

Research on the Business Model of Pinduoduo Based on User Analysis

Yaolong Zhong^{1,a,*}

¹Leighton School, Shanghai, China, 201660

a. 1477134581@qq.com

*corresponding author

Abstract: In today's digital age, e-commerce platforms have become an integral part of the business ecosystem. These platforms have redefined the traditional way of business transactions through innovative business models and user analysis methods, and have greatly influenced consumers' shopping experience and enterprises' business strategies. This paper aims to deeply explore the business model of an e-commerce platform based on user analysis by taking Pinduoduo as an example, to reveal the successful mechanism and operational points behind it. Analyzing Pinduoduo's business model and marketing strategy by literature review and case comparison methods, this article attributes Pinduoduo's business success to its adoption of social shopping, group buying, low-price goods, and user interaction. Additionally, this paper forecasts Pinduoduo's development prospects from the perspective of user experiences and social interaction. I hope to provide some theoretical support for future researchers.

Keywords: Pinduoduo, e-commerce, model, direction, comparison

1. Introduction

In recent years, Pinduoduo, as a rising star in China's e-commerce sector, has attracted a large number of users with its unique social shopping model and low-priced goods [1]. However, this success is no accident and is based on in-depth user analysis and precise market positioning. This study will comprehensively analyze Pinduoduo's business model, user behaviour, and user portraits, to reveal how it achieves a high degree of interaction between users and the platform by analyzing user needs and behaviours, thus achieving the goal of scale growth.

In summary, starting from the typical case of Pinduoduo, this paper will explore the business model of an e-commerce platform based on user analysis, to provide valuable insights and suggestions for the development and innovation of the e-commerce field [2].

With the continuous evolution and popularization of Internet technology, the e-commerce platform has become one of the main channels of commercial activities. The traditional business transaction mode has been subverted, and consumers are more and more inclined to shop online, which makes the rapid rise of e-commerce platforms in the world. These platforms have not only changed the way shopping is done but also triggered structural changes in the business ecosystem. To cope with the competitive market environment, e-commerce companies must constantly innovate their business models to meet diverse consumer needs.

As an important part of the e-commerce field, user analysis aims to gain insight into consumers' purchasing behaviors, preferences, and motivations. By deeply analyzing the characteristics and behaviors of users, e-commerce platforms can better customize products, optimize services, and even develop personalized marketing strategies. The continuous advancement of user analysis technology has provided e-commerce enterprises with more precise and practical data to help them better understand consumers and better meet market demands [3].

However, although the value of user analytics in the e-commerce sector has been widely recognized, implementation still faces some challenges. Privacy concerns, data security, and reliance on big data analytics technologies are all important issues to address today. Therefore, through an in-depth analysis of Pinduoduo's user analysis strategy, this paper will explore how to overcome these obstacles in actual operation and provide practical experience and references for other e-commerce platforms for user analysis.

Through the in-depth discussion of the e-commerce platform business model and user analysis methods, we can better understand the development dynamics in this field, and provide useful guidance for future research and practice. Next, this paper will focus on the case of Pinduoduo, from which it will summarize the key success factors and operational points for the business model of the e-commerce platform based on user analysis.

2. Pinduoduo Business Model Analysis

As an emerging giant in China's e-commerce market, Pinduoduo has a unique business model. Here are some key features and analysis points of Pinduoduo's business model.

Social shopping model: Pinduoduo is unique in adopting a social shopping model. This mode encourages users to invite friends to buy goods together in a group so that they can get the goods at a lower price. This social interaction not only increases user engagement but also stimulates the desire to buy, since the more people join the group, the lower the price. This interactivity increases user engagement and also creates a social atmosphere on the platform [4].

User interaction and reward mechanism: Pinduoduo's business model focuses on interaction and sharing among users. By inviting friends to join the group, sharing goods, and other ways, users can get certain discounts and rewards. This reward system enhances user engagement, and users are willing to spend more time interacting with their friends on the platform, thus increasing the stickiness of the platform.

Group buying and low-priced goods: Pinduoduo's main sales strategy is to buy in groups and offer low-priced goods. Through group buying, users can enjoy lower prices, while low-priced goods attract users who are seeking good deals. The strategy has been widely recognized in small and medium-sized cities and rural markets, helping Pinduoduo accumulate a large number of users quickly.

Sinking market strategy: Pinduoduo focused on sinking markets in the early stage, especially in rural areas. By providing agricultural products and low-priced goods, Pinduoduo quickly captured a share of these markets. Such a strategy has solved the problem of selling agricultural products to some extent, while also boosting the rural economy.

Social and e-commerce: Pinduoduo has successfully combined social and e-commerce to create a shopping experience unlike any other. Users can not only buy goods on the platform but also join groups with friends to share shopping links and form a shopping community [5]. This kind of social interaction strengthens user stickiness and brings more user participation.

In summary, Pinduoduo's business model stands out through its unique blend of social commerce, group buying dynamics, budget-friendly products, and active user engagement. These strategies have propelled the company to remarkable heights within the e-commerce landscape. Nevertheless, Pinduoduo must also place a significant emphasis on critical aspects like safeguarding user privacy

and ensuring product quality. By addressing these factors, the company can ensure its continued growth and enduring success in the ever-evolving e-commerce industry.

