

How does Meituan beat Ele.me?

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Abstract. Under the “Internet +” promotion, “online ordering” has impacted the catering industry. The take-out industry has gradually been accepted by the public and has become an essential trend in the catering industry. In the food delivery market, Meituan and Ele. me have always occupied the dominant position in the industry. This paper shows the competitive advantages of Meituan Takeaways and Ele.me by comparing the two companies’ rider side, merchant side, client side, and platform side through data analysis. In the era of developed emerging Internet enterprises, emerging industries emerge. Suppose an enterprise does not want to be eliminated by the market. In that case, it should actively adapt to the market and explore and try to innovate a business model suitable for the enterprise to enhance its competitiveness and value. Add bricks to their strength, but also for developing enterprises in the industry to lay a solid foundation.

Keywords: Take-out industry, Ele.me, Meituan.

1. Introduction

In recent years, the development of the Internet industry has made the take-out industry more and more mature. The fast pace of life caused by rapid economic growth has become one of the main factors promoting people to accept online takeout food. Most people’s leisure time is squeezed by busy work, which may make the slow pace of life no longer become the mainstream trend that people pursue. Judging from the consumption of time cost, the take-out industry may be accepted by people and become an important trend in the future of the food industry.

From the perspective of the scale and growth rate of China’s take-out market, the overall scale of the take-out market has been on the rise since 2017, increasing from 300 billion yuan at the beginning of 2017 to 1 trillion yuan in 2021 within five years. From the perspective of the growth rate, the market size of the food delivery industry shows a surging trend from 2020 to 2021, which may be because offline stores cannot carry out normal sales due to the epidemic in 2020 and the rapid development of the Internet platform makes food delivery platform companies get more opportunities and become more diversified. Before 2020, the main take-out industry is catering, so a single industry restricts the development of the industry. During the epidemic, people’s demand for daily necessities and medical products prompted the food delivery industry to diversify its business categories to meet the needs of consumers and further expand the share of the food delivery market.

In the take-out market, Meituan’s take-out industry and Ele. me take-out company has always occupied the dominant position in the industry. The competitive strategies adopted by the two companies and their market share have been widely concerned by domestic scholars. The new concept of “retail + technology” proposed by Meituan in September 2021, when consumers have high requirements for online shopping, provided further impetus for Meituan. “Retail + technology” makes up for the defects of traditional e-commerce by combining online services with offline services. The optimization and reduction of intermediate links will directly improve the efficiency and user experience and contribute to the further improvement of user stickiness of Meituan.

Through data comparison and analysis of the rider side, merchant side, and profit side of the two companies, this paper shows how Meituan Takeaway can obtain more market shares with fewer

resources. The conclusions drawn by analyzing the data of the two companies at different levels may provide a reference for Meituan in the future market competition and further promotion of the company. In addition, analyzing Internet companies' data and competitive strategies in the emerging industry can positively guide the subsequent companies that want to develop in the food delivery industry. In terms of academic research, this paper can enhance the diversity and new perspectives of relevant research on e-commerce enterprises.

2. Literature review

Ding provided decision support for Meituan Takeout's choice of delivery mode through MATLAB calculation and analysis [1]. Based on the mathematical model analysis, Gao analyzed the pricing strategy applied by Meituan Take-out and provided suggestions for its future development [2]. Taking Meituan delivery software as an example, Hou studied the existing problems and development direction of Meituan delivery software and proposed that it could be further optimized for merchants and food logistics [3]. Through comparative analysis, Sun and Kong explored their business models and put forward suggestions for exploring the advantages of existing take-out platforms [4]. Wang used STP theory to conduct market segmentation in the o2o market of takeout and develop online marketing strategies for Meituan Takeout based on the analysis of its online marketing environment [5]. Tian *et al.* analyzed the income of Meituan Takeaway based on the econometric model and concluded that the amount of investment, the number of active APP users, and the number of riders is positively correlated with the income [6]. Jiang analyzed the economic and technological environment of the delivery industry, expounded on the shortcomings of marketing strategies, and put forward suggestions for Meituan Takeout [7]. Tang and Guo made a theoretical analysis of the two-sided market to determine whether Meituan's charging high commission to merchants violates the law and prohibits the "two choices" behavior that restricts competition [8]. Zhang used the literature research method, case analysis method, and financial index analysis method to describe the process of Meituan's business model innovation and concluded that a reasonable and applicable business model should be customized for the enterprise itself [9]. Yan uses the SWOT method to explore the popular optimal trends of Meituan group-buying websites in our country and promote the healthy development of the entire online group-buying industry [10].

