

Analysis of the Competitive Strategy of TikTok's Local Life Section Against Meituan

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Abstract. Internet giants have flocked to the circuit with the development of the local life service system. TikTok Local Life shows its strength in this circuit with its differentiated competitive strategy, but the competition pressure from the local life giant Meituan and the newly entered second tier competitors, as well as the strategic cooperation between the head, make the local life circuit competition gradually heated up. This paper analyzes how TikTok will compete with Meituan on the local life track through the differentiated competition of TikTok and the strategic cooperation of Ele.me. This study will, on the one hand, provide a systematic analysis of the local lifestyle market in China. On the other hand, this study serves as a guide in practice.

Keywords: Competitive Strategy, Local Life Section, TikTok, Meituan.

1. Introduction

In recent years, with the improvement of public cognition of the Internet business model, the O2O local life service field has become the focus of people's attention. The main reason is that the track has a large user base, the market stock and scale are large enough, and the marketing scene for expansion is extensive, which encourages the Internet giants to lay out in it actively. But it has also led to increased competition in local living. Emerging Internet platforms represented by TikTok are accelerating the promotion of local life services after the normalization of e-commerce business and striving to form a closed loop of local life. In addition, Tiktok is faced with internal revenue pressure when implementing local life and external peer pressure led by Meituan after entering local life. We will change the traffic volume from the Tiktok platform in this context. The user, Cooperation, And merchant level analysis of TikTok local life plate competition strategy. The strategic cooperation between Tiktok Local Life and Ele.me will be taken as an example. All the local life services provided by Tiktok were store-to-store consumption type local life services, which means that Tiktok can extend from store-to-store consumption type local life services to home-based local life services to analyze the transformation of Tiktok's local life mode and direction. The optimization suggestions are given at the end of this paper, aiming at the problems existing in TikTok's local life competition strategy. We can pay attention to quality short video content guidance and platform content publicity and delivery and cooperate with the master ecological chain to stabilize the "people, goods, field". Cooperate with Ele.me and other platforms to solve home-based business. And optimize the platform service management system to ensure the interests of merchants and high-quality content delivery to improve customer stickiness and provide a better user experience.

2. Literature Review

With the development of the Internet, online local life business has drawn the attention of multiple scholars. This section will review the research related to local Internet life. Specifically, Liang analyzed the strategic layout of the local life of the three Internet giants, including Alibaba, Tencent,

and ByteDance. It claimed that the different boundaries of business models of new and traditional Internet enterprises are gradually disappearing. The closed loop of the local life of ByteDance is also accelerating its formation [1]. Xu examined the market share of local life, summed up the layout of the new and old competitors of the same track, and proposed that the local life market is enormous, and fierce competition is inevitable for Tik Tok to dominate the market [2]. Besides, Zhao analyzed the necessity of Tik Tok's entry into local life and the possible competition, collected data on the scale of the local life market, and presented Tik Tok's desire for a new traffic realization password [3]. Li investigated the heated competition among Internet giants in the local life track and found that through cooperation, the local life track presented a three-way pattern of "Ali synergy", "Meituan buy-in," and "JD traffic" in terms of instant retailing [4]. Guo analyzed the achievement of the 2022 GMV goal of Tik Tok local life as well as live broadcast and group purchase business development and pointed out that Tik Tok local life can benefit merchants. Yet, it is still essential to develop and support the market in lower-tier cities [5]. Taking the group purchase business in Tik Tok local life as the analytic target, Li analyzed the status quo of its marketing strategy, concluded the current problems in this part, proposed corresponding countermeasures, and provided a reference for the follow-up development and marketing of the group purchase business of Tik Tok local life [6].

