

Research on Differentiation Strategy of After-sales Service System of E-commerce Platform

--Taking Pinduoduo as an Example

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Abstract: With the gradual intensification of competition between e-commerce platforms, people's demand for e-commerce platforms is also getting higher and higher, and the differentiation strategy of after-sales service system occupies an important position in the development path of e-commerce platforms. Therefore, the topic of this article is the research on the competitive strategy of differentiation of Pinduoduo's after-sales service system. The research method of this article is to collate, analyze and summarize the current literature and data on Pinduoduo's after-sales service research, to study the advantages of Pinduoduo in the after-sales service system as well as the problems, and to provide directions and suggestions for Pinduoduo and all major e-commerce platforms in the development of after-sales service. As a result of the research in this article, it is concluded that Pinduoduo's after-sales service system has differentiated advantages from other e-commerce platforms, but it also faces some challenges.

Keywords: Pinduoduo, after-sales service system, differentiation strategy

1. Introduction

In today's e-tailing market where products are basically undifferentiated, prices are transparent and convergent, and consumers' awareness of their rights is increasing [1], consumers are more concerned about product services, especially after-sales services, when using the platform. With the gradual development of e-commerce platforms and the fierce competition between platforms, the differentiation strategy of after-sales service system has become particularly important for the development of e-commerce platforms and to maintain their lifeblood of survival, and only a perfect after-sales service system can compete with the traditional trade model [2]. This paper takes "Pinduoduo" e-commerce platform as a perspective, through collating, analysing and summarising the current literature and data on Pinduoduo's after-sales service research, tries to study the embodiment of Pinduoduo's differentiation strategy in this aspect, the advantages it brings to the platform and the existing problems, and puts forward a reasonable direction and suggestions for the

future development of the e-commerce platform. According to the cutting-edge literature, it can be concluded that the marketing strategy adopted by Pinduoduo has a certain degree of differentiation and competitiveness in many aspects in comparison with the major e-commerce platforms, but there is no comprehensive description of the strategy of its after-sales service system, and the provision of perfect after-sales service to consumers has become a new focus of the various e-commerce competition platforms [2]. Therefore, this paper is very meaningful to study the differentiation strategy of Pinduoduo's after-sales service system.

2. Analysis of Pinduoduo's Differentiated After-sales Service System

2.1. High Standards of Multidimensional Service Quality

Pinduoduo's after-sales service system is reflected in its comprehensive, fast, user feedback-driven service quality management, which has differentiated advantages from other platforms in terms of service attitude, service efficiency and professional ability. According to the authoritative data from "three major retail e-commerce after-sales service evaluation report" released by NetSun Company(www.100ec.cn), it can be seen that Pinduoduo's after-sales service in the areas of warranty service, price warranty service, seven-day no-reason return policy, platform proactive intervention service, and parcel policy are all in the highest evaluation index score, and ranked first in the comprehensive comparison of the after-sales service score, as shown in Table 1. This shows that Pinduoduo's after-sales service system has certain advantages in terms of warranty service, price warranty service, return policy and timeliness, and whether the platform takes the initiative to intervene, etc., which can mediate the disputes between consumers and merchants in a timely and proactive manner, and nip the conflicts in the bud [3].

Table 1: Comprehensive comparison of after-sales services of the three major retail e-commerce platforms [4].

	Taobao	Jingdong	Pinduoduo
Warranty Service	★★★★	★★★★★	★★★★★
Warranty Service	★★★	★★★	★★★★★
Seven days no reason return policy	★★★★★	★★★★★	★★★★★
Platform Intervention	★★★	★★★★★	★★★★★
Shipping Policy	★★★★★	★★★★★	★★★★★
Comprehensive Comparison	4points	4.13points	4.75points
	Taobao	Jingdong	Pinduoduo

2.2. First "Refund Only" After-sale Model

In 2021, Pinduoduo took the lead in introducing the rule of refund only and used it to promote the rapid development of its low price strategy [5]. By simplifying the refund process, consumers can easily apply for refunds without the need to return goods if they are dissatisfied with their purchases, which largely improves consumer satisfaction, enhances the user experience, reduces logistical pressure, and promotes the increase of platform traffic and sales. Pinduoduo's "refund only" model has further consolidated its price-sensitive customer base, enabled its innovation in e-commerce, set

new service standards for the industry and forced other competitors to innovate in order to remain competitive, giving Pinduoduo strong short-term competitiveness.