3. Case analysis

In terms of management, Meituan has developed strategies, brand positioning, product operation, customer orientation, learning ability, crisis awareness, quick response, tenacity, and patience. Meituan is a company without boundaries. Meituan is almost full of services related to the field of life. Meituan uses the platform strategy, and the more services in the APP, the lower the customer acquisition cost. Meituan's marginal promotion cost is meager, its investment resources are relatively low, and the customer acquisition cost of other Internet companies is rising rigidly.

3.1. Competitive advantage

3.1.1. User activity and stickiness

Compared with Ele.me, Meituan's advantages are concentrated in the diversification of services, so Meituan has more advantages than Ele.me in terms of market share. The diversification of Meituan's services is mainly reflected in catering and group purchases, hotel group purchases, tourism, scenic spot ticketing services, movie group purchases, and Meituan takeout. In addition, Meituan also includes entertainment, beauty, hairdressing, and other industries in life. In 2015, Public Review merged with its new strategic partner company, and that advantage grew considerably. For the first time, Meituan has launched a series of consumer protection programs, such as no consumption within 7 days, unconditional refund, free orders if the consumption is not satisfied, and a one-click refund if the consumption expires, which constitutes a perfect carefree consumer

protection system. In terms of the speed of new market expansion, the team experience in charge of local group buying will have an advantage in team building and market promotion, and it will be more advantageous in promotion after the delivery platform enters the new city. Since early delivery teams were made up of local pushers, they were familiar with local market conditions. They are so compared to Ele.me, Meituan will operate faster in the early stages.

3.1.2. End of rider

Meituan Special Delivery is a self-established delivery team to improve the delivery quality of takeout orders. The team members are regular employees of Meituan, and delivery personnel are generally required to be in good health and under 40 years old, have the best work experience, and have no criminal record [1]. All deliverers specially sent by Meituan must receive comprehensive onboarding and irregular professional training after entry to improve their professionalism and professional level. This training is uniformly organized by Meituan [1]. The performance of the Meituan rider team was better than Ele.me in efficiency indicators such as per capita daily order and delivery time. With 1.5 times the number of riders, Meituan achieved twice the market share of Hyperle.me.

3.1.3. Merchant side

Meituan has many merchants' resources, and the merchant's activity performance is better. Even after the opening of "one of two options" in 2021, the growth rate of the number of active merchants on Meituan recovered to the 18-year level, with the number of active merchants reaching 8.8 million (including take-out merchants and in-store merchants), a year-on-year increase of 29%. In terms of merchant activity, Meituan's MAU is about three times higher than Ele.me's, according to Trust data. In addition, compared with the two O2O platforms of Meituan Waimai and Ele.me, Meituan Waimai has advantages in terms of consumer user stickiness and business user growth [2].

3.1.4. Platform end

(1) Platform merchant entry income. In the early stage of platform construction, the number of merchants on the platform usually increases rapidly by exempting merchants' entry fees. Therefore, the cost of ordering takeout or running errands is low for users in the early stage. In the later stage, when the platform continues to develop and expand, the platform will charge the entry fees of the platform merchants according to the situation. Usually, the fees will rise according to the popularity of the platform.

(2) Platform orders receive revenue. Platform order percentage is the core profit model of the delivery platform. The higher the unit price, the larger the percentage. Merchant commission is divided into platform distribution commission and merchant self-distribution commission, many self-operated platforms, according to the operation strategy, will adjust the proportion at will.