Ran probed into the strategic cooperation between Ele.me and Tik Tok, and demonstrated that the association of both sides brings new experiences of "instant watching, instant ordering and instant delivering" to local life. In other words, the local life service bids farewell to sole work in the era of short videos and enters a new stage of group cooperation [7]. From the overview, focus, problems, and trends, Yu analyzed the new development trend of the Chinese short video industry and mentioned that improving self-operated e-commerce and accelerating the promotion of localized services will be the common choices for the critical business development of the leading platform. Technology-enabled content production will drive short video competition into a new phase [8]. Tan used related theoretical research on the two-sided market, summarized the typical characteristics and existing conditions of a two-sided market that are different from the traditional unilateral market, adopted theoretical analysis and empirical analysis, conducted PEST, five-force model, and other theoretical research, took Meituan Dianping as an example for analysis of the competitive strategy, and provided some suggestions and countermeasures for further improving the competitive strategies of Meituan Dianping [9]. Based on the literature research method, inductive method, and case analysis method, Lei explored the marketing strategies of Tik Tok short video. First of all, the theoretical basis of this research includes the PEST analysis approach, Porter's five-force model, and three Elements of STP marketing strategy and 4Ps marketing theory were identified through the literature research, and the present foreign and domestic study was summarized. Finally, optimization suggestions were provided for the problems existing in the marketing strategy of Tik Tok short video [10].

3. Case Analysis

3.1. Case description

3.1.1. Development background

Since 2021 Byte dance has started to make internal reformation. Reorganize the original business segments into six sections: TikTok, Vigorous Education, Fishu, Volcano Engine, Asahi Lightyear, and TikTok. And TikTok has merged into several more powerful products belonging to Byte Dance. For example, today's headlines, watermelon videos, etc. And the entire domestic vertical service business was merged into TikTok. The volume of TikTok has been unprecedentedly expanded, showing Byte Jumping's strong confidence and expectations. At the same time, the TikTok team has completed an internal organizational restructuring. The head of the local life business reports directly to the head of the live industry, and the linkage between the two business sections is increasing [6]. It makes its importance in TikTok and even in Byte Dance increase.

The problems facing TikTok Local Life currently come from two sources: one is TikTok's urgent need for a local life service module to generate revenue, and the other is under pressure from its biggest competitor in the local business section - Meituan. On the one hand, Byte dance's revenue growth rate slowed significantly in 2021 compared to the growth figures in 2020. TikTok is currently the largest source of revenue for Byte Dance, but other pillar products, such as games and online education, are limited in revenue. Therefore, achieving more revenue in the local life service segment is urgent. On the other hand, Meituan has completed the pilot of the restaurant category. And will soon be online with several different life service categories. This makes it increasingly challenging for the local life section to gain a foothold in the market. And the volume of Meituan is enormous. In the local merchants, offline ground, logistics, and distribution have an absolute advantage, making the development pressure of the local life of the shake constantly become greater.

3.1.2. Competitor status

Affected by the pressure of TikTok's local life market, Meituan had to open up new roads. Since the end of 2021, Meituan and Snack video announced their cooperation to launch the Meituan applet on Snack video. Improve the service capability of Meituan merchants, while Racer users can reach Meituan directly through Snack video, creating an entire consumer chain. And Meituan series products have also been gradually strengthening the content advantage, such as the public review of the life-sharing platform. With a combination of external help and internal reform, the gap between Meituan and TikTok is gradually decreasing, which also brings more sense of crisis for TikTok.

3.2. Response strategies

3.2.1. Flow

Through various forms such as store exploration, card punching, listings, group purchase, and takeaway, the online traffic of different scenes is connected with offline merchants to encourage users to enter stores for consumption. TikTok aims to take full advantage of the conversion between content and business so that that content can attract users to local businesses and the consumption of business to re-produce content for traffic. Currently, TikTok has been making up for its ability in commercial conversion. Based on its vast user base, TikTok uses mature short video algorithms to locate the audience. As a leading short video platform, TikTok's accurate big data algorithm can tag and visualize users' preferences, thus enabling merchants to locate their target customer groups accurately. This extremely accurate algorithmic targeting approach is precisely what Meituan can't match. For example, the same new make a spicy hot food account on platforms such as Meituan, and your content will be pushed to a wide range of food and beverage consumers, including noodles, kebabs, spicy hot pot, and other types of people. But on TikTok, when placing content, you can add accounts that have been successful such as spicy hotpot, risotto, and hot pot, as counterpart accounts. After that, your content will be seen by users who follow these accounts to achieve more accurate placement.

