Analysis on Long-term Competitiveness of Pinduoduo: Development Prospects and Suggestions

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Abstract. The e-commerce industry's development is a critical topic in the post-epidemic era. Some researchers have found that the advent of the epidemic era and the emergence of the post-epidemic era have had a significant impact on the development of the e-commerce industry; however, among them, compared with the head - Taobao and JD, Pinduoduo's performance since its listing has been more prominent, but there are still research gaps on the long-term competitiveness of the platform. Therefore, by analyzing the existing marketing modal and making assumptions about future development, this paper explores the breakthrough points of the Pinduoduo platform in the e-commerce competition to develop long-term competitiveness. The research shows that based on the advantages of price on the Pinduoduo platform and the selection advantage of "innovation points", it is suggested that the Pinduoduo platform can continue to consider keeping prices low and strengthen the innovation of agricultural products and overseas markets to enhance the long-term competitiveness of the platform.

Keywords: Pinduoduo, Cross-border e-commerce, Agricultural products, Forecast and advice.

1. Introduction

With the rapid development of internet technology, the operation mode of platform enterprises is becoming more and more mature. Among the e-commerce platform, Pinduoduo successfully ranked among the top three e-commerce platforms after three years of listing, on par with JD. Most researchers have evaluated and analyzed the current development of Pinduoduo. However, there are still areas for improvement in the future development of the platform and the research on improving long-term competitiveness. In the era of the epidemic, the variability and complexity of the epidemic have also brought a significant impact on its development. Therefore, this paper will analyze Pinduoduo's competition model from the perspective of dynamic synthesis, point out the platform's advantages and disadvantages, opportunities, and threats, and put forward optimization suggestions from the perspective of feasibility and scientificity to promote Pinduoduo to enhance its long-term competitiveness. Based on the advantages of the platform's low-price and grouping forms, as well as the innovation of agricultural product sales, this study will propose to enhance long-term competitiveness: strengthen platform supervision, improve product quality and service quality, establish its own logistics system to reduce unnecessary costs; firmly help farmers and support farmers, maintain overseas market development and other innovation breakthrough points, to enhance the long-term competitiveness of the platform and improve the overall development efficiency of the platform.

2. Literature review

With the Internet economy's development, Pinduoduo has attracted the attention of many scholars as a representative enterprise in the industry. This section will review the relevant research on Pinduoduo's business model. Xu and Li believe that Pinduoduo organically combines brand communication and social media and achieves effective brand communication and drainage through WeChat and haggling, as well as user fission growth. At the same time, it also analyzes the incredible impact of the prosperity of the community economy on the traditional marketing model of enterprises. It puts forward feasible suggestions for the innovative development of social e-commerce [1].

Through Temu's operation in the African and North American markets, Tao and Li proposed that Pinduoduo is still actively exploring and gaining opportunities in a situation surrounded by fierce rivals such as Amazon. At the same time, Pinduoduo's "2022 Duoduo Global Support Plan" has also contributed to Pinduoduo's overseas development [2]. Zhao et al. analyzed the order data of agricultural products. Through the comprehensive coverage of the "Super Agricultural Festival" and the many agriculture-related stores, they concluded that farm products are the breakthrough of Pinduoduo [3]. Jiang believes that although Pinduoduo's unique, innovative profit model makes it stand out among many e-commerce platforms, it must pay attention to problems such as uneven product quality [4]. Han believes that while the epidemic has had a more significant impact on the development of the physical retail industry, this has brought a tremendous increase in online consumption [5]. Wei et al. believe that Pinduoduo has opened a larger market with tens of billions of subsidies, making Pinduoduo an elementary level in China's e-commerce field; Many middle-income groups were obtained at low prices, and with this as the starting point, it was found that consumers' consumption behaviour in Pinduoduo showed four characteristics, including impulse consumption [6].

