

The background of the page features a faint, stylized illustration. The upper portion shows a range of mountains with soft, layered peaks. The lower portion shows a section of the Great Wall of China, including a prominent watchtower with a traditional tiled roof and crenellations, situated on a hillside. The entire background is rendered in a light, monochromatic style.

Chapter 1

Strategic Management and Marketing

★ 1.0

Discussion Topics

- The role of financial organizations in achieving sustainable economic growth and development.
 - Overview of Yancheng Rural Commercial Bank
 - Establishment of an efficient financial system to support small and medium enterprises
 - The efficiency of the financial system to regulate risks and investment
 - Implementation of policies to support China's extreme poverty alleviation goal in the banking sector
- Introduction of e-commerce platform: the emergence of Pinduoduo
 - Development of marketing and management strategies to expand e-commerce business
 - Competitive advantages of e-commerce platform
- Introduction of Meituan Dianping products
 - Profile and diversification of Meituan Dianping management structure
 - The future plan

★ 1.1

Poverty Alleviation Goal, a Dream Come True: The Case Study of Yancheng Rural Commercial Bank

Abstract

The United Nations' Poverty Eradication in 2030 Agenda recognizes the necessity for ending poverty in all forms and dimensions, including severe poverty. It is perhaps

the most pressing global challenge for many countries and a prerequisite for a long-term development. One essential factor of poverty is the people's inability to earn a sufficient income to maintain their current living. The case of Jiangsu Yancheng Rural Commercial Bank Co., Ltd. reflects how financial institutions play a part in eradicating extreme poverty in China. That is to say, the case highlights the degree to which leadership planning (strategic and marketing) has the potential to pull citizens out of extreme poverty. Moreover, this case provides a clear understanding of the possible outcomes when organizations support key and strategic sectors and businesses in economy. Further more, it provides a glimpse into how China's collaborative efforts have successfully eradicated extreme poverty 10 years before the United Nations' 2030 target to eliminate extreme poverty.

Keywords: China, Banking Policies, Poverty Eradication

1.1.1 Introduction

Jiangsu Yancheng Rural Commercial Bank Co., Ltd. (hereafter referred to as Yancheng Rural Commercial Bank) formerly known as the Yancheng District Credit Union, was established to promote economic development and poverty alleviation within its jurisdiction. On March 16, 2010, Yancheng Rural Commercial Bank made a strategic investment in Yancheng Xiangshui Rural Commercial Bank and Binhai Rural Commercial Bank to facilitate the acquisition of loans and assist farmers in terms of agriculture mechanization. On May 26, 2010, Huanghai Rural Commercial Bank was rebranded as Yancheng Rural Commercial Bank with new strategies to tackle the problem of poverty alleviation in Yancheng District. Thus, during the banks' path to expansion and gaining customer popularity over the years, the bank focused on several principles and qualities that led to the betterment of peoples' lives.

Unlike other financial institutions that are sorely profit-oriented, Yancheng Rural Commercial Bank was established to promote economic development and poverty alleviation within its jurisdiction. The financial institution's uniqueness in the market was directly reflected through the rapid expansion of its branch network across Jiangsu Province. For instance, in order to meet the organizational goal, Yancheng Rural

Commercial Bank opened seven first-level administrative branches and 61 business operation branches within Jiangsu Province to meet the customers' needs.

The bank's primary priorities in eradicating poverty are improving prospective entrepreneurs' access to sustainable livelihoods, and providing universal access to essential businesses and social services funding. Therefore, Yancheng Rural Commercial Bank provided significant assistance to its customers in expanding their businesses and helping companies in onerous financial constraints by providing flexible and affordable loan plans. Considering the services and targeted markets, there is no doubt that Yancheng Rural Commercial Bank aims to address poverty-related challenges of farmers and individuals who reside in rural areas. Figure 1.1 below displays the head office of the Jiangsu Yancheng Rural Commercial Bank.



Figure 1.1 Head office of Jiangsu Yancheng Rural Commercial Bank Co., Ltd.

(Source: Official website of Yancheng Rural Commercial Bank Co., Ltd.)

1.1.2 Achieving the Goal of Poverty Alleviation

A century ago, the Communist Party of China (CPC) united the people and successfully overcame extreme poverty in China. Since then, in the 18th National Congress of the CPC in 2012, the Central Committee of the CPC has waged a comprehensive fight against poverty. As commemorating the 100th anniversary of the founding of the CPC in 2021, China declared its all-round victory in eradicating extreme poverty within its territory, which constituted a significant achievement that no other country has been able to achieve. In a major event held on February 25, 2021, to commemorate China's achievements in eradicating poverty, the general secretary of the CPC solemnly revealed that “the war against poverty was over, and much effort and contributions have been made. Furthermore, China's years of hard work and varying approaches to eradicate extreme poverty had succeeded.”

In compliance with this goal, Yancheng Rural Commercial Bank has offered an extensive range of loans to eligible small enterprises, individuals, farmers and large organizations who meet the flexible payment rate requirement. Yancheng Rural Commercial Bank has organized a series of trainings to educate farmers about the bank's available packages for poverty alleviation. The bank made new policies for farmers in line with the poverty alleviation goal of financial assistance. These flexible packages allowed farmers to choose a suitable plan for the repayment of loans at a relaxed rate. Figure 1.2 below displays the loan inquiry web page of the Yancheng Rural Commercial Bank loans.



Figure 1.2 Yancheng Rural Commercial Bank Co., Ltd.'s enquiry page for loans

(Source: Official website of Yancheng Rural Commercial Bank Co., Ltd.)

1.1.2.1 Prospect of Strategic Transformation of Yancheng Rural Commercial Bank

As the year 2021 marked the starting year of the 14th Five-Year Plan for the National Economic and Social Development and Vision 2035 of the People's Republic of China, Yancheng Rural Commercial Bank is adhering to President Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era. The bank has earnestly incorporated the significant economic development spirit by organizing conferences, rural workshops and provincial and municipal meetings to educate its personnel and reinforce its attachment to poverty alleviation policies. In accordance with the overall deployment of the Bank's Municipal Party Committee, municipal government and regulatory agencies at the provincial level are closely following the significant requirements of "striving to be an example, striving to be a model and leading the forefront against poverty" as a model of economic growth and a general reform plan for development. Implementing policies that could satisfy customers' needs, providing timely service, and seeking for continuous expansion of business operations are the primary goals of Yancheng Rural Commercial Bank. The bank insists on being a facilitator of actual economic development of Jiangsu Province, a supporter of agriculture modernization in rural areas, and a practitioner of rural revitalization. Hence, Yancheng Rural Commercial Bank aligns its strategic goals on the 14th Five-Year Plan and operates according to the principles stated by President Xi.

1.1.2.2 Risk Management Ability and Status

In terms of risk management, Yancheng Rural Commercial Bank identified three goals to efficiently provide a comprehensive loan system to its customers and minimize the risks in terms of loan repayment. The primary goal of Yancheng Rural Commercial Bank is to strengthen its financial risk management by conducting several onsite loan controls at its various branches. Since the beginning of 2021, Yancheng Rural Commercial Bank has successfully carried out a large amount of loan risk investigation and implemented an inspection system at various sites to evaluate if its customers effectively follow the bank's loan policies and promote the development of

new enterprises. In addition, the bank has established off-site loan inspections, customer service return visits, a re-inspection system, an offline and online consumer loan system, and credit file risk investigations. Moreover, in order to diversify special inspections, the bank has formulated specific implementation plans to control its assets effectively. A problem ledger system has been established to solve the problems identified during the special inspections, and a timely rectification system has been implemented.

