

E-commerce Retailer Marketing Strategies and Rapid Growth: A Case Study of Temu

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Abstract. In the context of e-commerce retail, the presence of a wide range of product offerings and competitive pricing is crucial for establishing a strong foundation and achieving success for the brand. Nevertheless, the primary determinant of a brand's competitive advantage over its rivals will be its marketing strategy. Hence, e-commerce retail stores employ many strategies to optimize their capacity to comprehend and engage with their customers' psychological states and captivate their attention. This article examines Temu, an e-commerce retail store that has achieved significant success within a year of its introduction. It analyzes three primary techniques employed by Temu to get a deeper understanding of customer psychology and effectively expand its business operations. The findings were supported by referencing online data and scholarly journals. It was evident that Temu possesses a proficient understanding of sales marketing. Nevertheless, drawbacks were observed, primarily stemming from customers' exaggerated view of the brand, which consequently impacts the company's overall worth. The findings assist Temu in developing optimized strategies tailored to their target demographics, enhancing their prospects for success in the post-pandemic era amidst intense competition.

Keywords: Temu, Marketing strategy, social media, Pinduoduo.

1. Introduction

Marketing methods significantly influence online retail stores' success and viability [1, 2]. An effectively implemented marketing plan significantly impacts the reputation of a firm as well as the behaviors of its customers [3, 4]. Businesses typically allocate a significant proportion of their sales towards marketing endeavors, exemplified by prominent companies like Amazon, Walmart, and Target. Particularly noteworthy is Amazon, which allocates a significant portion of its advertising budget into sponsored search, social media, and online advertising, with a substantial investment of \$20.6 billion projected for the year 2022. In the retail sector, enterprises must capitalize on marketing advantages to establish connections with their intended demographic and differentiate themselves within the fiercely competitive market [5, 6]. There is an estimated global count of over 26 million e-commerce websites, which continues to grow daily. The e-commerce industry grew significantly in response to the global pandemic, with online shops increasing by 204% annually, rising from 9.7 million to 19.8 million. One of the primary obstacles newly established e-commerce retailers encounter post-launch pertains to establishing a foothold inside the market. In June 2022, Amazon's market share in the U.S. e-commerce industry was reported to be 37.8 percent, positioning it as the dominant online retailer in the country by a significant margin. Hence, to differentiate themselves from other e-commerce retail stores, organizations must strategically market their products or services to ensure their operations' long-term success and sustainability [7- 10].

The selected organization for this study is Temu, a rapidly growing e-commerce retail store established in late 2022. Several significant findings have emerged by examining quantitative data derived from social media and existing research about the platform. These findings encompass the efficacy of Temu's marketing strategies, which involve using digital marketing techniques to augment its influence, implementing data management practices to acquire valuable customer insights, and employing in-app interactions to enhance customer engagement and appeal. Additionally, the success of Temu's overall app design has played a pivotal role in attracting and effectively serving its intended audience. Nevertheless, it is imperative to acknowledge certain limitations, including the general

customer opinion of the brand and the challenges faced as a developing firm, such as logistical complications in the delivery process. [9. 10].

This paper starts by providing a concise overview of Temu's historical background and business operations. Subsequently, it examines Temu's online marketing strategy, followed by an analysis of the three primary techniques employed by Temu that facilitated its rapid success. Concluding with an analysis of its merits and drawbacks.

2. Description of Temu

2.1. Overview

Temu, a company founded and owned by Colin Huang, was established in Boston, United States, in 2022. The online marketplace is managed by PDD Holdings Inc., a Chinese corporation often called Pingduoduo, a well-established e-commerce platform in the Chinese industry. As Temu's sister company, Pingduoduo, which offers a variety of objects for sale, it currently possesses a market capitalization of \$102 billion. Its stock price experienced an upward trend during a fiscal year characterized by significant downturns for competitors such as Alibaba. Similarly, Temu offers a diverse range of subjects, including fashion, beauty, and unbranded projects related to the home. Temu functions as a platform resembling Pingduoduo, with a comparable NGM business model that seeks to expand its client base by deliberately reducing its profit margins on delivery and seller aspects, resulting in significant customer advantages. Temu platform first launched in late September of 2022. Following its launch, Temu quickly emerged as a dominant force in the app market, surpassing its retail counterparts, such as Shein and Amazon, in download numbers, consistently achieving the highest ranking in the Google Play Store. In December 2022, Temu garnered the highest downloads among free applications in the United States. Additionally, it was the most downloaded app in several nations, including Belgium, Portugal, and Ireland. As of July 2023, Temu has expanded its reach to encompass 37 markets and has sustained its growth with approximately 142 million downloads since its initial release.