2.3. Artificial Intelligence Technology to Optimise Services

Pinduoduo independently researched and developed distributed artificial intelligence technology capabilities, and said that it will continue to significantly increase its technology investment, enhance its research and development capabilities, and continue to improve the accuracy of its products and promotional recommendations. According to the Q3 of Pinduoduo's fiscal year 2023 released by Tech Business, it can be seen that Pinduoduo's R&D expenses in that quarter were 2.8 billion yuan, compared with 2.7 billion yuan in the same period of the previous fiscal year, an increase of 6% in R&D expenses, as shown in Fig 1. Pinduoduo is using big data and AI technology in after-sales service to analyze user behaviour and improve user satisfaction through algorithmic recommendations, and it is also attempting to use these technologies to optimise the after-sales process and come up with ideas for intelligent agent procedures.

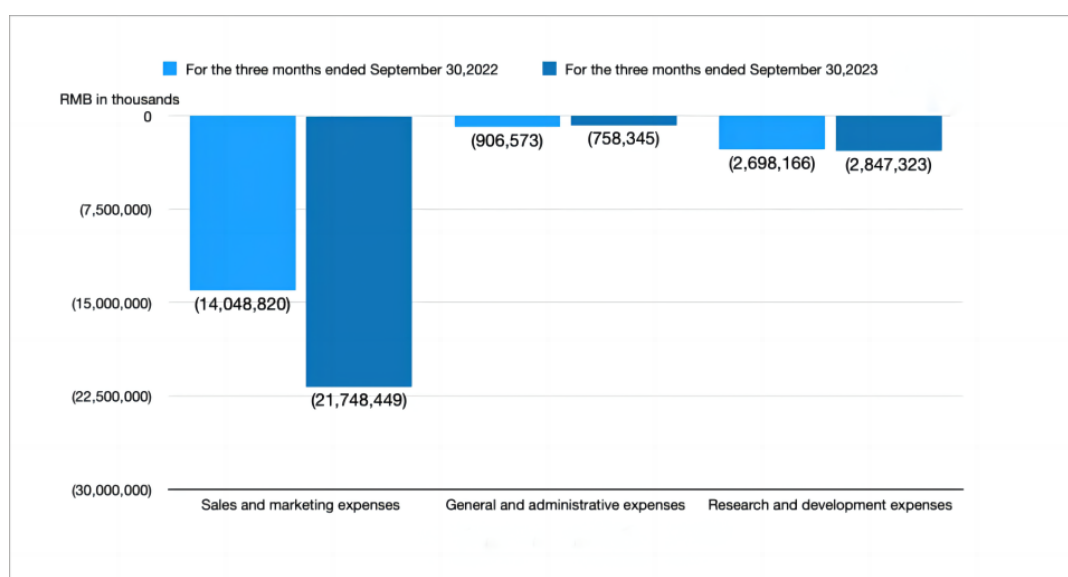


Figure 1: Pinduoduo's FY2023 Q3 R&D and other expenses vs. same period last year [6].

2.4. Advantages from Differentiation Strategy

2.4.1. Enhance Consumer Shopping Willingness and After-sales Satisfaction

After-sales service is one of the important factors affecting consumer satisfaction with e-commerce platforms. In today's increasingly competitive e-commerce platform, the quality of after-sales service is directly related to consumers' trust and loyalty to the platform. As a well-known e-commerce platform in China, Pinduoduo's market positioning is different from that of Taobao and Jingdong. It focuses on the low-end market and is mainly characterised by the sale of low-priced and cost-effective goods. However, this also often leads to consumers' concerns about the quality of goods, which in turn affects their willingness to shop at Pinduoduo [7]. Therefore, Pinduoduo's multi-dimensional high-quality after-sales service system provides meticulous guarantees and promises to consumers after the sale, which can compensate to a certain extent for the tendency of consumers to be reluctant to buy because of concerns about the quality of the goods, and it has a certain effect on enhancing the willingness of consumers to shop.

