

The service requirements of the waybill and the new waybill are calculated, and the order is assigned in the most efficient way: when the rider arrives at the restaurant according to the system, the food can be quickly picked up through the green channel, and the online settlement is realized to the maximum extent to save the rider's time and reduce the time of picking up the food.

2.1.3 Talent advantage

From the perspective of market value, Meituan is already the third largest Internet enterprise in China, and large platforms can attract more excellent talents and teams (including social recruitment of senior executives, including college recruitment of fresh graduates), while small and medium-sized enterprises can only find sub-optimal or even ordinary talents and teams. For example, Baidu can attract Lu Qi to become president, while small platforms cannot do so.

2.2. Meituan food delivery has problems in the industry competition

2.2.1 Existing competitors in the industry

After experiencing the baptism of thousands of group wars, the domestic takeout industry finally won the hungry, the United States and Baidu takeout. In 2018, Hungry me successfully acquired Baidu takeout, and since then the takeout industry has formed a situation of confrontation between the two giants. Respectively, back to Tencent Meituan takeout and back to Ali hungry? Ele. me has the support of Alibaba's ecosystem, multi-channel drainage, and Ali products to open up the membership system, so as to form a strong linkage effect, in order to achieve the interoperability of traffic and member data, and attract and retain more high-value users. But even in the face of such a huge advantage, the data show that in 2020, Meituan takeout has the largest market share, up to 66.7%, and Ele. me's market share is only 27.5%, far more than Ele. me. So far, Meituan takeout business covers the first, second and third tier cities, even in the face of the epidemic, GMV in 2020 has increased by 24.5%, which is an excellent performance. Meituan takeout business and riders have established a solid two-way positive cycle, there are traffic giants want to enter this industry, the difficulty is to enter the e-commerce or to the store business more than 10 times, hungry has basically no threat. The stability of Meituan takeout business is basically similar to social for Tencent.

2.2.2 Potential entry competitor

A company faces not only current competitors but also potential competitors, even in the case of Meituan takeaway has a very solid moat. On July 14, 2021, it was reported that Tiktok, a ByteDance subsidiary, had recently set up a team for the delivery business. At present, the penetration of take-out in first - and second-tier cities is gradually saturated, the growth rate is gradually slowing down, and low-tier cities have become a new breakthrough point in the take-out industry. According to the
data released by Tiktok, the number of users in third-tier and below cities accounted for 61%, which overlapped with the potential user portrait of the takeout industry. As of December 2020, the number of daily active users of Douyin has reached 680 million, an increase of 70% year-on-year, and it is the most active short video platform in the Chinese market with the largest number of daily active users. The high activity of Tiktok users lays a good foundation for its expansion of takeout business. On the client side, it can effectively reduce the cost of acquiring customers, and on the merchant side, it can attract more merchants to settle in through efficient marketing. In the future, the take-out industry Meituan and hungry are expected to change the market pattern.

2.2.3 The competitive threat of alternatives

The threat of substitutes is a newly developed product or service that meets the needs of customers to the same or greater degree than the original. Customers generally prefer the new and dislike the old, and generally the new product is more cost-effective, which is a fatal blow to the original product or service. The difference between the threat of substitutes and the threat of new entrants is that the new entrants are enterprises in other industries entering the industry by providing the same products and services, while the substitutes refer to providing different products and services, but satisfying the same needs of buyers, so that the buyers reduce their dependence on the original products and services, or even no longer need them. This is a much bigger threat, similar to industry disruption, revolution, and therefore less likely. For example, take feature phones as an example, the traditional Nokia is the industry leader, and later Huawei, which provides information and communication technology, also began to produce feature phones. Huawei is a new entrant, but now few people use feature phones, because feature phones have been replaced by smart phones, and smart phones are the substitutes for feature phones, and the threat of such substitutes is huge. It directly led to the withdrawal of the function machine from the historical stage.

For Meituan takeout, it provides the Internet + service industry, consumers' demand is to eat meals in different scenarios in a short time through the platform, takeout is an alternative to the physical catering industry, but at present, the replacement of takeout business has not appeared. Meituan's alternatives are less threatening.