2.2. Financial Analysis

The growth exhibited by Temu since its initial introduction has been unparalleled. In May 2023, less than a year after its launch, Temu's U.S. sales surpassed SHEIN by 20% and achieved a milestone by exceeding 100 million active users in the United States. The merchandise volume of Temu experienced a significant increase, reaching over \$192 million. The monthly gross merchandise volume (GMV) is projected to exceed \$1 billion by the year's conclusion. As the focused company under the control of PDD Housing Inc., the company hits the shopping app spent to boost the sales growth abroad, countering the bumpy post-pandemic recovery, ultimately helped the revenue rise around 66%, reporting revenue of 52.3 billion yuan (\$7.2 billion) in the second quarter, beating the average analyst's estimate of 43.3 billion yuan (\$5.95 billion), increasing the net income faster than projected about 47%.

3. Marketing Strategies Analysis

The marketing methods implemented by Temu were a significant contributing factor to the company's rapid growth. Temu has three primary strategies: employing discounted pricing to entice clients. Secondly, utilizing digital marketing techniques, particularly affiliate marketing, enhances its influence and facilitates a viral spread through social media platforms. Lastly, it leverages data management practices to gain valuable customer insights. Various tactics played a significant role in facilitating rapid expansion and attaining notable sales outcomes.

The inception of digital marketing can be traced back to the 1990s, coinciding with the emergence of the first search engines, marking the commencement of the digital marketing age. In the latter part of the 2000s, mobile marketing campaigns were established, leading to increased expenditure on

digital marketing. The global advertising marketing industry is estimated to reach \$601.8 billion by 2023, with around 67.1% of total expenditure allocated to social media platforms. The projected estimation indicates that the value is expected to reach approximately \$870.85 billion by 2027.

Digital marketing encompasses several strategies and techniques, such as search engine optimization, content marketing, social media marketing, email marketing, etc. Search advertising is widely recognized as the most prominent component of digital marketing. However, it is noteworthy that corporations tend to allocate a significant portion of their financial resources towards social media marketing endeavors. This trend is exemplified by the projected expenditure of almost \$207 billion in 2023. Marketers employ various platforms, including Google, Facebook, Instagram, TikTok, YouTube, and others, for advertising. These tools offer valuable benefits in expanding one's worldwide reach and achieving a higher return on investment (ROI). They are particularly effective due to their capacity to personalize consumer experiences, leverage social proof through reviews and testimonials, and establish partnerships with influencers. Furthermore, these tools also prioritize sustainability.

3.1. Utilizing digital marketing techniques to enhance its influence

The primary factor contributing to Temu's sales and market valuation achievements is its effective implementation of digital marketing methods. Upon its first introduction in September 2022, Temu allocated a modest \$140 million towards marketing efforts during its initial month. However, by August 2023, the platform witnessed a substantial increase in its marketing budget, which reached about \$2 billion. The budget allocation towards advertising has proven crucial in facilitating Temu's ascension to a second-tier overseas e-commerce platform alongside notable entities such as Walmart's e-commerce, SHEIN, and eBay. This strategic utilization of funds has contributed to Temu's impressive development rate, enabling them to achieve a Gross Merchandise Value (GMV) of over \$10 billion within less than one year. The relatively cheap acquisition cost of Temu may be attributed to its intelligent marketing strategy. In the United States, the typical acquisition cost for a webshop is approximately \$33. During the first period of Temu, the cost incurred for acquiring customers was approximately \$42, which has since decreased to a maximum of \$30. This current customer acquisition cost (CAC) for Temu is comparable to SHEIN, which also stands at a maximum of \$30. In addition, Temu's marketing strategy had a conversion rate of 10%, surpassing the industry average by 2%. Temu primarily concentrates on many domains within digital marketing, including search advertising, social media advertising, and affiliate marketing.

In search advertising, Temu first allocated funds for over 900 app store searches to secure the highest ranking for their app. This investment proved fruitful as they surpassed popular online retailers such as SHEIN in the shopping app charts within two months. The event of OpenAI launching its mobile ChatGPT application in the app store marked a significant milestone, surpassing previous achievements. Nevertheless, Temu managed to amass over 41 million distinct visitors by the conclusion of December 2022, a feat accomplished within a mere four-month timeframe after its inception.

