

Research on Marketing Strategies of Pinduoduo Based on SWOT Analysis

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The development of the Internet has led to a dramatic increase in online shopping users. E-commerce enterprises have been rising and becoming very successful in China in recent years. As an e-commerce platform established in 2015 and going public in 2018, Pinduoduo has become one of the three biggest e-commerce in China in a short period of time. This attract many people's attention, which drives people to explore the reason behind it. SWOT analysis is a model that enables us to analyze the strengths, weaknesses, opportunities, and threats of an enterprise. In this study, we use SWOT analysis model to analyze the marketing strategy of Pinduoduo, summarize the current status of Pinduoduo, and give some suggestion for itself and the other e-commerce platforms.

Keywords: Pinduoduo, SWOT analysis, e-commerce, marketing strategies

Introduction

In December 2021, the number of online shopping users in China reached 842.1 million, accounting for 81.6% of the total Internet users. Besides, the online retail sales reached 13,088.4 billion RMB (Zhi Yan Consulting Organization, 2021). According to the "Research Report on China's E-Commerce Market Prospects and Investment Opportunities" released by the China Business Industry Research Institute in 2021, the "Double Eleven" online transaction volume was 965.12 billion RMB. It can be seen from the chart about the retail e-commerce revenue of China in recent years, and the value of China's e-commerce is keep rising. With the development of the Internet, more and more e-commerce platforms appear, and the scale of online shopping users continues to increase. In this situation, how to manage an e-commerce platform has become a problem that many people are talking about. The market is intensely competitive now, and focusing on marketing strategies can make an enterprise get more competitive advantages. A representative example is Pinduoduo, a social e-commerce platform founded in recent years, and grows rapidly. It has become one of the top three e-commerce platforms in China in a situation that there are many strong competitors such as Taobao, Jingdong, and the e-commerce market is nearly saturated. Its success is largely dependent on its marketing strategy. In this research, we'll use the SWOT analysis model to study the marketing strategies of Pinduoduo from four aspects: strengthens, weakness, opportunities, and treats. Next we make an overall evaluation of Pinduoduo's marketing strategies, and make suggestions for the future development of Pinduoduo and other e-commerce platforms.

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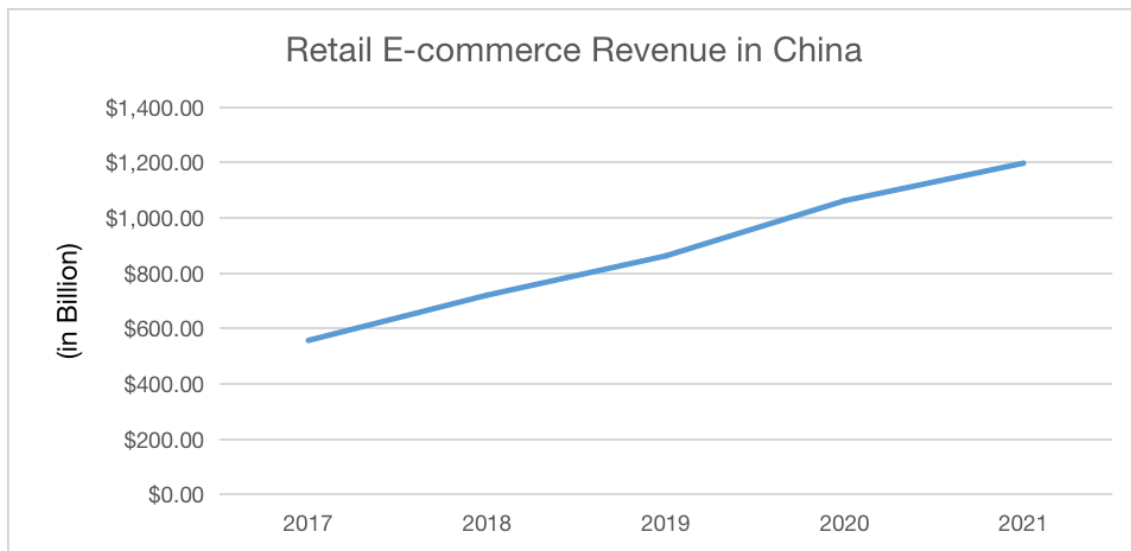


Figure 1. Retail e-commerce revenue of China in recent years.