Since 2018, on the basis of the basic after-sales service, Pinduoduo has launched the "refund only" after-sales service, an innovative initiative that greatly simplifies the refund process and reduces disputes between merchants, platforms and consumers. In the event that consumers encounter problems or are dissatisfied with the goods, they can directly apply for a refund without having to return the goods, which greatly improves the shopping experience and after-sales satisfaction of consumers.

2.4.2. Sales Promotion and Revenue Enhancement

The "Refund Only" service introduced by Pinduoduo is a positive reflection of Pinduoduo's protection of consumer rights. In addition, some conclusions can be seen from the comparison of the after-sales situation of popular commodities on Taobao, Jingdong and Pinduoduo mentioned in the "Review Report on After-sales Service of Three Major Retail E-commerce Companies" mentioned in the previous article that Pinduoduo's warranty service has the widest coverage, the most detailed logistic timeliness protection, and the most comprehensive warranty service. These after-sales services have, to a certain extent, filled the short board of possible problems with the quality of the platform's goods, and consumers can enjoy multi-dimensional and high-quality after-sales services even when buying low-priced goods. According to the data report of the Qianzhan Industry Research Institute(f.qianzhan.com), Pinduoduo's operating income was 30.142 billion yuan in 2019, and it quickly rose to 130.558 billion yuan in 2022 [8], which proves that, in addition to factors such as Pinduoduo's increase in advertisements and subsidies, this substantial after-sale guarantee makes consumers more willing to spend money in Pinduoduo, and Pinduoduo's operating income and word-of-mouth have increased.

2.4.3. Improvement of Pinduoduo's Brand Image and Reputation

Pinduoduo's after-sales service has had a positive impact on both brand image and word-of-mouth, and in the minds of consumers, Pinduoduo is not only a platform that provides low-priced goods, but also a reliable platform that focuses on the consumer experience and protects the rights and interests of consumers. Through word-of-mouth spreading by consumers, the positive brand image and word-of-mouth of Pinduoduo attracts more potential consumers, further expanding Pinduoduo's market share and enhancing Pinduoduo's competitive advantage.

2.5. The Disadvantages of Pinduoduo's After-sales Service System

2.5.1. Uneven Quality of After-sales Service

In order to attract merchants to the platform, Pinduoduo has lowered the threshold for merchants, resulting in the varying quality of merchants on the platform. In addition, the platform's after-sales service standards are not uniform. At the same time, due to the different operating methods of individual merchants, their investment in after-sales service, standards, and the form they take will also be different. In addition, the after-sales service of many merchants will also be outsourced, which has led to the after-sales service resolution rate of Pinduoduo is only 51%, and consumers often encounter problems such as unprofessional customer service, difficult to get through on the phone, and difficulties in proving their case [9].

2.5.2. "Refund Only" Hurts Merchants

Pinduoduo's implementation of the "refund only" model has largely attracted a large number of users and reduced the cost of users' rights, especially to protect the rights and interests of some vulnerable consumers, and this model has even gradually become an industry standard.

"Refund Only" model makes the consumer game status rise, however, at the same time, it also brings many serious business problems to many merchants in Pinduoduo, for example, there are many cases of malicious refunds from buyers. "Refund only" has been criticized by merchants because of the losses it causes to them [10].

2.5.3. Inadequate After-sales Product Protection

As a result of Pinduoduo's focusing the market more on the sink market and Pinduoduo's lower merchant entry threshold, users often buy fake and inferior products when using Pinduoduo. Various types of media and news have also frequently broken the news that Pinduoduo sells counterfeit goods. And in fact, the quality of the products is an important foundation for users to be able to complete repurchase and contribute value to the platform in the long term [11]. According to the authoritative data provided by Jintai Information Agency(www.people.com.cn), in addition to 86.51% of consumers valuing the price advantage when shopping online, there are 71.24% of online shoppers valuing the quality of the product most when making decisions, as shown in Fig. 2. However, it is difficult for Pinduoduo to fundamentally solve the problem of product guarantee.