The second goal is to strengthen compliance management by carrying out activities based on “one case per week, and one test per month” , a famous phrase used by the bank to evaluate the banks’ working environment and employees’ behavior in learning about local culture and following the required procedures. Further, onsite rotation training and special legal knowledge training activities of the Civil Code, which effectively improve employees’ awareness of legal compliance, were designed by the bank to improve its services. The bank’s traditional system is regulated in the second quarter of each year to efficiently tackle the problems faced and provide quality services to its customers. This system urges all business lines to sort out, supplement, and improve various systems and processes to ensure comprehensiveness, legitimacy and effectiveness. Thus, key businesses identify weak and risky links in critical areas of the bank’s operations. The bank listed 72 cases for risk prevention investigation and project approval to effectively play the role of compliance management to support the steady development of its business and improve the level of refinement of compliance management.

The third goal is to strengthen the bank’s operation management by organizing continuous staff training programs and promoting the spirit of “teamwork” among its employees. The bank restructured its services by adopting new technologies to provide its customers with a good quality service system. To deepen the remarkable cash rectification work, the bank took the initiative to sort out and complete 25 system procedures by improving 11 types of supporting cash registers and upgrading 229 cash teller machines in all business outlets under its jurisdiction. In addition, the bank renovated 57 online and 21 offline access control management systems in strategic areas. 107 sets of cash cabinet fingerprint locks were installed in automated teller machines (ATMs), and special cash rectification inspections were carried out at 58

branches. These in-depth special inspections were carried out with surprise checks on the cash of self-service equipment in 30 sub-branches, and there were unannounced inspections of 41 sub-branches. The bank also conducted business counseling at eight branches by appointing new operation directors, focusing on assessments, counseling of supervisors and internal control systems' performance. At the same time, the bank conducted operational supervision inspections at 30 sub-branches to improve their operation capabilities. The bank requires special inspections of internal accounts and reconciliations by implementing internal accounts management and reconciliation measures through internal account operation procedures for long-term inter-bank account reconciliation and financial account reconciliation projects. These measures will effectively prevent new crimes within the telecommunications networks and protect customers' legitimate rights and interests, in alignment with the strengthened safety management measures initiated by the bank.

The bank consolidated policies that could efficiently promote a safe working environment for its employees and customers. Yancheng Rural Commercial Bank continues to promote the protection of customers' privacy and information by constructing the "135 security" project to reinforce the bank's current security system. In addition, the bank organizes the "Safety Awareness Measures" activity every month to educate customers. The bank also conducts onsite and off-site safety inspection activities and continuously improves security technology. Further, the bank installed facial recognition systems at all ATM centers to control the risk of fraud and upgraded the formal approach to a more complex control risk management system.

1.1.2.3 Strategic Response of Yancheng Rural Commercial Bank to Support Small and Medium-Sized Enterprises

The COVID-19 pandemic is complex and severe, and it continues to affect the real economy's development profoundly. Implementing new policies that positively boost the economy contributes to a country's economic development. However, active implementation of these measures represents a significant challenge for most countries. In response to the Chinese government's call to "work hand in hand together for a better China", Yancheng Rural Commercial Bank has actively implemented the

policy of financial support to stabilize enterprises and ensure employment. The bank increased credit loans and actively implemented applicable policy rules to support small and micro enterprises. By June 2021, the bank's maturity loan extension rate had been 85.99%, and credit loans had accounted for 42.44% of the newly issued inclusive small—and micro-enterprise loans. Both indicators were higher than the set targets, and the bank had fully achieved its goals for the “advanced economic growth target and revitalization of the rural areas” phase. The bank executed the second—A level of the financial service supervision evaluation of small and micro enterprises by the banking and insurance supervision departments. Yancheng Rural Commercial Bank identified three steps to effectively meet its customers' needs to assist them during the pandemic.

In the first step, on the basis of a comprehensive deployment, the bank deepened the implementation of new loan policies to assist its customers. Guided by the accelerating inclusive credit loan system, the bank was able to effectively rescue small and medium-sized enterprises from difficulties caused by the severity of the COVID-19 pandemic. Yancheng Rural Commercial Bank held several special meetings to study and implement the policies as mentioned earlier. The bank also provided new measures to alleviate the burden of loan repayment during this period. A working mechanism was established to identify customers facing challenges and support them financially. Thus, Yancheng Rural Commercial Bank was able to achieve its goal of enabling actual economic development and successfully contributed to the great call of President Xi in alleviating extreme poverty.

The second step is to focus on teamwork by putting all efforts into the bank's operations to establish a diversified loan deferred repayment mechanism. To ensure the effectiveness of its credit loans policies, the bank has continuously expanded its loan packages to better assist customers in need and help small and micro enterprises. For example, at the end of June 2021, the bank introduced products such as Tinghu Credit Insurance Loan to attract more customers. The bank's inclusive small and micro-credit loan balance was about RMB1.17 billion, representing an increase of RMB920 million by June 2020. Further, Credit Insurance Loans have issued total loans of RMB368 million to 124 households, ranking first among all financial institutions in the city. The interest rates for new and old loans do not increase for loans with deferred principal and

interest payments. Relevant departments responsible for risk classification and credit reporting matters provide significant support to address customers' loan repayment worries.

The third step is to serve wholeheartedly and support employees and customers together. First, the Yancheng Rural Commercial Bank conducted multi-channel promotion and three-dimensional publicity by using online and offline media techniques to educate customers on the available packages it offered. Accordingly, hall televisions, publicity posters, LED displays, WeChat public accounts, and official websites were used as comprehensive communication channels. Moreover, a three-dimensional publicity channel was established to ensure that inclusive credit loans were launched and implemented. The requirements of this policy tool were communicated to every branch and every employee. In conjunction with the special competition activities of “promoting the expansion, strengthening the base and serving the rejuvenation of the country with all strength”, the bank maintained excellent consistency by implementing new policies for customers.

The bank ensured that the policies were publicized internally and externally so that customers could fully know the available opportunities. The bank extended matured loans' times and offered other credit loans to customers in difficulty. By June 2021, the balance of inclusive financial loans had been RMB 6.095 billion, reflecting an increase of RMB 875 million (16.76%) from the beginning of the year. The number of inclusive financial loans was RMB 15,580 billion, representing an increase of RMB 956 million (6.54%) from the beginning of the year.

The bank established a multi-level program to assist farmers by organizing seminars on agriculture mechanization to allow them to grab opportunities for modernization and profit maximization. The bank conducted several special meetings to study and increase inclusive credit loans and organized multiple business trainings. Furthermore, relevant departments were required to train branch managers and customer service managers in different areas to embrace the new policies for swift operation. The bank also established a monitoring and evaluation mechanism for employees to improve day-to-day operations effectively. For sub-branches that are behind schedule, the representatives in charge lead a team to conduct onsite supervision to guide the

branches in determining the cause of the delay. The leaders are also responsible for reversing the department's work plan and imposing financial penalties on managers in charge of sub-branches that do not grant credit in advance to customers. Figure 1.3 displays the detailed structure of the Yancheng Rural Commercial Bank's customer complaint process.



Figure 1.3 Customers' complaint process

(Source: Official website of Yancheng Rural Commercial Bank Co., Ltd.)