(3) Platform distribution cost revenue. The platform builds its delivery team to provide delivery services for merchants. During peak takeout orders, deliverers can take delivery business orders. During the rest of the time, they can accept errand service orders, and the platform can charge fees for each delivery order of online transaction.

(4) Platform advertising revenue. When the platform has a certain amount of traffic, it can set up advertising space in popover ads, message push ads, open screen ads, and other platforms, reach cooperation with brands, and collect advertising rent. In addition to advertising for merchants, these AD Spaces can also access third-party advertising. At the same time, the platform will also operate a local public account for drainage at the initial operation.

(5) Platform self-operating business income. After a period of background operation and management, through the analysis of background data, the platform can know the popular local catering, leg-running services, and other types, use its resources to build stores to sell goods and build a takeaway business, and open up online channels. The coverage of customers is several times higher than that of traditional physical stores.

(6) Platform to expand business revenue. With the continued strength of the platform, when the platform enters stable operation and has enough traffic, the platform begins to consider business expansion and build a city comprehensive service information platform: community group purchase, supermarket alliance, raw fruits and vegetables, pet services, second-hand trading market and many other kinds of services. Thus, the platform will charge information release and formulation fees, and merchants will receive profits from orders entered.

(7) Site operating agent revenue. When the service scope of the platform continues to expand, entrepreneurs can open the site function according to their situation and geographical location. At this time can also set up a direct platform in other regions or through the authorization of other entrepreneurs to join their brand to charge operation guidance fees, royalty fees, franchise fees, and so on.

3.1.5. Client-side

Takeaway crowd positioning is an essential link of takeaway operation, which determines the success or failure of the takeaway operation to a certain extent. The brand Meituan provides brand endorsement for Meituan Takeout, and Meituan Takeout easily attracts customers from Meituan Takeout and gathers many customers for new consumption [3]. Like Ele.me, Meituan Takeaways' important customers in its early stage are college students. In 2014, Meituan takeaways and Ele.me both adopted a cash-burn promotion to enter the student market, and Meituan's another target group is the same as Ele.me's. And guide the original customers to pay attention to Meituan Takeout [4].

(1) Campus Users. Campus users mainly meet the dining needs of students and a small number of teachers. These users mainly focus on food and fast food with relatively low unit prices. Moreover, with high consumption frequency, such customers are susceptible to price and pay more attention to activity intensity and actual payment amount. Campus users' demand for ordering food on weekends is higher than on weekdays [5].

(2) White collar users. White-collar users have a rich demand for categories, and in addition to meals, they generally have an excellent demand for desserts, drinks, and fruits [5]. White-collar users have strong consumption power, high frequency, and low sensitivity to price. In addition to preferential activities, they pay more attention to taste and service level. Due to the limited dining time, they are susceptible to the punctuality rate of food delivery. Due to the working time, the orders on working days will be larger than on weekends.

(3) Community Users. Community users mainly refer to take-away meals in living communities, among which take-away meals for family dining are in similar demand with white-collar workers, with abundant demand, strong consumption power, high frequency, low sensitivity to price, and high requirements for delivery and quality. Unlike white-collar users, community users have a higher demand for night snacks than dinner time, and their order volume on weekends is much higher than on working days [5].

3.1.6. Profit

Ele.me and Meituan are competing for supremacy, and Meituan has apparent advantages. Meituan's food delivery income is on the rise. According to Meituan's financial statements, the growth rate is awe-inspiring, from 757 million yuan in 2011 to 4.019 billion yuan in 2015 and 97.529 billion yuan in 2019 [6]. In addition, Meituan and Ele.me presented a duopoly situation: Ele.me was founded in 2009, Meituan was launched in 2013, and Baidu was launched in 2014. After 2016, Ele.me and Meituan's Internet team gradually became apparent, and the food delivery field entered the BAT battlefield. As seen from the Fig.1, Meituan has apparent advantages, and its market share has increased steadily, ranking first place. Although Ele.me's market share has decreased slightly, its revenue has risen steadily.