3. Case Description

PinDuoduo is a third-party social e-commerce platform officially established in 2015 when the two biggest mainstream e-commerce businesses, Taobao and JD, matured and the most significant domestic consumer market saturated. Since its launch, Pinduoduo has grabbed market share quickly; when it was floated on the stock market in 2018, the company's market value was equal to the JD platform and ranked second in the e-commerce industry. The primary business of Pinduoduo is C2B group booking. Customers mainly start a group with their friends or families, and through this buying in groups, users can gain good quality goods at low prices. This unique social concept that takes shape by sharing and communicating with acquaintances transformed into the characteristic new social e-commerce thinking of Pinduoduo. However, because of too many operating costs and expenses, the net profit is still negative by the end of 2021, and the operation of Pinduoduo still has certain pressure.

In Pinduoduo's business model, making use of WeChat, a high-traffic social platform, to share and group, which gives full play to the communication attributes of social communication, becomes the e-commerce concept of Pinduoduo. Pinduoduo takes advantage of WeChat's massive flow to disseminate information and uses WeChat to direct the flow to get a large amount of operation flow, achieving a leap from 0 to monthly GMV 40 billion. Users use the social function of the WeChat platform to spread the corporate band within the circle and bring corresponding value to the enterprise [7].

In this C2B mode, customers can shop online through the e-commerce platform and gain more bargaining with a large order volume. Therefore, the blockbuster product in Pinduoduo always attract customers through low prices and let them drive the price. In addition, it also focuses on consumers' sense of participation that establishes communication between buyers and manufacturers to continually provide products and services that better meet their needs and finally achieve buying in groups or personalized customization.

At present, Pinduoduo's shopping mode of ordering mainly exists in daily living equipment and simple food. The operation pattern of Pinduoduo principally is to understand the shopping preferences of different consumers and recommend selectively, thus assisting customers to gain merchandise with more valuable and more in line with their shopping habits. In the post-epidemic era, consumers have a clear tendency towards online consumption. Furthermore, the goods in Pinduoduo have the features of high consumption and low prices, so it achieves rapid growth of users [6]. Pinduoduo's enterprise operation modes are as follows:

(1) Share and buy in groups. Consumers share their desired goods with those with the same preferences to gain discounts, and Pinduoduo can receive more active users through this cooperative purchase.

(2) Limit time 'SecKill'. 'SecKill' is a ubiquitous marketing tool in most shopping apps, which makes customers notice the discount level of their needed commodities. Nevertheless, compared with other apps, there has a deeper discount level in Pinduoduo; at the same time, it has a short time limit that is only allowed to use on the same day; besides, the countdown of ablation will also prompt impulse purchasing [8].

(3) Billions of allowances. This wide range of subsidies makes Pinduoduo an essential part of China's e-commerce sector [5]. Not only because it is shielded from those merchants who may sell fake goods when they choose the billions of allowance goods but also exploit a bigger market, which is people who pursue higher quality within the fifth ring area, as the result of the aims of allowance is those high-end commodities like electronic products.

(4) Push notifications. Pinduoduo fully uses big data to comprehend customers' consumption habits and preferences in real-time to recommend products suitable for consumers. With this push mode, the shopping efficiency of consumers and the turnover rate of goods can be promoted effectively.

The four ways in Fig.1 show that Pinduoduo's marketing mode divided users into two roles: loyal users and attempt users. The first kind aims to buy the needed things at low prices. The ways to get low in price are buying in groups, bonuses, lottery, bargains, etc., but the core is joining shopping groups, which is also the core for Pinduoduo products. The second species is usually passive participation; they use it mainly because of the invitation of an acquaintance or curiosity drive, which is often reflected in 2 forms: bargaining and lottery. Generally, all the behaviours belong to one logic: proactively buying goods at low prices or helping others get a reasonable price passively.