Yancheng Rural Commercial Bank has established a robust system that attends to complaints lodged by customers. A timely response makes the bank's business more reliable and attracts more customers. When a complaint is filed, a specific department is assigned to solve the issue.

1.1.3 Explore New Opportunities of Yancheng Rural Commercial Bank

As business enterprise loans, manufacturing loans and other key credit businesses continued to grow steadily, Yancheng Rural Commercial Bank optimized its credit structure to ensure customers' satisfaction in response to these growths. In line with

this optimization, the bank assisted rural communities within its jurisdiction with the ultimate goal of poverty alleviation. The bank facilitated the creation of new small and medium-sized enterprises by providing the necessary financial assistance and guidance.

1.1.3.1 Strengthen the Positioning of Responsibility and Effectively Strengthen Financial Supply

Yancheng Rural Commercial Bank took the initiative of ensuring its customers' satisfaction by adopting the following measures:

1. Stick to the strategic positioning for supporting agriculture in rural areas. The bank encourages small and micro enterprises in rural areas to adopt agricultural mechanization. Yancheng Rural Commercial Bank plays an important role by supporting the revitalization of rural areas. Taking actual economic development as a top priority, the bank will further promote structural reform of the agricultural sector and optimize its credit loan structure. The bank will strengthen financial innovation, upgrade the service level, promote the pace of farm modernization, and promote the revitalization of rural industries. Based on these measures, farmers can obtain bank loans to support their farming activities in the short run. In addition, eradication of extreme poverty through agricultural mechanization is a long-term benefit for farmers.

2. Keep abreast of the law of credit demand of agriculture and small and micro enterprises, while considering the policy requirements and development needs. Moreover, adhering to the principle of cost-calculable, risk-controllable measures by complying with the government policies on the usage of reasonable increments rate has helped the bank provide adequate financial support to customers. The bank will also implement single-listed agricultural and small and—micro-enterprise credit plans as well as increase investment efforts. With the effective use of adequate targeted rate reduction, the bank will support farmers by providing them with small and micro-enterprise loan interest income exemption and other preferential policies. The bank will continue improving, supporting and striving to increase agricultural-related loans' growth rates to ensure they are higher than the average growth rate. These measures by the bank will ensure that the annual target tasks for small and micro enterprises' financial services are completed profitably.

3. Optimize the layout of branches to deepen financial supply assistance. Giving full support to farmers and small and medium-sized enterprises as well as actively promoting upgrades of the existing township's financial support services network were the priorities of Yancheng Rural Commercial Bank in 2021. Hence, all branches must keep up with the current pace of financial network transformation and development. In addition, they were required to accelerate the promotion of intelligent networks and digital transformation for rural areas to provide diversified high-quality financial support services.

4. In the appraiser system, highlight the principle of increment and expansion. Accordingly, the bank has improved a proportion of its employees' self-assessment and promoted adequate coverage of agricultural development support. In addition, the bank urged business personnel to visit farmers to identify their financial support challenges and propose suitable solutions. The bank supports and motivates hard-working employees by giving them bonuses at the end of each financial year.

1.1.3.2 Increase Financial Support in Key Areas

As a measure to alleviate extreme poverty and improve the financial support services in rural areas, Yancheng Rural Commercial Bank has expanded its boundaries by establishing various branches across the country and implementing the following measures:

1. Support the upgrading of industrial structure and accelerate the development of modern agriculture. First, the bank should assist the large-scale production of agricultural products and support the development of traditional industries such as grain, fruit, poultry, vegetables and aquatic products. Second, the bank should integrate and develop rural areas and enterprises, as well as actively support high-quality farmers to expand the scale of production and operations to achieve modern agriculture development. The bank should also explore financial services within the agricultural industry chains by considering the core industrial chain as a development center. It must actively extend assistance to small and micro enterprises and provide financial settlement and other related services to all industrial supply chains. Third, the bank should support the transformation and upgrading of the agro-processing industry by

providing financial support for enterprises to implement technological changes and set up research and development institutions. Moreover, it should upgrade processing equipment as well as promote intensive processing and comprehensive development of agricultural products.

2. Support the development of modern agriculture by cultivating and expanding new types of agricultural business entities, strengthening communication, keeping in contact with local agricultural committees, and increasing cooperation with the government by providing compensation funds to needy farmers. Yancheng Rural Commercial Bank facilitated the establishment of the Provincial Agricultural Guarantee Fund for farmers and other modes of cooperation to achieve the goal of agriculture mechanization. The bank actively focuses on establishing research and development funds to support farmers in different areas of China. The bank also increased its credit delivery and financial support-related services as well as established a comprehensive business relationship with the farmers.

3. Support the development of rural private enterprises and manufacturing industries. Yancheng Rural Commercial Bank continuously supports rural enterprises and independent micro industries to expand their businesses effectively. The bank also focuses on achieving successful transformation by upgrading rural traditional manufacturing enterprises.

1.1.4 Case Summary

Following the example of Yancheng Rural Commercial Bank, financial institutions should promote the alleviation of poverty by working hand in hand with the government to meet the target of poverty eradication. The case of Yancheng Rural Commercial Bank represents a model for financial institutions since it can incorporate policies that enable its customers to access flexible loans at a low rate and under flexible payment terms. These policies allow customers to take advantage of the opportunities and expand their businesses. Yancheng Rural Commercial Bank is working in line with the policies elaborated by the CPC to eradicate poverty in China by adopting a model that cares about the wellbeing of its people. These achievements reflect a proper management

system and the role of marketing strategies in every organization. Yancheng Rural Commercial Bank's management board seized the opportunity to align with eradicating extreme poverty in China and promote its diverse products.

1.1.5 Learning Points

The case of Yancheng Rural Commercial Bank can be used at any educational level, showing how organizations are in line with government policies to alleviate customers' problems and ensure their satisfaction. The following lessons can be learnt from the case study:

- Leadership should always think about stakeholders and meet their needs and expectations.
- Financial organizations should align with government policies to ensure a better life for its stakeholders.
- Financial institutions such as banks play an essential role in poverty eradication and promotion of economic growth.
- Understanding customer needs too is essential for establishing a long-lasting relationship between an organization and its customers.
- Developing rural-oriented programs and services is a priority for financial institutions in China.



1.2

Chasing the Dream: Pinduoduo's Competitive Journey through Marketing Strategies

Abstract

The following case describes the usefulness of strategic management and marketing in e-business-centered organizations. The e-commerce industry is one of the most competitive sectors in an economy, as an e-commerce business needs to understand its competitors' strengths, weaknesses, and advantages. Among e-commerce giants in the market, Pinduoduo has gained popularity and expanded its e-business over

the years, indicating that many of its strategies and experiences are worth learning, especially for new entrants. Moreover, the case serves to highlight how businesses can align technological software and applications in an existing traditional sector such as agriculture to eliminate extreme poverty and other social disorders. Thus, a company's competitive strategy should comprise tactics and activities to acquire consumers, satisfy those customers' expectations, and enhance its market position.