SWOT Analysis

SWOT analysis model is a tool which is composed with four parts. They are “Strengthens”, “Opportunities”, “Weakness”, and “Threats”. It can be used to evaluate a company’s position and to develop the strategic planning. To be more specific, they are “SW” and “OT” two parts. “SW” analysis is more focusing on the present situation of the enterprise itself, and “OT” analysis is more focusing on the external circumstances that may affect the enterprise. Internal advantages and disadvantages with external opportunities and threats are related and effect with each other. SWOT analysis model can be accurate and systemic to find the outstanding features and drawbacks of a business. Meanwhile, it can also make the business find ways to improve the things they do not do well, and strengthen the advantage they have, in order to have more develop chances to be more competitive (Hao, 2022).

Case Study of Pinduoduo by SWOT Analysis

Overview of Pinduoduo

Established in 2015, Pinduoduo has pioneered the social e-commerce and weakened the position of other large e-commerce platforms to become the second largest e-commerce platform. It sales a variety range of products such as home appliances, food, and household necessities. In July 2016, the amount of Pinduoduo users exceeded 100 million, and received a Series B funding of \$110 million. In 2017, Pinduoduo users reached 300 million, the daily platform flow exceeded 10 million, and annual GMV reached 100 billion. Pinduoduo only used two years and three months to gain the number of users accumulated by Taobao in five years. It took Pinduoduo six years to break the monopoly of the two leading e-commerce platforms, Alibaba and Jingdong. According to Pinduoduo’s financial report in 2021, its turnover reached 2.44 trillion RMB, its annual revenue was 93.950 billion RMB, and its annual active users was 868.7 million. The figure below shows that Pinduoduo’s revenue has been keeping rising in recent years.

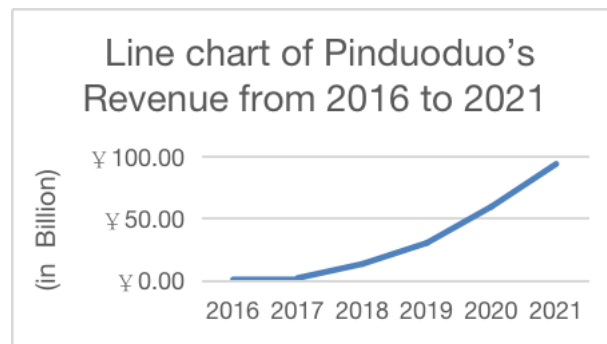


Figure 2. Pinduoduo's revenue from 2016-2021.

Strengthens

Reduce the cost to obtain customer. People can buy things cheaper on Pinduoduo by sharing item information. The more people the customers share with, the lower price they can get. Many consumers want to buy goods at a lower price, so they use some social platforms such as WeChat to share the Pinduoduo App with friends, family, even someone who is not familiar with to cut products prices. In this process, the customer is not only a consumer, but also a seller, thus forming a “one to ten, ten to hundred” fission type of spread. It can be effective to improve the publicity of Pinduoduo. The combination of a social and e-commerce model can acquire more users and decrease the cost for gaining users.

Discovery shopping increases purchase conversion rate. Under the traditional e-commerce platform, consumers choose to buy in the e-commerce platform according to their clear purchasing needs and goals. In contrast, in Pinduoduo, consumers can not only buy products they have clear needs for, but also generate unplanned purchase motives driven by social sharing and interests, which improves the purchase conversion rate and enhances the publicity effectiveness of the Pinduoduo platform.

Weakness

Poor quality. Pinduoduo takes the price as a strategy to meet some of the consumers' demand for “really low price” by way of social grouping, and many consumers choose Pinduoduo e-commerce platform for this reason. But many quality problems have been exposed, and many poor quality products make consumers controversial about Pinduoduo. Some of the customers think all products in Pinduoduo are fake, so they do not want buy products from there.