3.2.2. Cooperation

TikTok has been increasing its investment in local life and has strengthened cooperation with "Ele.me". The company has also created basic marketing measures such as shake stores, group purchases, coupons, and popular listings. In 2022, TikTok enters the takeaway business. But the purpose of TikTok doing a takeaway is not just for the local life market but to activate its small program ecology. It is TikTok's more enormous ambition.

3.2.3. Merchants

The TikTok local life platform has developed a lower fee policy than other platforms to attract more businesses to move in and continue growth. On the one hand, TikTok's service fee rate is lower than the industry average. According to relevant data, the average commission charged by Meituan to its local life merchants is about 10%. On the other hand, TikTok waives software service fees for new merchants for 60 days and gives different software service fee rebates to small and micro enterprises, other merchants, and merchants affected by the epidemic.

3.3. Evaluation of TikTok's local life strategy and suggestions

From the bottom logic of customer attraction, TikTok beats Meituan in attracting customers. The idea of Meituan is that users determine their own needs - open the app and search for the corresponding merchants - and then go to the store or take out at home: while the way of TikTok is to lead customers to see the short video through the short video platform - to arouse interest and love - to go to the store. This model leads consumers from just unconscious browsing to stimulating their own consumption needs through short videos, which can expand the potential user base like never before. And relying on TikTok's huge user base, this diversion method will increase the local life user group. In short, TikTok should continue depending on the short video platform to promote local life and expand the number of "local life experts".

The cooperation with Ele.me is an excellent decision to stimulate their offline delivery capabilities while more able to expand their marketing and enhance their competitiveness against Meituan. At present, TikTok's online traffic attraction ability is stronger than Meituan, but the offline volume and takeaway delivery are still a big gap with Meituan. Cooperation with Ele.me, using its mature offline stores and takeaway delivery can make TikTok local life services quickly catch up or surpass the Meituan[7]. Therefore, TikTok should have more in-depth cooperation with Ele.me offline service platforms to further expand the offline market's scale and improve take-out delivery quality [4].

The local life business is increasingly strategic for TikTok, with more aggressive targets. However, there is still a gap between the competition from a supply-side perspective and Meituan. TikTok's entry into local life is full of challenges, but TikTok keeps adding to its strategic position: TikTok does local life as a circuitous process of gradual exploration. From the initial focus on "traffic trading", aiming to boost the growth of the advertising business, to the establishment of a direct center dedicated to local life to improve the ecological system, local life has become the second-ranking business of TikTok after live e-commerce with a rising strategic level and more aggressive goals. However, the competitiveness of local life as a mature industry is often on the supply side: data shows that TikTok's stationed merchants are not comparable to Meituan at this stage, sampling both in 3 business districts and the number of TikTok's stationed in first-tier cities only accounts for 34%, 26% and 10% of Meituan. TikTok has not even formed a systematic interface in the sinking market.

4. Conclusion

To sum up, there is still a gap between the volume of the two. TikTok local life's urgent problem also lies in maintaining customer stickiness. Although it is possible to do an excellent job of promotion by the TikTok platform and the impact of short videos, TikTok itself is a massive amount of short video information not only makes it difficult to make users brush again to the relevant store video but also because users are watching short videos to create the logic of demand to guide consumption, users will likely be attracted to other businesses when they consume again, thus to a certain extent "hinder" the cultivation of repeat customers. The process of using Meituan is straightforward, open the app, order, and exit in one go, which leaves more customers with independent demand under such a simple operation, and the user stickiness of such customers is often more potent. Based on the above analysis, this study concludes that TikTok should overhaul its existing platform to ensure a higher quality of local lifestyle businesses and their related short videos to attract more customers and improve user stickiness.

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