Keywords: Strategic Management, Marketing, e-Commerce, Pinduoduo

1.2.1 Introduction

According to the International Trade Administration (2021), nearly half of all online transactions occur in China, making it the world's largest e-commerce market. This global achievement is possible through the efforts of many players in the sector, among which Pinduoduo is a part of the success story. Pinduoduo was established as a new e-commerce platform in April 2015 to dominate and conquer the local Chinese market. Interestingly, upon inception, Pinduoduo was formed to target companies producing agricultural products, and today it is committed to serving ordinary consumers across China. The company has created employment for Chinese and other nationals. Moreover, the platform has brought together 731.3 million active buyers and 5.1 million active merchants worldwide. According to Pinduoduo, since 2018, its high patronage as an online business platform led to an annual turnover of RMB 270 billion, rapidly making Pinduoduo China's second-largest e-commerce platform in the field.

Because of the other players in the field (e.g., Alibaba and JD.com), there is no shortage of e-commerce capabilities in China. With the country's e-commerce market well established, it is not easy for new companies to enter this market with “me-too marketing” (intending to serve customers with existing services and products). Some believe that the expansion and popularity of Pinduoduo may be the result of digital age audiences outside of China. The Shanghai-based company publicly raised USD 1.6 billion from its US initial public offering in July 2018, establishing itself as one of the year's biggest deals. Thus, Pinduoduo is considered one of the fastest-growing

start-ups in Chinese history, reaching USD 15 billion from gross merchandise value just two years after its launch. This milestone took five and ten years for Alibaba and JD.com, respectively. As a result, Pinduoduo's market share is more than USD 40 billion, equivalent to that of JD.com. With its 366 million monthly users and 536 annual customers serviced in China, Pinduoduo has represented the second largest e-commerce platform after Alibaba by December 2019. There is a lot of enthusiasm about the company, which has 366 million monthly users and has become China's most competitive e-commerce market in just three years. Therefore, the case of Pinduoduo illustrates the effectiveness of a combination of strategic marketing capabilities of the leadership, which has led to such a solid customer base within a short time.

1.2.2 What Is the Secret of this Incredible Growth?

Like Alibaba's Taobao and its competitor JD.com, Pinduoduo is an online platform that offers a wide range of products, from everyday groceries to hardware. Pinduoduo integrates social media components into the classic online shopping process to attract more customers.

Pinduoduo means "more saving and more fun together." This unique characteristic differentiates Pinduoduo from other e-commerce platforms focusing solely on selling products to customers. Pinduoduo's main focus is on attracting more consumers to its e-commerce platform. Hence, the company designed a friendly system that allows vendors and retailers to advertise their products without charging a service fee. Pinduoduo designs essential features to attract more customers by organizing fun activities that involve customers seeking assistance from a circle of friends to win discount coupons and purchase items at a reduced price every day. It enables these shoppers, especially women who shop at home, to get a discount by involving their friends in purchasing all kinds of goods, ranging from home appliances to foods and vegetables. In this sense, Pinduoduo is like a socially centered exchange version of Costco or Dollar General in the US.

However, low prices are a drawback of Pinduoduo. It is risky to reduce the price, as this practice can damage a brand and lower profitability. For instance, what would

you think if you paid RMB 800 for a high-definition television at XYZ Shop, only to discover the next day that XYZ Shop had reduced the price to RMB 600? You would probably think you were ripped off. Thus, this act may result in difficulties in customer service, especially, since customers who spent more money on the goods or services may be upset if the price is lowered. The discount is often up to 90%, covering all products priced from RMB 10 (USD 1.50) to RMB 1,000 (USD 150) per unit. However, the best sales of products every day are at rock-bottom prices. For example, more than 6.4 million units of printing paper were sold at RMB 6.9 (USD 1.08) for 10 boxes, and 4.8 million curtains were sold for RMB 10.3 (USD 1.51) per room. Hence, the wholesale model of the company easily creates large orders for retailers and gives customers more opportunities of lower prices.

There are many essential points, but one of the most interesting is how Pinduoduo has sold everyday products to promote innovation and loyalty. Pinduoduo is, in many ways, the most successful example of how to build mobile marketing software from bottom up that integrates social sharing, viral communication, and reselling under an expert user interface. By sharing information about Pinduoduo products on sites such as WeChat and Tencent QQ, users can invite acquaintances to build a customer base that can pay lower prices for their purchases. The tool thrills consumers who are highly motivated because it provides better connectivity and a robust shopping experience. In addition to other incentives such as cash, coupons, freebies and free products, Pinduoduo offers them a lower price. As a result, because of the added satisfaction of signing a significant contract with other parties, Pinduoduo quickly went viral in China.

The Pinduoduo app is designed for easy accessibility and allows customers to share product information using their WeChat accounts. Moreover, Pinduoduo pays attention to the small number of fast-moving consumer goods and booksellers to attract more people. Figure 1.4 below presents an overview of the various products available on the website of Pinduoduo.



Figure 1.4 Overview of the Pinduoduo website

(Source: Official website of Pinduoduo)

1.2.2.1 Strategic Plan of Pinduoduo

Pinduoduo's consumer-to-business (C2B) module allows consumers to navigate directly from the company website, eliminating many distribution issues on not only reducing costs for customers but also increasing profits for manufacturers. This approach is beneficial for selling products that require alignment between supply and demand. Less popular brands are better than famous brands for providing cash-out bonuses. In addition, it is known that communicating with consumers on websites reduces advertising and marketing costs. It makes the C2B approach of doing business abundantly and valuably.

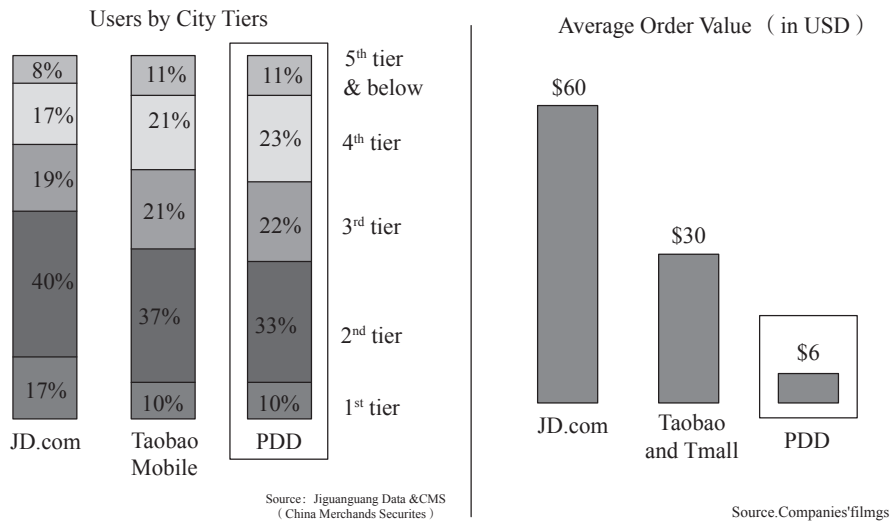
Similarly, users send information about their purchases to friends and organizations with similar usages and income preferences through public sharing. Viral marketing is a great new way to build brand awareness of a platform. Financially, the situation's

risks are offset by some recessions and minor budget cuts. Low prices and visual communication are what made Pinduoduo succeed quickly, and the last part of the secret is finding the right experts. Yang Lin, chief operating officer of the Chinese mobile e-commerce platform Chuchujie, made the following statements in an interview with local media: “Taobao has over 500 million users, while WeChat has over one billion; Taobao is primarily separated from programs based on other programs that were lost in tertiary or lower-level cities, mainly adults. Consequently, Pinduoduo’s presence on WeChat serves as a competitive advantage over its rivals in the market.” Pinduoduo, which has recently appeared online and relies on WeChat as its primary source of information, provides an overall opportunity.