Low threshold for merchants to enter and poor service. Pinduoduo's low threshold for merchants is also pulling down the quality of the platform (Tang & Li, 2021). The merchant registration of Pinduoduo only needs to take five and half minute to finish that. Therefore, they do not have extra time to take related seller training. This will cause the low services of Pinduoduo. Customer service is irregular, resulting in consumer problems and complaints cannot get feedback and resolution in time.

Inappropriate promotion method causes the crisis of trust. Pinduoduo, which has been oriented to low price strategy, often has series of promotional activities, such as “zero yuan purchase”, “cut price to take 0.01 yuan buy products”, and so on. Although they are very attractive to users to participate, the chance of cut price successfully is very low, which makes the consumers become disappointed, and reduce the repetition of Pinduoduo. This is not conducive to the establishment of brand image (Wang, 2021).

Opportunities

Government support to e-commerce platforms. In recent years, a series of national e-commerce and platform economy policies are increasingly promoted to encourage the development of new business models of platform economy, which helps social e-commerce develop. As a representative of social e-commerce, Jingdong has been following the policy of “Agriculture, Farmer, and Village”, which is strongly supported by the state. In 2020 and 2021, as China’s largest agricultural products e-commerce platform, Pinduoduo hosted the “China Farmers’ Harvest Festival in Golden Autumn Consumption Season” for two consecutive years. In 2021, the event attracted more than 150 regional public brands of agricultural products from all over China and more than 300,000 merchants to participate, nearly doubling the scale of merchants compared with 2020 (He & Jiang, 2022). With the further promotion of national policies for agriculture and social e-commerce industry policies, social e-commerce will benefit from more support and encouragement.

Trend to shopping online during the pandemic. Under the COVID-19 pandemic, it is really inconvenient for people to travel, so many of them transferred their demand of shopping offline to online. In addition, because of the pandemic, many of the offline stores have been closed, and people have no choice to choose to buy things online. These demands of customers for online consumption give the e-commerce platforms a good opportunity to develop (Liu & Yang, 2020).

Threats. Fierce competition in the e-commerce market from competitors is one of the biggest threats to Pinduoduo. Taobao, Jingdong, and other similar e-commerce platforms are developing rapidly, posing a major threat to Pinduoduo (Ji, 2021). There are user wars, price wars, logistics wars, brand wars, and capital wars. The battle of offline merchants in the e-commerce market has intensified. The e-commerce law is still being implemented, and e-commerce cannot guarantee the protection of the good rights and interests of customers, which has also become an important obstacle to the development of Pinduoduo.

Conclusion

Advice for Pinduoduo

Pinduoduo is really good in controlling costs and reducing prices, and has attracted a large number of consumers through the influence of prices. At the same time, in order to maintain their position, Pinduoduo needs to pay attention to improve the crisis of trust, strict control of product quality. That’s the way Pinduoduo can maintain the advantage in the competition with other e-commerce platforms. There are some specific measures to improve Pinduoduo’s marketing strategies.

Strengthen platform control and improve product quality. In order to improve the quality of products on the platform, Pinduoduo should treat merchants well, make the market competition become positive, and let the high quality merchants with low price of their products stand out. Also, Pinduoduo can establish a management mechanism which is completed and scientific, promote healthy competition mode of merchants, and improve the consumption service level of the whole platform.

Grasp the opportunity to meet the challenge. Under the intense competition among the e-commerce market, how to give accurate information to target consumers and maximize the benefits of merchants without affecting consumers’ consumption experience has become major new direction that Pinduoduo needs to work on. With the development of internet and the expansion of consumer demand, Pinduoduo should keep pace with the times and continue to maintain own unique competitive advantage while continuously innovating.

Advice for Other E-Commerce Platforms

The present online e-commerce platforms stages have a somewhat complete client base, and there is no compelling reason needed to draw in clients through uncreative publicizing strategies (J. H. Wang, Y. Wang, & Shi, 2020). Each internet business stage ought to constantly further develop the stage the board framework, continuously change the promoting strategy, and truly start according to the client's perspective. This can give them unmistakable advantages, increment purchaser's trust in the stage, and furthermore fabricate a decent brand identity.

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