In social media advertising, Temu publishes humorous material on platforms such as Facebook, TikTok, and Snapchat. One of the most renowned media advertisements produced by the company is the advertisement that was aired during the Super Bowl game, showcasing the tagline "Shop like a Billionaire." The brand in question attained the distinction of being the youngest to participate in the Super Bowl, having been created a mere 5.5 months prior. Additionally, they made history by paying the highest rate per second for their advertisements during the event, amounting to almost \$14 million for two 30-second spots. Consequently, Temu experienced a significant increase of 45% in downloads and a corresponding gain of approximately 20% in daily active users (DAU) on the day of the Super Bowl compared to the preceding days. Temu demonstrated superior performance in early February to prominent retailers such as Target. Temu had a monthly active user (MAU) count of 13.4 million, surpassing Target's 9.2 million MAU count while nearly approaching Walmart's 17.7 million MAU count.

In affiliate marketing, 's primary purpose is to expedite the expansion process and enhance the company's sphere of influence. Temu has established an "Affiliate program" that extends invitations to third-party entities, such as its customers, to engage in promotional activities to enhance the platform's influence, providing monetary incentives as rewards. The affiliate program offered by the company encompasses a wide range of partner companies, providing promoters with numerous advantages such as a generous commission rate and various additional bonuses. Creating a mutually beneficial scenario for both Temu and its promoters. These promoters engage in additional advertising efforts for Temu on popular social media platforms such as TikTok and YouTube, thus enhancing the reach and impact of Temu. Consequently, this leads to a remarkable surge in sales and user base.

3.2. Leveraging data management practice to gain valuable customer insights

Temu specialists have a keen ability to discern the requirements of their clientele concerning enhanced assistance, traction, and promotional strategies for product sales. These activities are executed by monitoring user activity, search history, user session, profile information, and other relevant data through their mobile application and website. Furthermore, Temu also gathers information about the user's device, including but not limited to the device ID, model, manufacturer, mobile network details, and mobile phone number. This practice is consistent with the data collection practices observed by prominent corporations such as Facebook and Amazon.

Temu's overall success may be attributed to its effective targeting of customers' interests and its ability to captivate its target audience through competitive pricing and a diverse range of products that cater to their needs. The primary demographic that Temu focuses on is Generation Z, as they represent the most significant demographic contributing to their sales growth. Approximately 77% of Generation Z consumers allocate an average monthly expenditure of \$250 towards online shopping. Moreover, 75% of Generation Z shoppers exhibit price sensitivity, wherein the cost of a product significantly influences their purchasing choices. Consequently, this demographic represents a prime target audience for applications such as Temu, which cater to their preferences and needs. Temu demonstrates a profound comprehension of its target demographic's psychology, yielding exceptional sales performance. Temu's promotional strategy emphasizes the juxtaposition of affordable pricing against diverse choices.

3.3. Employing in-app interactions to enhance customer engagement and appeal

Implementing in-app interactivity has shown to be a highly successful method for maintaining client engagement within mobile applications. Consequently, Temu has recently introduced gamification features into its app, with a planned completion date of 2022. These features include Daily Gift Boxes, earn credits, Free Gifts, Redeem Cash, Luckily Flip, Fishland, and Farmland. These entities adhere to the same pattern as their parent company, Pinduoduo. Individuals who engage in these activities can acquire complimentary discounts, gifts, and monetary rewards. The initial phase of the journey was very straightforward for users. However, to claim the prizes, the software typically necessitates the client engage in activities such as recruiting a friend to use the app, seeing advertisements, or logging in many times throughout the day. Typically, the objectives customers are required to fulfill in these games involve inviting their acquaintances in exchange for discounted merchandise. The primary strategic approach employed by Temu at its initial launch was the utilization of the "price cut" tactic, which was also implemented in the mobile application of its parent firm, Pinduoduo. The operational mechanism of this game is as follows: An individual selects a complimentary item and solicits assistance from their acquaintances to diminish the cost of said item. The greater the number of friends participating, the more substantial the price reduction will be. However, based on the findings of the 2022 study, it is evident that Western consumers are reluctant to openly express their desire for affordable products to others. The company's strategy of allocating significant resources towards offering discounts and subsidies on their products, coupled with the implementation of gamification techniques to attract new users and leverage existing personal

networks, can be seen as an emulation of the proven business model employed by Pinduoduo during its initial launch almost seven years ago.