Through a decentralized traffic distribution mechanism, businesses can significantly reduce the flow cost of traditional e-commerce and make it beneficial to both sides of supply and demand. Data from big platforms that emphasize on doing more according to consumer preferences can help factories achieve customized production and continuously reduce procurement, production, and logistics costs. Therefore, provision of the mainstream “low-cost, high-quality” commodities on the platform is relevant. Hence, in 2019, the number of multi-platform orders exceeded 19.7 billion.

Pinduoduo, as an entrant, ushered and unleashed a new e-commerce model that also contributed to boosting domestic demand and promoting consumption upgrading in most of the regions. At present, the multi-platform’s merchandise includes fast-moving consumer goods, 3C model (a marketing tool that focuses on customers, competitors, and the company), home appliances, home furnishings, and other categories. Moreover, it continues to grow at a rate that can meet the increasingly diversified needs of consumers.

Data from the Jiguang Research Institute in Figure 1.5 below shows that users in second- and third-tier cities account for about 65% of Pinduoduo’s total user base. In contrast, JD.com’s users are located in first- and second-tier cities, with those in the rest of China accounting for a half. Additionally, women make up 70% of Pinduoduo’s user base because they are responsible for family shopping and are more price-conscious. Thus, Pinduoduo ensures more active trading and purchasing.



User demographics and average order value of JD, Taobao, and PDD (Image credit:GGV)

Figure 1.5 Statistics of various e-commerce platforms

(JD: JD.com, PDD: Pinduoduo)

1.2.2.2 Marketing Plan of Pinduoduo

Much of the public sharing of promotional offers takes place on WeChat, the largest App used by billions of people in China. WeChat's parent company, Tencent, recognized Pinduoduo's potentialities and became the largest investor in 2016, launching Pinduoduo and accelerating the reach of its customers. With its power grounded on WeChat, the average Pinduoduo's customer starts spending at USD 2, compared to USD 39 and USD 41 for its competitors JD.com and Taobao, respectively. Most interestingly, Pinduoduo's seven-day retention rate is 77%, which is the highest in China. This connection comes from regular rejuvenation and continues to work through customers' hope of continuous re-engagement to win deep discounts. The combination of the viral development cycle and addicting retailing has made Pinduoduo even bigger than eBay within just four years.

It is no coincidence that Huang Zheng, a former Google engineer, established a WeChat-based consumer electronics website and launched a role-playing game company. He tried to combine e-commerce with gaming concepts that encourage groups buyers deliberately. Many games do this nowadays, such as the one Pinduoduo

uses to attract customers while offering specials and promotions. The users get free giveaways for their friends upon installing the APP. The APP has features that enable other individuals to see those who have registered many friends as well as receive coupons by spinning a wheel in the gaming system, where the coupon only lasts for two hours, resulting in a shopping spree.

However, none of these intelligent, viral ads will be effective unless the entire user experience is involved. Huang's main idea is that transmission of the shopping experience is based on research which can generate promotional offers rather than aggressive marketing. For instance, the desktop e-commerce module (e.g., Amazon and JD.com) goes in-depth and is based on multiple stock-keeping units, by which customers buy what they want and perform task analysis. Pinduoduo, however, provides users with a range of items using artificial intelligence to help their work and become more professional over time. It allows users to identify things and have the opportunity to buy powerful and influential options. As a result, fundamentals of the e-commerce business have changed considerably, as the platforms are structured in a way so that available products are introduced to customers directly based on their preferences. Figure 1.6 is a clear example of the strategic marketing developed by Pinduoduo, where they introduce various products to customers at a discounted price, making them very attractive.



Figure 1.6 Marketing strategy of Pinduoduo

(Source: Official website of Pinduoduo)

1.2.3 Scope and Mission of Pinduoduo

1.2.3.1 Promote Large-Scale Movement of Agricultural Products and Effectively Aid in Poverty Alleviation

Pinduoduo integrated a new e-business model that embraces poverty reduction analysis as an excellent way to promote high-yield agricultural products. The buy-to-pay model can share and manage consumers' demands, achieve mass equality and allow farmers to sell their products directly where they can find available customers willing to purchase their products, and influencing the market. As a result, China promotes production and addresses the consumers' demands for benefits.

Based on this, Pinduoduo actively responds to the Central Committee of the Chinese Communist Party and the State Council to win the fight against poverty and implement the rural revitalization strategy. It was made possible by investing many resources in the country's existing agricultural production and marketing, which have incorporated nearly a thousand market-oriented solutions to address farm production and marketing problems. Pinduoduo has developed a centralized system that allows the promotion of agricultural products. This innovation allows farmers to advertise their products on the e-commerce platforms where they can directly find customers' willing to patronize their goods. In this way, Pinduoduo is able to reduce the burdens of farmers by saving their time and money.

Pinduoduo's mode of operation has enabled farmers to boost their production and marketing strategy since they could identify customers' needs, allowing rejuvenation of the agriculture sector while targeting the goal of poverty alleviation in rural areas. By 2019, more than 86,000 new farmers were registered, resulting in a total of more than 12 million registered agricultural producers who were connected to the platform for business. Furthermore, by streamlining the supply chain of agricultural products, the added value of the retained value chain continued to increase. At the same time, it promoted the optimal allocation of production factors, especially output factors, and effectively stimulated the endogenous power that covers the production areas.

In 2019, orders for agricultural and sideline products on the multi-platform

reached RMB 136.4 billion, more than 109% from RMB 65.3 billion in 2018, making it China's largest upstream platform for agricultural products. In addition, the number of active buyers of agricultural (sub)products reached 240 million per year, increasing 174% compared with the same period. During this period, Pinduoduo has explored and practiced innovative poverty alleviation models and assistance to farmers, such as helping farmers effectively in poor areas increase their production and income through "agricultural parks".

1.2.3.2 Promote Supply-Side Reform and Foster More Local Chinese Brands

The Pinduoduo platform enables small and medium-sized enterprises to develop together. Being a platform with fewer stock-keeping units, large orders can fill the factory capacity quickly and provide manufacturers a well-designed model to win consumers' trust. It has allowed the Pinduoduo platform to gain a reputable brand image. Moreover, by providing free traffic, the platform has tilted resources toward manufacturers who aspire to build their brands to help them transform and upgrade. Since its inception, the platform has spawned nearly a thousand factory brands, and the consumer-to-manufacturer model continues to promote supply-side reform of several industrial clusters. In 2017, Pinduoduo created 180,000 businesses and helped many factories in the Yangtze River Delta (about 19 industrial belts) promote their business at the lowest cost. In December 2018, the company launched a "New Brand Program" focusing on the growth of small and medium-sized Chinese manufacturers. It aims to support 1,000 brand factories, covering a wide range of industries to help them get consumers effectively and promote brands at the lowest cost.

By 2019, more than 900 enterprises participated in the New Brand Program's custom research and development, with 106 full members, and a total of 2,200 customized products were launched. These products included nearly 20 categories such as home appliances, home textiles, department stores, and digital devices, with a cumulative order volume of more than 115 million units. After landing on NASDAQ, Pinduoduo is committed to leading the platform into the international market by cultivating and promoting Chinese brands in gaining international recognition and

making more contributions globally.