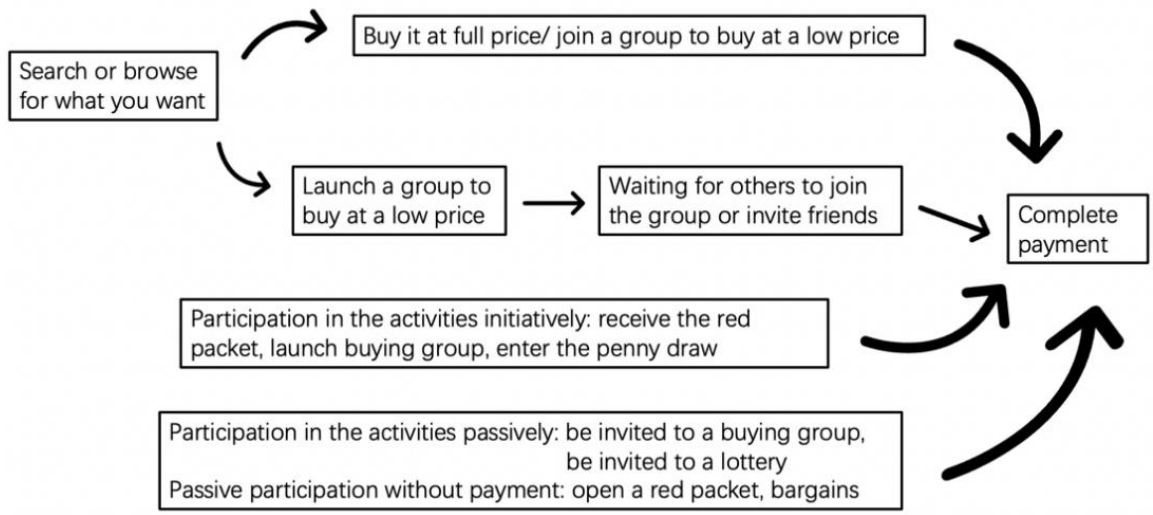


Figure 1. Analysis of the behavior of ordinary users in the Pinduoduo APP

4. Pinduoduo's competition patterns

4.1. Strengths

(1) 'Hot style+ low price+ free of commission+ association', preempts the e-commerce market. Pinduoduo makes use of WeChat to establish associations and stimulate consumption by sharing and grouping, in this pattern not only can reduce the aversion of potential consumers but also attract more buyers because of the low-price cut-down consumption concerns [2]. From the seller's view, Pinduoduo provides a sales platform for clearance products. Compared with the cost, around 30% of the product price in Taobao and JD platforms, the barriers to entry to Pinduoduo are much lower. Although the toll of free advertising and commission is that the sellers take the selling price below cost, losing millions to help the platform obtain throughput, the platform and sellers all know that only in this way they can gain a much bigger volume of business to earn profits, as they all know that "a big loss is a steady gain". Therefore, satisfying customers requires buying goods at low prices. At

the same time, sellers can achieve fast clearance; the marketing strategy of Pinduoduo precisely grasps the market pain points.

(2) Easy and convenient transaction process, improve the consumer experience. The ultimate goal of marketing is "let the product initiatively find the corresponding group", and Pinduoduo plays this goal incisively and vividly. Pinduoduo depends on the WeChat ecosystem and simplifies the transaction process so that customers can purchase their needed products speedily.

(3) Take "fruit" as a new selling point and strongly support agriculture. In classifying goods in Pinduoduo, "fruit" is a separate category, side by side with sport and makeup, which is unprecedented in other e-commerce platforms. Agricultural products always have an imbalance between supply and demand, particularly strong in fruit, which cannot be stored for a long time and appear in the market in close time. To sell them quickly, the grower can only accept selling at a low price; besides, there will be no condition of fake or poor quality or threat to life. Since August 2019, Pinduoduo has held the Agricultural Goods Festival for four consecutive years, covering more than 2000 regions [9]. According to statistics, in the first quarter of 2021, the year-on-year growth of the order for agricultural products in Pinduoduo increased by over 300%, the single-item order achieved over 10 million, and agricultural products reached 2645 kinds, the number of directly connected peasant household is over 16 million. In addition, this pattern also received government approval: <People's Daily> commented that the e-commerce platform could make good use of big data to guide poor agricultural households, improve the structure of breeding, and increase rural income when Pinduoduo pop up "buy farm goods together" on 25 April 2018.