2.2.4 Bargaining power of buyers

The bargaining power of the buyer refers to the bargaining power of the buyer when the enterprise sells its products and services, that is, whether the buyer can occupy a dominant position in the enterprise's sales behavior, and whether the buyer and the consumer are regarded by the enterprise as "God" in real or to what extent. Generally speaking, the analysis of buyers' bargaining power focuses on the following aspects: the number of buyers, the number of buyers, the concentration of buyers, the cost of buyers switching suppliers, the ability and possibility of buyers' vertical integration, whether there are many substitutes, price sensitivity, and so on.

Specifically, the buyers of Meituan takeout are mainly individual consumers, rather than corporate customers. In recent years, the scale of China's take-out market has become larger and larger, with many individual consumers, and the consumption power of a single consumer is limited, and the bargaining power is naturally insufficient in the negotiation process with sellers, especially take-out giants.

2.2.5 Bargaining power of suppliers

Specifically, Meituan Takeout's suppliers are mainly sellers on its platform, that is, online catering shops that provide products and services to consumers. Meituan Food delivery provides consumers with an ordering platform, but it is the online store that really supports the starting food service. In the whole takeout industry, there are a lot of big and small sellers, and the products and services they provide are similar, and they rarely find that the sales of a seller can occupy a large proportion of the overall sales of the platform. Most of them are small sellers, who have accumulated customers on one platform with great difficulty, and the transfer cost between different takeout platforms is relatively high. As a result, they do not have enough negotiating power with Meituan Takeout. However, there
are also a small number of exceptions, with greater market influence, customer loyalty brand catering stores, they are often the head seller of the platform, so they can bargain with the platform. However, this is also a small exception, so the bargaining power of Meituan takeout suppliers is not strong.

3. Meituan takeout development strategy suggestions

3.1. Target group differentiation

At present, the early important customers of "Meituan" and its main competitor "Ele. me" are college students. Although the population density of the student group is large and the promotion cost is low, the overall consumption power of the students is limited, and they are easily affected by holidays, coupons and other factors, and their loyalty is low. In recent years, "hungry?" has gradually focused on promoting the high-end brand pavilion market of young "white-collar workers". Therefore, "Meituan Takeout" should put its long-term vision on other customer groups and create self-owned brands and self-operated services. For example, it can turn its attention to couples' meals, family party meals, and large banquet meals of enterprises, etc. According to big data analysis, it can understand customers' different food needs and taste habits, and provide customers with personalized matching suggestions, high-quality food and beverage delivery services and own service personnel during the period.

3.2. Commodity diversification

With the continuous development of the take-out industry, the needs of customers will become increasingly diversified, and the level of market entry and operation will also increase. Meituan should introduce more diversified goods and services. For example: provide door-to-door cleaning services, reduce user costs, one to one quick service; Cooperate with the national chain supermarket brand, enjoy the supermarket products without leaving home, the big brand joint service is guaranteed, and the distribution fee is also a lot of income. In addition, the vertical entry food delivery market, that is, the vertical entry based on the restaurant, time period, food and other dimensions, thus achieving vertical management and diversified operations.

3.3. The distribution service is specialized and technological

Since 2016, Meituan has been involved in the development of unmanned vehicles, and in 2017, it began to explore drone delivery. Of course, this is not achieved overnight, but under the trend of scientific and technological progress and efficiency improvement, the single delivery time can be gradually improved without harming the rider's work experience, and the ultra-high temperature and ultra-low temperature in storms and storms

In bad weather, the delivery of drones and unmanned vehicles can also help riders relieve some of the pressure, in fact, the worse the weather, the more demand for takeout and flash purchases. And the process of the gradual popularization of machines, distribution costs can also be gradually reduced, which is beneficial to the platform, merchants and consumers.

If a city distribution system with lower delivery costs, more order coverage, faster delivery time, and better delivery experience is maturing, why should we worry about the potential impact of social security, complaints from merchants, pressure from riders, and consumer dissatisfaction? The completion of such a distribution network will obviously stimulate the birth of more same-city retail demand.

References