1.2.3.3 Keep the “Right” Values and Stick to Doing the Right Thing

Many companies only focus on their profits, irrespective of meeting their customers’ needs and satisfaction. Companies usually adopt unethical behaviors to maintain their leading positions in the competitive market by providing low-quality products and services, thus harming their customers. In the case of Pinduoduo, the platform requires companies to always focus on creating value for consumers. Pinduoduo’s motto is to create value for consumers, always insist on doing the right thing, constantly meet the needs of the vast number of users, and make unremitting efforts to satisfy customers’ various needs. Furthermore, the Pinduoduo platform allows small and medium-sized enterprises to expand rapidly.

In the case of Pinduoduo, the most prominent vision of this e-commerce platform is to always create value for consumers by constantly focusing on customers’ stratification rather than profit maximization. The company requires all its users to do the right thing, in order to meet the customers’ needs. Figure 1.7 reflects the engagement of Pinduoduo toward farmers to improve their sales and market their products.



Figure 1.7 Values of Pinduoduo

(Source: Official website of Pinduoduo)

1.2.4 Case Summary

Following this case study of Pinduoduo, intellectuals can learn several lessons from this start-up that rapidly grew into one of the largest e-commerce platforms in China. Thus, it is paramount for entrants into this industry to understand and study the market before operating. It is indispensable to meet the needs of customers and sellers by providing a suitable business environment. Since competition exists, it is imperative to be innovative, creative and unique by developing a system that can potentially attract more customers and differentiate itself from existing businesses.

1.2.5 Learning Points

The case of Pinduoduo can be used at any educational level, starting from the undergraduate to graduate levels, and even in executive courses on strategic management and marketing planning. Readers can gather the following lessons from this case study:

- Having a well-defined strategy and marketing plan is the first step toward success. The leadership of Pinduoduo had clear goals of who their target market was, and it was illustrated by considering or incorporating WeChat in their supply chain management.
- Fostering a comprehensive supply chain of locally made products for start-ups indicates that economic liberation is essential for new ventures.
- It is important to promote or target traditional sectors, such as the agriculture sectors, as they are typically ignored due to several risk factors. If companies strategically assess these sectors, they can gain substantial returns out of them.
- Like any other business, e-commerce businesses have the potential to eradicate extreme poverty in different ways.
- Strategic alliances and agreements with other organizations in the same or interrelated sectors are essential in the e-commerce sector.



1.3

Meituan Strategic product diversification — Lessons from Startup Cross-selling Strategy

Abstract

Meituan Dianping is e-commerce and on-demand platform operating in more than 2,800 cities and counting more than 448.6 million registered active users in 2020, including 6.1 million merchants and thousands of restaurants with respective reviews. The company is now the world's fourth most valuable startup and the leading third-party services provider in leisure, recreation and entertainment, and there's hardly a segment Meituan has not tackled. The main point of advantage is that it became an all-in-one APP with a distinguished feature of personalized and localized recommendations. The company's CEO knew that uniting with Dianping is far more prosperous than driving down values during a contest. That was how Meituan-Dianping came to being. Meituan's astonishing performance can be attributed to the slick business strategy that allowed it to emerge in new market segments and fend off the competition right of the bet. Playing by the rules of startup management, new initiatives were tested quickly after launch, tailored and enhanced based on customer feedback. Those that did not work were quickly shut down, and the company proceeded with the pursuit of the next best thing. So far, company's main strategic moves have been cross-selling and product diversification. Harnessing all benefits of "Online to Offline" (O2O), serving both B2B and B2C segments. Subsequent and frequent acquisitions and partnerships with key players from diverse industries allowed for an unprecedented expansion.

Keywords: *strategy, e-commerce, platform, Meituan*

1.3.1 Introduction

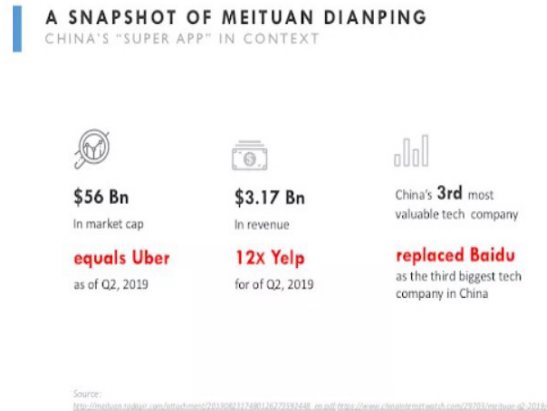
In its early beginnings, as a Groupon knock-off startup, Meituan's future was hazy, and the world of online business is highly unpredictable, especially with an array of competitors battling to increase their market share, thought Wang Xing. The

most reliable strategic move was to follow the footsteps of leading and established e-commerce and tech giants, as they must have got it right. But simply copying their business model and the offering would surely not be enough, as you'll end up struggling for the attention of the yet undecided customers, but won't possess enough resources to steadily grow and become a worthy opponent. Something's got to give. Meituan's founder Wang Xing, faced with the common challenge of every startup, decided upon a risky entrepreneurial strategy — initially, you burn money to get a head start over the competition, and later on, you'll harness the benefits of the sole provider. And it served him well, as the company is now the world's fourth most valuable startup and the leading third-party services provider in leisure, recreation and entertainment, and there's hardly a segment Meituan hasn't tackled. It is not only important to recognize market opportunities in time, but knowing when to stop competing and start cooperating is a lesson many entrepreneurs fail to adhere to.

When he joined forces with a rival APP in 2015, Wang Xing knew that uniting with Dianping is far more prosperous than driving down values during a contest. That is how MetuanDianping came to being. The lucrative merger allowed for the Chinese super-APP to combine handy features for group shopping and fast delivery under third-party service providers from the travel industry, hospitality, food, grocery, and entertainment. It procured Wang Xing with USD 20 billion. The more diversified the offering, the greater the reach. Therefore, it is not surprising that many merchants and service providers, such as Groupon, Deliveroo, Tripadvisor and Yelp hastened to leverage the immense customer base and immediately set up accounts on the platform. Through the merger with Dazhong, Metuan acquired a massive user base generating key intelligence for comprehensive market research reports and an all-in-one location-based solution.

Following the merger, founders soon realized they can engage in cross-selling, and generate more revenue from commissions, focusing on diverse industries. Furthermore, integration with Wechat provided them access to additional clients, and the ease of paying via online transfers and weixin pay attracted new customers. Soon, deals with home delivery providers were realized. The main point of advantage is that it became an all-in-one APP with a distinguished feature of personalized and localized recommendations. Nowadays, Chinese millennials have a saying that “Meituan is

more convenient than mum's kitchen." Offering customers group deals and discounts for diverse products and services on point and nearby rendered most standalone vendors obsolete since it was fairly easier to order using the same platform. It all went uphill from there. Figure 1.8 below shows Meituan-Dianping statistics with regard to competitors.



Source: [The Next Billion](#)

Figure 1.8 Meituan-Dianping statistics with regard to competitors

(Source: *The Next Billion*)

Merchants could either try to compete with a fast-growing innovative giant, or go about it in a smarter way, i.e., setting up accounts and making deals with Meituan-Dianping, buying monthly and annual memberships. With time, as the customer base expanded, Meituan-Dianping was presented with additional opportunities. The APP collects valuable analytic and behavioral digital marketing and sales professionals would be willing to pay a fortune for — and they were used wisely. Companies were offered market analysis on main competitors and data on target clients in their respective industries, including demographic profile, online habits, behaviors and preferences, consultant and expert advice, webinars, courses and advertising options. For a progressive startup, an extensive customer base opened up the horizon for a brand new venture — the company became a marketing platform selling advertising plans, banners, ads, and packages to third-party vendors. The rationale is that the company should profit from advertising and commissions, while brands would gain exposure

to specific target market segments and access more than 260 million active customer profiles. The initial group discount platform was a staggering success, growing in resources, size and relevance. The Group on-inspired on-demand shopping platform became the main point of reference with regard to reviews and recommendations on nearby restaurants, movies, sites and activities.