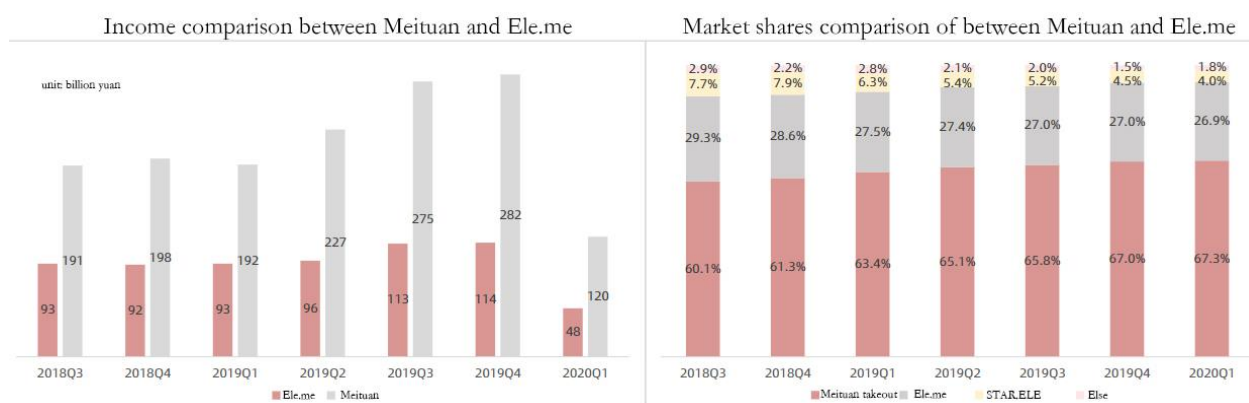


Figure 1. Revenue comparison (left) and market share comparison (right) of Meituan Ele.me
Sources: Meituan Earnings, Forward Economist, trust data, Founder Securities Research Institute

3.1.7. Profit

Meituan has its own ecological mutual drainage cooperation and Tencent support, and Ele.me has the drainage branch of Ali’s high-frequency products. Meituan.com + Meituan.com, Dianping + WeChat, QQ Meituan. com’s traffic intake mainly comes from Meituan. com’s ecology, and 90% of Meituan. com’s own products’ traffic intake reaches 90%. It is supplemented by the Tencent department of the WeChat small program, QQ access, and the formation of the “Meituan + WeChat” super traffic entry. Meituan is one of the earliest and most successful group-buying websites in China, covering more than 1,000 cities across the country with more than 200 million users. Meituan Takeout is based on Meituan group buying. Through the early accumulation of data and the gradual improvement of technical services, it is evident that the brand “Meituan” can provide a vast traffic entrance for “Meituan Takeaway”. The brand effect makes some customers naturally diverted to the platform of “Meituan Takeout” for a new round of consumption, which significantly reduces the advertising and publicity costs of "Meituan Takeout" and saves operating costs [7]. However, the traffic provided by Ele.me + Alipay, Koubei, and Taobao’s products is less than 50%. Relying on Alibaba’s high-frequency Taobao, Alipay, and Koubei apps as the traffic entry, the drainage ability is weak (as shown in Fig.2).

Meituan			Ele.me		
Name	Product attributes	Monthly active users(ten thousand people)	Name	Product attributes	Monthly active users(ten thousand people)
MeituanAPP	Local life	14, 429	Ele.me	Take out	6, 537
Meituan applet in WeChat	Applet	9, 670 (2020.6)	Ele.me applet in WeChat	Applet	3, 286 (2020.6)
Meituan takeout	Take out	6, 570	Taobao	online retailers	79, 517
China Internet Plus Group	Local life	7, 352	Alipay	Pay	90, 097
Kuaishou	Short video	48, 025	Koubei	Local life	528

Figure 2. Comparison of main traffic inlet between Meituan and Ele.me (Source: Analysis Data, West China Securities Research Institute)

3.2. Suggestions on Meituan Takeout

3.2.1. Continuous innovation and improvement of the profit structure

(1) Set a new commission ratio. The conflict between merchants and the platform caused by the commission ratio, which Meituan encounters, squeezes or even diminishes the value of merchants, and obliterates their contentment with the platform [8]. Meituan can change its income model from commission to marketing services in order to achieve this. As the number of businesses grows and

competition heats up, more businesses will decide to promote in the future. Future retailers will be eager to choose Meituan as a platform for advertising since they will be more aware of the advertising effect.