4.2. Weaknesses

(1) Low prices will easily cause a market disorder, and the quality of goods cannot be guaranteed. After Pinduoduo entered the market, bad news like selling fake goods or swindling emerged [10]. What the low price brings must be a chaotic market, plus with the lack of supervision mechanism, the quality of goods cannot be guaranteed, making the problem further deepen. That will decrease customers' trust in the enterprise and increase the possibility of losing customers.

(2) The "buying in group" pattern is easily copied. There is a low technical barrier to Pinduoduo's primary marketing mode. As a result, it is easily copied by traditional e-commerce or new entrants and then loses its core competitiveness.

(3) The 'buying in group' pattern quickly leads to the loss of high-end customers. Pinduoduo improves its sales volume and gains profits by 'buying in group' mode, so once customers want to purchase products individually, they cannot enjoy discounts. In this case, numerous medium and high customers will be lost.

5. Development prospect

Based on the comments for Pinduoduo's competitive pattern, Pinduoduo should continually establish good cooperative relations with social networking software to keep its throughput and activity level; based on insisting particularly on the 'buying in group' sales model, guaranteeing the quality, completing the third-party service system and maximizing reduce unnecessary costs to ensure the price advantage; at the same time, persevere in innovation in sales and market innovation, like agricultural products and overseas market plan, to bring the long-term competitiveness for the platform. There are four concrete suggestions as follows:

(1) Use the development pattern as official brand authorization. Pinduoduo should stick to the regular purchase channels and persist in brand merchants, authorized distributors, and brand counter supply. The public praise that keeps salable products for buying in group gains supports from plenty of internationally well-known brands. There have lots of brand suppliers in Pinduoduo, but none of them is a well-known enterprise at that time. Therefore, Pinduoduo should build cooperation with other famous brands to ensure the quality of its products; meanwhile, it also needs product analysis and comments from professionals to gain more trust from customers.

(2) To further improve the quality of products in Pinduoduo. Firstly, every product on the shelves needs a professional person to try it first and gives a specific explanation. They also need to take photos of the material object to ensure they receive the products they saw on the platform. Secondly, Pinduoduo should establish its product quality inspection system. Set up a professional product laboratory and hire senior quality inspectors for some particular products to control the quality strictly. Thirdly, Pinduoduo should make promises, like "100% salable product", "three for every fake", and "no reason to return or exchange in 30 days" if there exists a quality problem, customers can claim Pinduoduo. It is the crux to improve enterprise quality entirely that guarantees the formality and legality of product source channels.

Meanwhile, the construction of internal quality inspection teams should be strengthened, and those teams in different locations should be separated to form mutual supervision and restraint mechanisms internally. If there are any problems due to the inspection, Pinduoduo should punish the wrong teams and reward the right ones. In addition, while promoting the standardized development of quality goods purchasing, Pinduoduo should strive for the authorization of big brands in the market and for the direct support of more well-known brands.

(3) Highlight the price advantage of the Pinduoduo platform. Pinduoduo's low prices have two aspects: first, the meagre prices; second, the price is lower than similar or homogeneous goods. While ensuring products quality, the platform can directly benchmark the suppliers, develop its own logistics system, reduce intermediaries and third-party entrusts to reduce costs, eliminate the movable expenses in the commodity selling price, and vigorously ensure the low price at the same time, but also ensure the advantages of commodity prices on all platforms. This can ensure profits for the enterprise and provide users with high-quality goods at low prices and gain consumers' reliance in a short time. The Fig.2 shows that Pinduoduo's customer acquisition cost is significantly lower than that of Ali and JD, reflecting that only low prices are the path to which Pinduoduo should continue to stick.