4. Competitive Market Situation Analysis

Temu faces significant competition from prominent retailers such as Amazon, Walmart, and Target as it strives to establish a competitive position alongside them. Furthermore, there is competition with SHEIN due to their comparable business model and marketing strategies. Moreover, despite the difficulty of replicating Temu's accomplishments, various other companies, like Gilt, Jane.com, and Woot, are actively vying to assume the position currently held by Temu.

4.1. Strengths

The Temu platform offers a diverse range of products comparable to the extensive assortment on Amazon. Substantial discounts and competitive pricing effectively appeal to clients while allowing them to accumulate credits and obtain complimentary items. Moreover, it should be noted that these entities are under the purview of PDD Holdings Inc., an organization that manages a prominent e-commerce platform in China. Temu has significant potential to emerge as one of the leading online realtor stores in the United States, owing to its affiliation with a prominent corporation and compelling marketing strategies and features.

4.2. Weakness

Despite Temu's notable accomplishments, its reputation has been less than favorable. There have been numerous reports and complaints regarding the non-delivery of packages and the provision of erroneous merchandise, in addition to receiving low BBB ratings and a mixture of customer service reviews. Temu, a developing enterprise with a little one-year tenure, confronts many obstacles in shipping and packing alongside internet services. In a protracted time, frame, failure to address the issues raised in these adverse evaluations would inevitably result in reputational harm.

4.3. Advice for Temu

As a recently introduced application, Temu has the potential for improvement in various aspects. Two primary recommendations involve the establishment of a warehousing facility to address delivery challenges and resolve the issue of negative quality reviews. One potential strategy to enhance delivery speed is the implementation of additional storage facilities in strategic locations. One of the primary advantages offered by Amazon is their expedited delivery service for prime members, which ensures that packages are delivered the day after purchase. Specific clients may see Temu's shipment duration as excessively lengthy, primarily because of the logistical challenges associated with transportation from China. Hence, Temu has the opportunity to expand its warehousing infrastructure in strategic locations, such as the United States, to reduce delivery time and potentially attract a larger customer base.

Additionally, additional storage facilities will enhance the efficiency of the return procedure. Additionally, Temu may attempt to address the problem associated with subpar-quality listings. Numerous reviews have expressed dissatisfaction with the quality of the website, noting that it occasionally needs to catch up compared to competing platforms. Consequently, Temu is experiencing a decline in its customer base, as it caters to those who prioritize the quality of the project over its pricing. Temu can invest effort in thoroughly evaluating the project's quality before featuring it on its website. Alternatively, they might implement tags such as "checked quality" to effectively express the level of certainty regarding the object's quality to potential customers. This will likely enhance their reputation and generate a more extensive consumer base.

5. Conclusion

Temu's marketing strategy can be considered highly successful, contributing significantly to the achievements of this recently established e-commerce retail store. To effectively manage their online resources, including social media platforms, companies employ strategies that enable them to acquire consumer feedback and execute functions that benefit their customers. These efforts ultimately contribute to the remarkable growth and sales of the firm. The analysis involved collecting quantitative data and articles from the internet to gain insights into customer behavior. Temu possesses a proficient understanding of marketing strategies targeted towards its audience. This is exemplified through their creation of appealing user experiences and effective utilization of word-of-mouth promotion on social media platforms. These efforts are further reinforced by the implementation of an affiliate program and the provision of discounted rewards.

Furthermore, examining the merits and demerits of Temu reveals its efficacy in resource utilization of social media and strategic maneuvers based on human psychology, alongside the drawback of being a fledgling enterprise. In the foreseeable future, the market is anticipated to encounter significant hurdles, including legal disputes with companies such as Shein, stemming from intensified competition and scrutiny surrounding their operations as a Chinese entity in the United States. Potential political ramifications may further compound these challenges.

The primary limitation of this work mainly pertains to the need for more specific research studies. Finding research and data solely connected to Temu, rather than its parent business, Pinduoduo, has proven to be challenging due to the relatively recent introduction of Temu, which occurred approximately a year ago. More data regarding the performance of Temu exists, primarily due to its close association with its parent firm. Consequently, this research cannot comprehensively analyze the specific growth of Temu in some areas. Future research on this topic may go into more granular data about Temu, potentially yielding a more significant number of scholarly papers for citation.

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