

# *Research on the Financial Management of Meituan*

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**Abstract:** Currently domestic life service platforms are developing at a high speed under the promotion of the Internet and mobile payment, it provides rich and diversified life services and a convenient and efficient consumption experience for the residents and occupants, which has become a necessary part of daily life. Users can search through the platforms and compare the service content and prices of different merchants to choose the service that best meets their needs. Economic development has also led to the growth of consumer demand for life services. The diversified choices and excellent services provided by online service platforms attract increasing number potential users to engage them, driving the development and progress of the whole industry. This paper aims to study the financial management of Meituan, which is one of the most popular lifestyle platforms, through case study, to explore its advantages and problems and to propose improvement solutions. The study found that Meituan is in good financial condition, with profitability and cash flow at positive level. In addition, Meituan has developed effective measures to avoid risks and maintain the normal operation and profitability. This study understands the current stage of financial management strategies and problems of Meituan, and the results provide references for the future financial management and strategic decision-making, which are valuable for other firms in the industry.

**Keywords:** Meituan, Financial management, profitability, strategy

## **1. Introduction**

Meituan is a top platform in life service platform industry in China, which provides online services such as takeaway, hotel booking and cinema ticket purchase, which is a necessary part of residents' daily life at this stage. Meituan was founded in 2010 and is headquartered in Beijing. Founder Xing Wang worked in different industries before founding Meituan, and carefully studied the entrepreneurial approach through his own practical work experience [1]. He later worked at Dianping, and through his observation of the success of Dianping and the market dynamics, he realized the huge potential market for online living services. In contrast to the traditional lifestyle services industry, value-added online digital facilities can help businesses transform, stimulate more spending and increase profitability [2]. As a result, he decided to start Meituan and positioned it as a platform for group purchases, takeaways and lifestyle services in one. Initially, Meituan only offered group-buying services which meant getting discounts through collective purchases. By entering into partnerships with restaurants, cinemas and other partners, Meituan offered discounted group-buying services to its users. This service model was so innovative and attractive that

investors and consumers were willing to pay for it, and with this dual support contributed to business scope and market size of Meituan expanded. Then the Internet entered a new era, and Meituan expanded its business scope to mobile devices. It created its own application that users could use whenever they wanted as long as they downloaded them. This strategy boosted Meituan growing, increased mass usage and customer loyalty, and made it one of the most popular life service platforms. In addition, Meituan has further expanded its business through partnerships and acquisitions. Meituan has partnered with other companies, such as Mobike, a bike-sharing brand, to provide cycling services for citizens' daily basis. And it acquired Dianping and merged it into Meituan to expand its operations. In addition, Meituan has a presence in overseas markets, launching localized services in regions such as Southeast Asia and South America. This is conducive to Meituan taking a bigger share of the overseas market and going global.

## **2. Introduction to the Meituan platform**

The Meituan app is a mobile application developed by Meituan Dianping, which people mainly use to order takeaways, buy cinema tickets, book flights and hotels for their travel trips, provide guidance on tourism.

Consumers can use this app to order takeout anytime and anywhere to complete the payment, choose available kinds randomly, find the desired food effortlessly, and wait for the delivery service.

Moreover, Meituan also provides delivery services for other commodities such as fruits, flowers and medicines.

The Meituan app offers the film tickets purchase service. Everyone could check the films information, venues and ticket prices within the app and choose the venues suitable for their schedule to buy. Meituan cooperates with various cinemas to facilitate buyers to pay for tickets online and pick up tickets offline, providing efficient services to buyers.

Meituan contributes to the travelling of the public. The time information and prices of planes and highspeed trains can be searched simply within the app, and users could just book the matching ones according to their budgets and plans. The types of hotels, real-time information and prices of destinations are also obvious, helping users to solve their travelling problems.

Finally, travelers could use the Meituan app to make travel plans. Tickets to attractions can be purchased through the Meituan app, while there are a variety of travel routes for travelers to choose from. Travelers are able to flexibly make their own travel plans through the attraction-related information provided on the Meituan app. An increasing number of scenic spots have partnerships with Meituan to provide travelers with guided tours and souvenir purchases.

## **3. Current status of financial management of Meituan**

The financial management situation of Mission has changed in the recent years, showing a growing trend. Given the company itself and its influence in the market, the financial management of Meituan plays an important role in the stability and continuity of the business.

### **3.1. Financial Management System**

The finance department is responsible for daily financial processing and report preparation to record and summarize its economic activities and financial position, analyze the financial position, profit and cash flow of the company, and help assess the profitability, solvency and operational efficiency of the business. It provides the company with references for strategic decision-making and provides important data support for the expansion of enterprise, acquisitions and investments.

### **3.2. Budget and Control**

Meituan uses budget management to plan and monitor the financial activities of a company. Firstly, Meituan customizes annual budgets to determine the revenue targets, cost control and profitability goals, and then periodically compares budgets with actual cost to assess the company's financial performance and take timely action to mitigate deviations. Additionally, Meituan also conducts segmentation and budget management to achieve better control and allocation of financial resources.