1.3.2 Company Profile

Meituan-Dianping is an e-commerce and on-demand platform operating in more than 2,800 cities and counting more than 448.6 million registered active users in 2020, including 6.1 million merchants and thousands of restaurants with respective reviews. Meituan-Dianping provides customers with a wide range of location-based services, including food and retail goods, delivery, recommendations, and reviews on nearby hospitality, restaurant and leisure facilities and services, bookings, ride and travel discounts. It is comprised of multiple features and can be accessed through a variety of APPs, such as MakeMyTrip, Uber, DoorDash, Mobike and WeChat. Unlike similar platforms, the lifestyle app differentiates from competition by providing quick and secure access to a diversified assortment and bundle of services on a single APP. Therefore, its main strategy for success is utilizing the cross-selling technique to include more and more diverse products in the company portfolio. It is extra progressive that it holds all relevant features of specialized sites and is easily accessed through popular social networks. It is a one-of-a-kind APP where customers are presented with ads, promotions, and recommendations based on geo-targeting, preferences and current locations, which is especially useful while traveling. To business entities, the company sells sponsored advertisement packages, seminars and courses, market analysis insights, and access to customers' data. The greatest revenue stream is generated through commissions on each sale made via the website or mobile APP. The site acts as a mediator between registered vendors and buyers. The main competitive advantage from partnering with Dianping stems from access to a reliable and trusted review database, because customers are more likely to order from a page they used to compare the service quality.

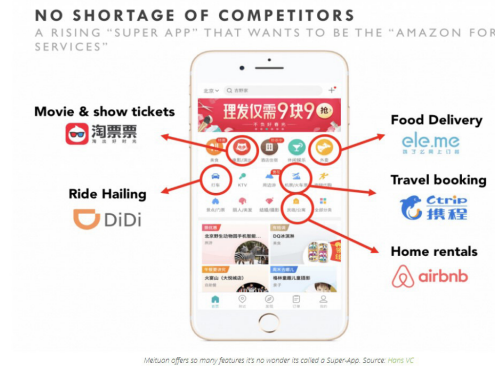


Figure 1.9 Meituan Super-App features and categories

(Source: Hans VC)

Meituan targets customers who wish to access multiple services such as food ordering, payment, booking and travel through one APP, as well as those users who prefer doorstep delivery of retail products (see Figure 1.9). Enabling such a comprehensive supply dealing with local delivery partners, merchants, restaurants and grocery shops. Timely home delivery, conglomerate services, user-friendly interfaces, group promotions and discounts constitute the main value proposition. Key partners for the company are restaurants, merchants, WeChat pay, Harun Capital and delivery providers. In line with that, costs comprise mainly of payments made to delivery partners, salaries, investments in IT development and infrastructure, and APP promotion expenses. Revenue is generated through commission, delivery charges and sponsored advertisements. Figure 1.10 below displays numbers of active monthly users of Meituan .

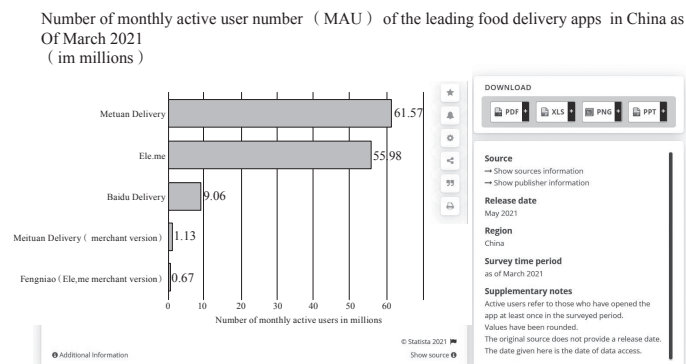


Figure 1.10 Meituan numbers of active monthly users by March 2021 (in millions)

(Source: Statista 2021)

For business users, Meituan-Dianping offers Meituan-Xue, Meituan-Shouyin and Meituan Union. Meituan-Xue basically refers to monthly or annual subscriptions whereby businesses gain access to free online courses and tips on the food industry. Meituan-Shouyin refers to the sales of Meituan PoS systems for processing and managing real-time and group orders, coupons and vouchers, and outstanding technical supports. In addition, a company offers access to unlimited marketing opportunities. With Meituan Union, retailers and service providers can access data on over 448 million users and segment their audience according to demographic, location and consuming patterns. They can choose whether they want to optimize and promote banners or websites and use the feedback behavior to improve and tailor their offers and/or promotions.

1.3.3 The Rise of the Company

It was quite an accomplishment that made Wang Xing a self-made tech billionaire and placed the Meituan CEO in the 16th place on Forbes' China's Rich List. Nowadays, the most successful businessman was not discouraged by previous setbacks, as he learned from experience and persevered further. After three failed attempts of creating popular social networks, the fourth time proved a charm. Wang Xing founded Meituan in 2010 with the funding of USD 12 million from Sequoia Capitals. Soon after the inception, it became the leading domestic group-buy platform and a serious competitor to Alibaba's Ele. me. The Company offers deals of the day by selling vouchers on local services and entertainment, dining, delivery and other services.

When first launched in 2013, the core business related to supplying customers with a variety of products in the food industry, combined with trustworthy restaurant reviews, coupon group-buy, and home delivery. After the merger with Dianping in 2015, the company was able to expand the offering and cover a broad range of travel, hospitality, rental, and entertainment services. The company offers 4 separate Apps where users can use distinct functionalities, including Meituan Waimai (Food Delivery), Maoyan (Cinema Tickets), Dazhong Dianping (Reviews/Coupons), and Meituan (Coupons/Group Buying).

Meituan's astonishing performance can be attributed to the slick business strategy that allowed it to emerge in new market segments and fend off the competition right of the bet. Playing by the rules of startup management, new initiatives were tested quickly after launch, tailored and enhanced based on customer feedback. Those that didn't work were quickly shut down, and the company proceeded with the pursuit of the next best thing. The company experimented with introducing new ventures. First, it relied heavily on cross-selling customers across multiple product lines. This allowed Meituan to invest larger sums in user acquisition and retention compared to vertical competitors. Next, risk-oriented and fierce Mituan founder undertaken prospects without unforeseeable outcome — no success guaranteed. To expand its clientele, the APP needed to invest large sums of money in the acquisition of average thrifty consumers by lowering the prices and offering discounts that could cause losses for the company as the tactic was employed before generating profits. Meituan burned cash to wipe out competition and increase the market share, with losses exceeding RMB 3 billion in 2017. Figure 1.11 below displays Meituan's market share of China's food delivery service in 2020.