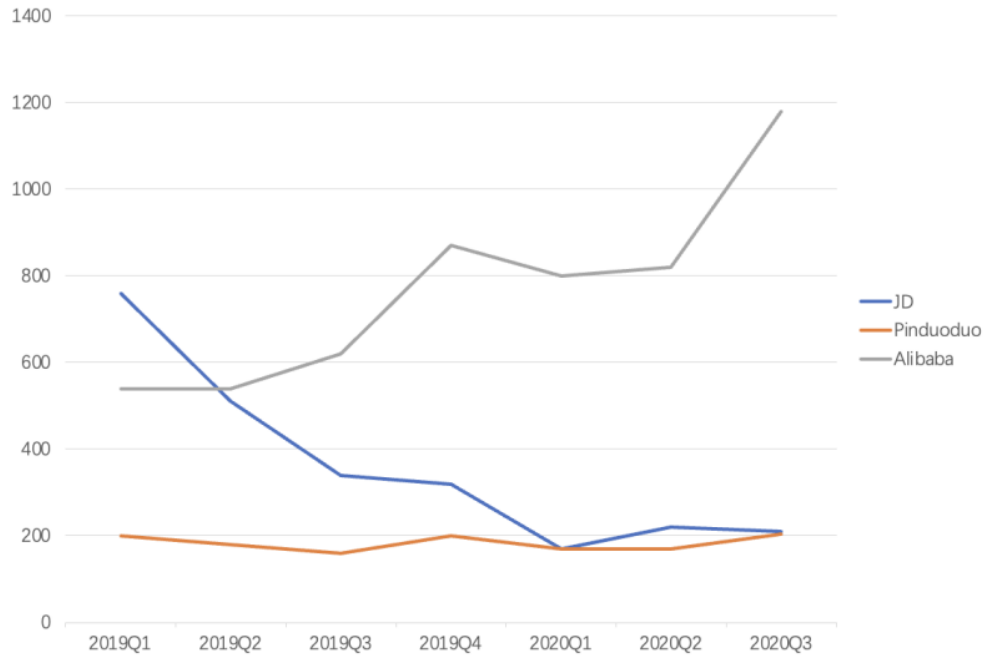


Figure 2. Comparison of customer acquisition costs between Pinduoduo and Ali and JD.com

(4) Persist in an innovation target strategy. Pinduoduo's plan to expand into overseas markets is cautiously tested in radicalization. For example, Pinduoduo has launched Temu (Pinduoduo overseas app) in North America and Africa. In the North American market, Temu not only has a much larger price and discount than SHEIN but also opens a "1 penny item" section, where every newly registered user can buy a product for a penny and free postage to acquire new customers. However, only a month after its launch in the United States, Temu has entered the top 200 Google Play shopping free apps in

several African countries. Although only 13% of African online users participate in online shopping, if this proportion reaches 50%, the entire African market will add 77 million online shoppers, illustrating its excellent development potential. At the same time, to attract more merchants to settle in, Pinduoduo launched the "2022 Duoduo Overseas Support Plan" on 19 September 2022, which invested tens of billions of resources to build 100 overseas brands in the first phase and support 10 thousand manufacturing enterprises to connect to overseas markets directly [4]. According to Pinduoduo's financial report for the second quarter of 2022, Pinduoduo's revenue in the second quarter was 31.44 billion yuan, a year-on-year increase of 36%; the net profit was 8896.3 million, an increase of 268% from 2414.6 million yuan in the same period last year, although the data is considerable, its overseas achievements and investment are still unknown, the overseas market plan is still as the direction that worth trying in Pinduoduo [3].

6. Conclusion

Through research, this paper finds that the Pinduoduo platform needs to adjust its corporate strategy, achieve its operational goals, and improve its reputation in the industry according to the internal and external development of the enterprise, such as internal management of commodity quality and external firm innovation and development strategy. The main contribution of this paper is to fill in the predictions and suggestions for the future development of the Pinduoduo platform in the post-epidemic era, which is conducive to some researchers or other e-commerce platforms to provide a reference for the future development of the e-commerce industry under the impact of the epidemic. The current research still needs to include data in some regions and overseas markets. Further data optimization can be carried out in the above analysis to facilitate the future study's adaptability at home and abroad and the in-depth study of this topic.

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