Meituan can also use the massive data accumulated by the long-term operation of the platform and the upgraded technology to help merchants improve operation efficiency and develop better marketing plans for merchants. At the same time, we actively build a new distribution business and strive to improve the restaurant management and supply chain systems to reduce merchants' production costs. In addition, Meituan-Dianping needs to optimize the commission ratio as soon as possible, reduce the excessively high commission ratio, make the ratio related to the profit level of merchants, and reduce the operating costs of merchants. It can also build a brand new one for the merchant group and increase the platform's revenue and profit by providing other brand-new businesses needed by more merchants.

(2) Improve the gross profit margin. The development of enterprises needs a continuous investment of funds, and a stable and strong cash flow can improve the profitability of enterprises and then earn more profits. The food and beverage take-out business is the main cash flow business of Meituan, significant. However, in terms of the industry, it may reach the upper limit of growth because the profit of catering takeout is relatively low, the gross profit rate is low, and the scale of merchants, deliverers, and users has reached a saturation state. In the future, the enterprise may need more cash flow and significant funds for developing other company businesses [9].

The gross profit rate of the business is high, but the overall income is low, and it is still in the stage of market share competition, so it is challenging to provide large amounts of capital. Meituan can improve service efficiency by means of technological innovation mode, constantly upgrade algorithms to optimize intelligent mobilization, and improve order processing efficiency. At the same time, we should optimize the commission ratio with merchants, establish a perfect after-sales system, timely receive consumer feedback and make certain rectification suggestions to relevant merchants, to reduce the use cost of products and services for consumers and optimize the consumption experience.

(3) Optimize the proportion of creditors' rights. In the early stage, Meituan obtained cash flow through a large debt. After going public in 2018, it obtained equity investment, but the cash ratio was far lower than the industry level. If the cash flow of operating activities in 2018 is maintained, Meituan can only last two years without additional financing and investment [9]. To solve this situation, Meituan can further expand the proportion of debt financing, raise corporate financial leverage, and let operating power and financial leverage boost profits. In addition, Meituan should focus on improving its financial revenue capacity and the ability to resist risks, adjusting the malpractice business to obtain a healthier cash flow for Meituan.

(4) Improve cost control. Meituan's cost of riders is too high, accounting for 95% of the operating cost. More than 80% of the commission is used to pay for the cost of riders, which increases Meituan's financial burden to some extent. On the one hand, Meituan can make strategic adjustment analyses on the part of Meituan riders. Takeout business generally has a high demand for takeout delivery during the noon hours and a low order at 8 a.m., 9 a.m., 3 p.m., and 4 p.m., so there will be a mismatch between demand and supply [9]. To solve this problem, Meituan can develop a new business of instant delivery to maximize the use of riders' leisure time and solve the workforce surplus problem in the afternoon.

On the other hand, Meituan can also continue to develop the automation process, use the power of science and technology, realize the combination of automation and artificial intelligence, further improve the level of research and development, increase the coverage of uncrewed delivery vehicles, further improve the distribution efficiency, provide marketing plans, digital upgrades, supply chain services, and reward pioneer merchants.

3.2.2. Continuous innovation to complete the ecological business model

(1) Enhance innovation capacity. Meituan-Dianping is good at "imitation and improvement", and not all of its mature businesses are independent innovations. The most valuable Dianping is a merger;

the rest of the business is battling with others. The food delivery was successful, and the hotel may be, too, but it won't do, and it will limit Meituan's future growth.

As an Internet company, innovation is the gene of an outstanding Internet company. It is also the key to determining how high the upper limit of an Internet company is. Otherwise, it is challenging to become an outstanding company only by living on its old foundation and gradually disappearing as time passes. Meituan can strengthen technological innovation, constantly optimize client design and information quality [10], create products that are difficult to be copied, seize users' minds the first time and occupy them for a long time, and form a business module with high barriers or strong profitability, which is the core of the ecological chain of an ecological company.