### **3.3. Risk management**

Meituan focuses on financial risk management to ensure financial stability and sustainable development. Financial risks are inevitable in the rapidly developing Internet industry. Meituan has established a comprehensive risk management system, conducts regular risk assessments, identifies potential financial risks and takes corresponding measures to address them, effectively reducing financial risks.

### **3.4. Financial control and internal control**

Meituan has established a financial control and internal control mechanism to ensure the legality and standardization of the financial activities, and ensure the safety and accuracy of financial flows through a clear division of responsibilities and authority control. In addition, Meituan conducted internal and financial audits to assess the company's financial status and the effectiveness of internal controls.

### **3.5. Tax Compliance**

Meituan pays attention to tax compliance, fulfills its tax obligations, actively cooperates with the tax department, files and pays all taxes in a timely manner and participates in tax audits. Meituan also focuses on tax planning and makes use of various tax policies and preferences in a legal and compliant manner to reduce the company's tax burden.

### **3.6. International Financial Management**

Meituan has opened its market overseas and gradually expanded, so international financial management has become an important part. Meituan has established a special international financial management team to manage and monitor the financial activities and economic trends in overseas markets. Through effective international financial management, Meituan can realize its globalization strategy and reduce international business risks.

### **3.7. Digitization and Intelligence**

Meituan focuses on and applies digitization and intelligence in its financial management. The enterprise actively uses new AI technology and big data in its financial management, which improves the efficiency deeply of its financial work. Artificial intelligence machines are used to predict the financial situation, identify potential risks and opportunities, and help the company respond earlier and reduce risks.

## **4. Strengths and problems of the current state of financial management in Meituan**

As leading life service platform in China, financial management situation of Meituan also has certain advantages and faces some problems at the same time.

## **4.1. Strengths of the current state of financial management in Meituan**

### **4.1.1. Diversified Revenue Sources**

Meituan serves many areas, such as takeaway, hotel booking, tourism, film tickets and cooperates with offline catering. Applying the best pricing strategy when working with offline catering to attract potential consumers and maximize profits for both sides [3]. This diversified business structure enables Meituan to obtain revenue from different sources, reducing its dependence on a single field of business. This helps to reduce financial risk and allows it to better adapt to changes in the market and consumer demand.

### **4.1.2. Advantages of Economy of Scale**

Meituan has a large user base and extensive service coverage, which results in Meituan being able to realize profitability through large-scale transactions and order volumes, thereby reducing costs and increasing profits. The large-scale advantage helps Meituan to be more competitive than other competing brands in the same industry in the market, which provides favourable conditions for financial management.

### **4.1.3. Data-driven decision support**

Meituan has a huge amount of user data and can conduct in-depth data analyses to understand users' consumption preferences. For example, applying the Visual Analysis for Urban Catering Data (VAUCD) to the dining page of an app used by a consumer to quickly show the distribution of restaurants, help the consumer understand the style of those restaurants, and provide personalized recommendations [4]. These data can provide strong support for financial management decisions. Through data-driven decision support, Meituan can carry out financial forecasting and planning more accurately and improve financial efficiency.

## **4.2. Problems**

### **4.2.1. Intense Competition**

The life service industry in which Meituan operates is highly competitive and faces competitive pressure from other platforms. The threshold for online service platforms is not high, and capable service platforms and cross-border companies will plan to expand this business and open up new profitable markets [5]. This may lead to an increase in marketing and user acquisition costs, which in turn may adversely affect the financial position of Meituan. In addition, competition may also lead to price wars between brands which may result in lower profit margins, posing challenges to profitability. Meanwhile, Meituan is facing serious financial challenges as it is committed to developing into an integrated platform for consumer services, taking an increasing share of the online consumer market by virtue of its wide range of services, and competing with the financially strong Tencent outside the industry as well [6].

### **4.2.2. High Operating Costs**

Meituan has a large distribution network and service team, which requires a large amount of human resources and capital to operate, increasing operating costs. And it may require a lot of market research and investment in the initial stage and continuous marketing. High operating costs may put pressure on the financial position and profitability of Meituan.

#### **4.2.3. External policy and regulatory risks**

The industry of life services is subject to policy oversight and regulation, and regulations issued by the government may change and reform at any time, which means that Meituan will need to regularly undergo and pass higher cybersecurity inspections and fulfil tax obligations or requirements. This is possible result in Meituan needing to invest more capital in its operations, increasing costs and sustainability risks.

#### **4.2.4. Challenges of International Expansion**

Meituan is working on expanding its overseas markets, but international expansion faces challenges in terms of language, culture, law and market. Entering new markets requires substantial investment of resources and capital, and faces issues such as market adaptation and competition. This may create certain uncertainties and risks to financial position and profitability.

Overall, Meituan has diversified sources of revenue, scale advantages, and data-driven decision support in its financial management. However, issues such as market competition, high operating costs, external policy and regulatory risks and challenges of overseas market expansion require attention.

### **5. The current stage of financial management of financial strategies and the developed improvement strategies of Meituan**

The financial management strategy of Meituan at the current stage mainly includes financial efficiency improvement, risk management, investment decision-making and financial transparency. Meanwhile, Meituan has also formulated improvement strategies to address some of the challenges and problems it faces.