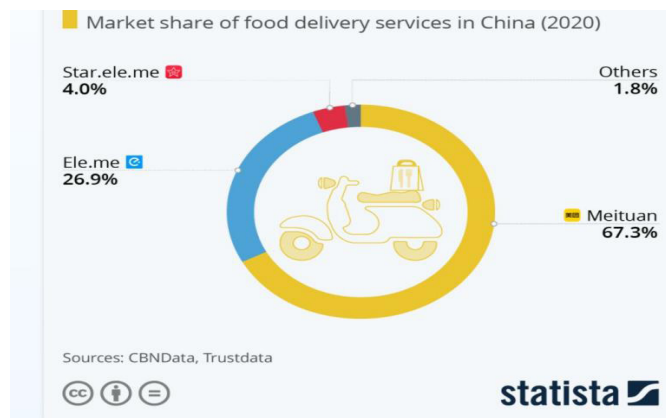


Figure 1.11 Meituan's market share of China's food delivery service in 2020

(Source: CBNDData, Statista)

In terms of success and versatility, Meituan APP is now far more advanced and innovative than Wang Xing could have imagined a decade ago when he founded the company. Following few attempts at designing a social networking site that will stick, the digital-savvy CEO of Meituan headed in a different direction, tackling the online food industry and delivery. An e-commerce platform has a functionality that is aligned

with previous Wang Xing's aspirations, as business owners can utilize the platform to connect with other industry experts and complementary service providers in the food industry, exchange their experiences and even collaborate through social features of Meituan. Figure 1.12 below displays Meituan Hotels rank in Q2, 2018.

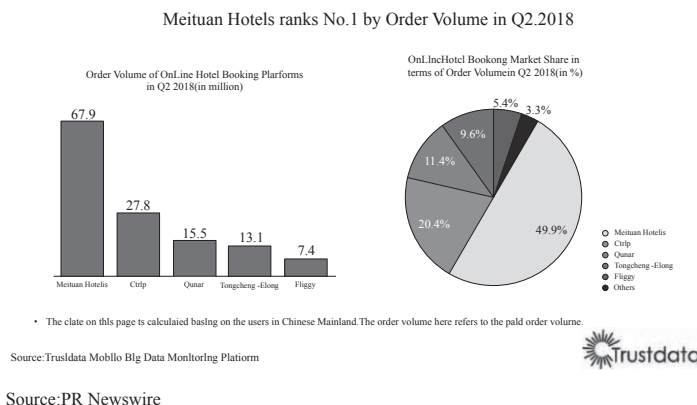


Figure 1.12 Meituan Hotels' rank by order volume in Q2, 2018

(Source: Trustdata Mobile Big Data Monitoring Platform)

The APP is most often used to search for the best restaurants, hotels, and leisure activities. Meituan became a primary search engine for tourists in China with a share of 62 percent, outperforming Yelp by 100 percent. The market share in Chinese food delivery amounts to 60 percent. In 2021, the daily average number of food delivery transactions increased by 133.5 percent year over year to 32.3 million. To provide a comprehensive lifestyle experience, the platform also covers all entertainment-related services. In 2018, Meituan entered the bicycle renting business, acquiring Mobike for USD 2.7 billion and gaining access to 8.65 million registered Mobike users, expanding its market share in the ride-hailing services sector by up to 30 percent. Furthermore, Meituan opened up towards digital payment and bought a payment service provider Quiandai. Next, in 2019 the tech giant experimented with mobile power-banking, establishing charging stations at business venues across the nation. In the light of the latest business developments in face of corona crisis, during the Spring Festival in 2021, Meituan launched the “Open for Business” initiative. The company partnered with millions of merchants to supply customers and delivered their meals, liquor and groceries. Its annual active merchants and advertising merchants for food delivery

reached record heights in 2021, and Meituan revenue went up by 121 percent, reaching 569 million paying users.

1.3.4 Next Steps

So far, the company's main strategic moves were cross-selling and product diversification. Although techniques are not novel *in essence*, rarely any startup could pull it off as Meituan did, harnessing all benefits of “Online to Offline” (O2O), serving both B2B and B2C segments. Subsequent and frequent acquisitions and partnerships with key players from diverse industries allowed for an unprecedented expansion. Meituan dominated food delivery, conquered in-store and hotel booking, and most recently, the APP extended its offer to include medical aesthetics and personal protective equipment (PPE), ride-hailing, power charging and online payment. The current strategy is aimed at remaining maximally flexible to adapt to the evolving consumer trends and assortment diversification to include a number of specialized service categories.

After the tourism industry, in which the company is deeply involved, receiving an unexpected blow due to COVID-19 pandemic, Meituan launched various marketing and promotional festivities, such as the “Wedding Festival” and “Back to School Festivals” to support sellers' advertising efforts and to accelerate the recovery.

Prioritizing the retail activity, Meituan Instashopping was the main channel for driving consumers' demand for goods and product delivery during COVID-19, especially considering its regular focus on local supply. Following the lockdown policy and restaurant closures over the last two years, including those advertised and included in reviews on the platform, the company recouped and redirected its efforts to convert regular hospitality attendants and restaurant visitors to Instashopping delivery users. Its members, including restaurant owners, shifted towards providing dining-out and order-in services. The company has recently updated its 2021 “Black Pearl” lists in foreign and domestic cities, thus establishing itself as the sole most important referee for reputable culinary recommendations. The company furthered plans to improve the quality of supply by a number of high-quality chain restaurants. To meet the growing

demand for Metuan Grocery, the company opened up additional warehouses in four operating cities. Meituan Select, a group buying service for bulk purchases was a part of Meituan's new initiatives that grew by 15.9 percent annually in revenue. Its coverage was expanded to over 2,600 cities and counties to provide nationwide expansion. Meituan extensively leverages its logistics and distribution network capacity in the food delivery segment, opening up warehouses in distant and less-developed regions.

New advancements in the domain include the implementation of cutting-edge hardware, smart delivery riders' helmets, and delivery pick-up lockers at restaurants in pilot areas. Although it extensively relies on its delivery riders, the Tencent-backed company plans to invest in autonomous delivery vehicles and drones. Some vehicles are already operating in the Shunyi District, and the riders will likely be replaced by the cost-effective AI technology of the future in the next few years.

According to Zhang Yi, the head of consultancy iiMedia Research, *"Meituan will use most of the capital in updating its delivery system, which currently relies on human drivers and will soon be unaffordable for the company as labor costs continue to rise in China."*

It was reported by Meituan management that:

"It is gratifying to see that our effort to accelerate industry digitization not only generated additional revenue for restaurant owners but also helped them improve efficiency. Going forward, we will continue to enhance our service quality, diversify our product offerings, provide support for small — to mid-sized merchants and help promote the vigorous development of the industry."

1.3.5 Learning Points

Meituan-Dianping CEO knew that uniting with competition is far more prosperous than driving down values during a contest. Meituan's astonishing performance can be attributed to the slick business strategy that allowed it to emerge in new market segments and fend off the competition right of the bet. Merger is at times a much more proper strategy than competition — it allowed the start up to connect with other industry experts and complementary service providers, exchange their experiences and

even collaborate through social features.

- One of the best strategies for success is to use the cross-selling technique to gather more and more diverse products in the company portfolio.
- Collaboration allows collecting valuable analytic and behavioral data marketing and sales professionals would be willing to pay a fortune.
- For a progressive startup, an extensive customer base can open up the horizon for a brand's new venture, such as providing marketing platform selling advertising plans, banners, ads, and packages to third-party vendors.
- The main competitive advantage from partnering stems from access to a reliable and trusted review database, as customers are more likely to order from a page they used to compare the service quality.
- Startups need to remain maximally flexible to adapt to the evolving consumer trends and assortment diversification to include a number of specialized service categories.