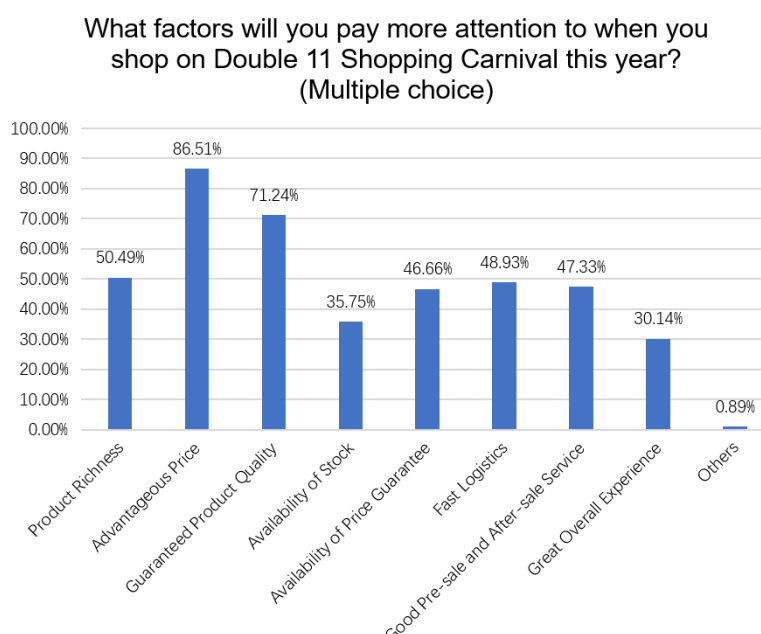


Figure 2: Factors valued by online shoppers when making online shopping decisions for China's Double Eleven Shopping Carnival in 2022[12]

3. Pros and Cons of Differentiating Pinduoduo's After-sales Service System

3.1. The Advantages of Differentiation Strategies

This article has researched and concluded that the differentiation strategy of Pinduoduo's after-sales service system is mainly reflected in the provision of multi-dimensional and high-quality after-sales service, the innovative introduction of the "Refund Only" service, and the investment in artificial intelligence technology to optimize the service. These differentiation strategies have enabled Pinduoduo to develop a significant competitive advantage in its industry. Meanwhile, Pinduoduo's after-sales service system has improved consumers' willingness to shop and after-sales satisfaction, boosted sales and increased revenue, as well as enhanced Pinduoduo's brand image and reputation.

3.2. The Disadvantages of Differentiation Strategies

This article has researched and concluded that Pinduoduo's after-sales service system has certain problems, which are reflected in the quality of after-sales service, the balance of the "Refund Only" model, and the after-sales protection of the products, which have an impact on Pinduoduo's sustained and stable development, and should be emphasized and solved.

4. Reasoned Recommendations

4.1. Addressing the Problems of Uneven Quality of After-sales Service

First, this article suggests that Pinduoduo could establish and publish a set of unified after-sales service standards. This set of standards should cover customer service response times, return and exchange policies, and compensation rules to ensure that all merchants follow them, thereby standardizing the consumer service experience. At the same time, Pinduoduo should also publish detailed after-sales service standards, which need to be refined for different types of products and services to accommodate diverse merchants and product categories.

Second, Pinduoduo should strengthen its vetting and training process for merchants. Pinduoduo can ensure that only merchants that meet high standards can be admitted to the platform by raising the threshold for merchants to join the platform, such as business license verification, financial stability check and assessment of past business behavior. At the same time, Pinduoduo can also conduct meticulous quality audits of merchants to ensure that they can provide high-quality products and services, thus further improving the overall quality of the platform and the shopping experience of consumers.