#### **5.1. Meituan financial management at the current stage of financial strategy**

##### **5.1.1. Financial efficiency improvement**

Use technology to improve the efficiency of financial processing. By introducing advanced financial management systems and automated intelligent tools, Meituan achieves standardization and automation of financial processes, reduces the use of human resources, and improves the speed and accuracy of financial processing.

Meituan maximizes the use of cash and capital resources and reduces the risk of idle funds and unfavourable positions through fine capital management and optimization of capital flows.

Meituan focuses on the cultivation and development of its finance team, strengthens internal and external training, improves professionalism, and enhances the execution of the finance team through appropriate division of labour and collaboration.

##### **5.1.2. Risk Management**

Meituan had established a system for risk assessment, classification and monitoring to identify potential financial risks. The impact of financial risks on the company is reduced by timely reporting of risks and proposing countermeasures.

Meituan strengthens internal control by setting up an audit department, implementing internal audits and continuously improving the internal control system. Ensure the legality, standardization and accuracy of financial activities by strengthening internal control.

In order to reduce the risk of business-related finances, Meituan continuously expands new business areas, increases the channels of revenue sources, reduces reliance on a single business, and reduces the risk of exposure to specific industries or specific regional markets.

### **5.1.3. Investment Decision**

MMT makes appropriate investment decisions after a comprehensive analysis of the market, industry, competitors and risks. It relies on big data analysis and prediction to improve the effectiveness of decision-making.

When making investments, Meituan focuses on the balance between risk and return, and conducts assessments of risk and expected return to reduce investment risk. Meanwhile, for high-risk investments, Meituan makes appropriate capital investments to reduce possible losses.

### **5.1.4. Financial Transparency**

Meituan regularly publishes financial statements, annual reports and interim reports by laws and regulations and the requirements of the securities market to disclose the company's financial status and turnover to investors and related groups.

To enhance financial transparency, Meituan engages an independent accounting firm to conduct financial audits to ensure the accuracy and reliability of financial information.

Meituan continuously improves its corporate governance mechanism, establishes a sound corporate governance system, improves the transparency and reasonableness of its decision-making, and strengthens the supervision and constraints on financial management.

## **5.2. Improvement Strategies**

### **5.2.1. Strengthening market competitiveness**

Meituan will continue to expand its market scale, and strengthen its brand building. The ECSI structural model is used to help platforms recognize their own levels and shortcomings, and to develop strategies to help improve customer satisfaction [7]. Increase customer loyalty and maintain an existing competitive advantage by providing substantial financial incentives within the application[8]. Insisting on using testing tools such as EvoMaster, which have proven useful to industry practitioners, to continue to detect possible faults within the platform [9], safeguard platform experience for users and quality of service, and stay ahead of the competition.

### **5.2.2. Optimize cost management**

In response to high operating costs, Meituan needs to strengthen cost management and control, improve operational efficiency and reduce costs through technological innovation and reasonable resource allocation. In order to better implement the takeaway delivery service, Meituan has developed a real-time intelligent scheduling system. The system can accurately model and process order allocation, and propose high-quality and effective solutions. Its application has helped Meituan reduce operating costs and achieve a balance between service goals and benefits.[10]

### **5.2.3. Strengthen compliance risk management**

In response to policy and regulatory risks, authorities are actively working to develop and optimize regulations to regulate online e-commerce platforms and to safeguard the rights of merchants [11]. Meituan will strengthen communication and co-operation with government and regulatory

authorities, proactively comply with relevant laws and regulations, and ensure compliance with financial activities.

#### 5.2.4. Insist on technological innovation and data-driven

Meituan continues to invest resources in technological innovation, using scientific and technological means to strengthen data analysis and prediction, using the NEON system to predict the needs of the users' life, mining their characteristics, understanding their preferences and recommending according to their preferences, to increase the number of clicks and the dependence of users [12], to enhance the effectiveness of financial management and the accuracy of the purpose.

## 6. Conclusion

In conclusion, the financial management quality and financial status of Meituan Company are excellent, the financial department attaches importance to planning, control, analysis, and active management of funds, compliance with relevant laws and regulations, and cooperation with the financial requirements of the national market. However, it should also strengthen the importance of financial management and real-time monitoring of possible problems, optimize the existing strategies, take a series of improvement measures, enhance efficiency, diversify risks and try to minimize risks; at the same time, it should also give full play to its own strengths at this stage, further expand its influence, and make proper use of its accumulated experience and scientific and technological means, so as to realize sustainable development and operational stability of the enterprise. and stability of operation. Meituan should take financial management as an important part of its corporate strategy to meet the needs of future market competition. As a leading lifestyle service platform, Meituan's current state of financial management reflects the best practices in the industry. The results of studying its current state of financial management provide a reference for other enterprises, helping them to optimize their own financial management and improve their corporate financial management capability and financial performance. For potential investors, it helps to assess the potential and risk of the enterprise and increase the trust in Meituan, which can attract more investors. In the future, Meituan should be driven by innovation and adaptation to improve its competitiveness and visibility, give full play to its advantages, provide better services to consumers and expand its own domestic and international market scale.

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