(2) Constantly expanding business boundaries. Meituan has achieved initial achievements and realized the closed loop of the life service life circle after a prolonged amount of time of loss expansion. However, Meituan should find ways to launch new blue ocean enterprises as the expansion of its hotels, deliveries and delivery stores, and tourism has reached a bottleneck. The original goal of catering mostly for food is changed in the food and beverage take-out sector, taking advantage of the current trend of consumer upgrading, and some functions of entertainment and social communication are given to catering, making it a social leisure platform.

Whether it be bike sharing, online auto reservations, or fresh food, more people need to seize the new business opportunity with both hands and actively develop their business sectors while gradually concentrating on the merchant side. Meituan's main research focuses are cloud computing, big data, and future supply chain management. On the other hand, it also makes use of every user's value with the intention of covering all aspect of their lives and allowing users to fulfill all of their demands on the Meituan platform.

(3) Enhance the competitiveness of the business structure. Meituan food and beverage takeout sector are in the star business and a sound development stage. Meituan needs to maintain the current development trend as the flow's main business. In the short term, it should prioritize financial support for takeout business to maintain the leading position in the takeout market. The cash cow business of Meituan is the main source of Meituan's profits, which gives Meituan a favorable market position. Meituan should invest resources to use this business segment best to achieve the maximum hematopoietic function [9].

For the business whose market growth rate is still increasing, further market segmentation should be carried out to maintain the current market growth rate or slow down its decline. Grocery retail is Meituan's problem business, which is in the worst cash flow state and requires substantial investment to support its production and operation activities. Meituan should analyze whether this business has profitability and investment value in the future and focus on the business that is likely to be transformed into a star business to increase its market share.

Meituan Cycling and mobility is in the very competitive dog business, with small scale and low margins. For this kind of business, we should narrow the business scope, strengthen internal management, rectify the business series, and make this part of the business profitable as soon as possible.

(4) Improve the ecology to reduce vicious competition. Meituan and Ele.me split the delivery market, but Meituan got it after spending much money in the early days. Although Meituan has the upper hand now, the competition for a local living won't stop there. Because Ele.me belongs to the business of Alibaba and has been supporting Ele.me for a long time, it will not willingly give in to Meituan. Alibaba is stronger than Meituan. According to relevant materials, Alibaba has subsidized Ele.me to tens of billions to compete with the Meituan competition. Meituan has also paid a large number of funds for this, and in terms of hotels, it also competes with Alibaba's Flying Pig Travel and Ctrip travel [10].

In terms of community group buying, there are more rivals, such as Jingdong and Pinduoduo, etc. If Meituan cannot get out of these competitions all the time, it may fall into difficulties after Meituan's takeout and wine travel businesses tend to be at the top. Therefore, Meituan should not focus on vicious competition, but attach importance to scientific research ability, keep pace with The Times's

needs, and develop new businesses. Make good use of the existing active users and business resources in the fierce competition of local life services to break out of their way.

4. Conclusion

Meituan Takeout is in the stage of rapid development. Relying on its complete system and efficient enterprise, Meituan Takeout has gradually developed into a leader in takeout by taking advantage of the opportunities provided by the Internet. Ele.me has a significant advantage in the relationship with Ele.me. In terms of riders, Meituan has more riders and is more efficient than Ele.me. In terms of customers, Meituan has attracted many customers for Meituan takeout. In terms of platform, Meituan has built its delivery team to provide delivery services for merchants, which is more professional than Ele. me. But at the same time, Meituan Takeout still needs some improvement in its development. For example, the conflict between the merchants and the platform due to the commission ratio causes the value of the merchants to be squeezed or even damaged and destroys their satisfaction with the platform. In the early stage, Meituan also had a vicious competition with Ele.me, significantly damaging the market. This study also has some shortcomings. The literature selected in this paper and the research time is limited, the theory needs to be more systematic and mature, and the research field needs to be broadened.

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