4.2. Addressing the Problems Associated with "Refund Only" Model

First, this article suggests that society can improve China's electronic commerce law to establish the basic rights and obligations between platforms, merchants and consumers, including refund conditions, data protection and consumer rights protection, to provide a clear legal framework for e-commerce transactions. The rights and obligations of platforms, merchants and consumers are inviolable and violators should be penalized accordingly [13].

Second, Pinduoduo can offer protection programs for merchants such as partial compensation for refund requests that are reasonable and outside the norm, related legal support and so on. Such protection programs can help merchants mitigate financial losses and unnecessary burdens arising from unreasonable refund requests.

In addition, Pinduoduo can implement a buyer credit evaluation system. The platform can use this credit evaluation system to screen and restrict buyers who frequently initiate unjustified refund requests in order to protect the legitimate rights and interests of merchants. For buyers with low credit scores, Pinduoduo can impose restrictions on them, such as restricting their participation in certain promotional activities and raising the refund threshold, etc., which can promote fair transactions.

4.3. Addressing the Problems of After-sales Product Protection

First, this article suggests that Pinduoduo can step up its efforts to combat counterfeit and shoddy products, for example, by utilizing artificial intelligence technology to assist in identifying counterfeit and shoddy products. Pinduoduo needs to remove counterfeit and shoddy goods from the market through strict market monitoring and penalty mechanisms to better protect consumer rights.

At the same time, Pinduoduo can cooperate with third-party quality certification organizations to certify the quality or authenticity of specific brand products, and only products that have passed the

certification can be shelved on the platform. For example, Pinduoduo can cooperate with China Certification & Inspection Company (CCIC) to only put on the shelves products that have passed the authentication, or cooperate with relevant government departments to carry out regular market special rectification actions to remove illegal traders and shoddy goods. Pinduoduo uses such cooperation to ensure the quality and safety of its products and increase consumer confidence.

5. Conclusion

This article examines Pinduoduo's differentiated after-sales service system, revealing its significant advantages and challenges in the e-commerce sector, and focuses on Pinduoduo's performance in multiple dimensions, including service quality, innovative after-sales model and technology application, especially Pinduoduo's differentiated strategic strengths in providing high standards of service quality, implementing the industry's first "Refund Only" model, and optimizing the service process by using artificial intelligence technology. The results show that these differentiation strategies implemented by Pinduoduo not only improved consumer satisfaction and shopping experience but also contributed to sales and revenue growth while enhancing Pinduoduo's brand image and market competitiveness. However, this research also points out that Pinduoduo faces challenges such as uneven quality of after-sales service, damage to the interests of merchants, and imperfect product after-sales protection, which need Pinduoduo to pay attention to and improve in future development. Meanwhile, this article also put forward relevant and reasonable suggestions for these problems.

This paper puts forward some reasonable suggestions for the drawbacks of Pinduoduo's after-sales service system differentiation strategy proposed in this paper, aiming to enhance consumers' shopping experience, protect merchants' rights and interests, and better optimize Pinduoduo's after-sales service system differentiation strategy and its future development. First, in response to the problem of uneven after-sales service, this post puts forward two suggestions that Pinduoduo can establish and publicize unified after-sales service standards and strengthen the auditing and training of merchants. Secondly, to address the problem of the "refund only" model, this article puts forward two suggestions that society can improve the relevant legal system in China's electronic commerce law and Pinduoduo can implement a buyer credit evaluation system. Finally, to address the issue of after-sales product protection, this post suggests that Pinduoduo should increase its efforts to combat counterfeits and cooperate with third-party quality certification organizations to ensure product quality.

Although this study has initially explored the after-sales service system of Pinduoduo and revealed the advantages and challenges of its differentiated competitive strategy, future research needs to expand the scope of data collection, deepen the analysis of market segments and user behavior and adopt broader data and in-depth market insights. These future studies aim to provide more accurate after-sales service strategies for major e-commerce platforms, enhance user satisfaction and brand loyalty, and promote the healthy development and competitiveness of the entire e-commerce industry. The depth of the research direction of this article will help to build a more comprehensive theoretical framework and practical guidance and provide a scientific basis for e-commerce platforms to continuously improve the after-sales service system.

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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