3. Comparison between Pinduoduo and Other Commercial Platforms

This part delves into a comprehensive comparison between Pinduoduo and other commercial platforms, examining their respective business models, strategic approaches, and so on. While Pinduoduo's success is evident, it is essential to analyze how it fares in comparison to its contemporaries [6]. By shedding light on the distinctive features and strategies employed by Pinduoduo and contrasting them with those of other commercial platforms, a nuanced understanding of its competitive edge and potential areas for improvement can be gained.

3.1. Social Interaction vs. Personal Transactions

Pinduoduo adopts a social shopping model by encouraging group buying through friend invitations, highlighting social interaction and collective purchasing.

Taobao primarily involves C2C and B2C transactions, emphasizing individual purchases rather than group buying.

From the perspectives of social interaction and personal transactions, Pinduoduo emphasizes social engagement, user interaction, and group discounts, while Taobao focuses on product diversity, quality assurance, and personalized customization [7]. The choice between Pinduoduo and Taobao depends on user preferences for social shopping versus personalized shopping, as well as their emphasis on product quality and price.

3.2. Product Positioning and Pricing Strategy

Pinduoduo concentrates on affordable products, leveraging group buying to offer cost advantages and attract value-oriented consumers.

Taobao offers a wider product range, spanning low-cost to high-end items, catering to diverse user preferences.

Regarding product positioning and pricing strategy, Pinduoduo excels in social group buying, price competitiveness, and rural market penetration. Taobao stands out with its extensive product categories, reputation assurance, and customization options. Taobao's versatile pricing strategies offer users greater choices [8]. The choice between Pinduoduo and Taobao depends on user shopping preferences, including price sensitivity, quality concerns, social interaction, and product variety.

3.3. User Engagement and Interaction Level

Pinduoduo encourages users to invite friends, share products, and promote interaction and social engagement.

Taobao's user interactions during the shopping process are relatively minimal.

Considering user participation and interaction, Pinduoduo emphasizes social and group interaction, fostering connections through invitations, sharing, and interactive mechanisms. In contrast, Taobao encourages user interaction through comments, chats, and buyer showcases. Choosing between Pinduoduo and Taobao hinges on user preferences for social shopping, interactive experiences, and the extent of other users' involvement in the shopping decision.

3.4. Quality and Authenticity Assurance

Pinduoduo Initially faced issues with counterfeit products but later strengthened quality audits and authentication measures.

Taobao Implemented measures to ensure product quality and has a mature system to authenticate products.

Regarding product quality and authenticity assurance, Pinduoduo attracts users with low prices and group buying, but users need to be vigilant about product quality and authenticity. Taobao ensures reliability through official stores, brand guarantees, and consumer rights protection. Shoppers can choose based on their focus on product quality, authenticity, and genuine guarantee.

3.5. After-sales Service and Logistics

Pinduoduo's after-sales service and logistics still need improvement, and the user experience requires enhancement.

Taobao offers a comprehensive after-sales service system, supporting third-party logistics and self-operated logistics for comprehensive service.

In terms of after-sales service and logistics, Pinduoduo provides post-purchase support and rapid delivery, but user trust in after-sales service might be relatively lower. Taobao ensures user rights through diverse after-sales policies, official logistics, and consumer rights protection mechanisms, offering dependable after-sales service and logistics [9]. Shoppers can decide based on the importance they place on after-sales service quality and delivery speed.

3.6. Geographical Coverage and Market Positioning

Pinduoduo targets rural and underserved markets, attracting urban and rural users with affordable goods.

Taobao encompasses a broader market, attracting a wide range of users, both urban and rural.

In terms of geographical coverage and market positioning, Pinduoduo gains an advantage in rural and underserved markets, while Taobao's brand reputation and extensive product range appeal to a broader user base [10]. Shoppers can choose based on their shopping preferences, values, and demand for product diversity.

3.7. Platform Culture and User Experience

Pinduoduo fosters a social and entertaining shopping experience, emphasizing user-to-user interaction and community building.

Taobao focuses on quality, brand reputation, and diversity, offering a range of experiences and personalized services.

In terms of platform culture and user experience, Pinduoduo offers an engaging social interaction and entertaining shopping experience. Taobao emphasizes quality, brand, and diversity, satisfying user needs through varied experiences and personalized services. Shoppers can choose based on their priorities regarding social interaction, shopping entertainment, quality endorsement, and more.

All in all, Pinduoduo and Taobao exhibit distinct differences in their business models, reflecting their varied strategies in market positioning and expansion. Pinduoduo's unique approach of social group buying and low-priced items has successfully attracted a significant user base, especially in rural and underserved markets. This model enhances user stickiness through social interaction and affordability. Conversely, Taobao's comprehensive e-commerce platform with an emphasis on quality assurance and product diversity appeals to a wider audience. While both models have achieved success, Pinduoduo's targeted approach has facilitated rapid user growth in a specific market segment, contributing to its swift expansion. Nonetheless, the choice of business model should consider multiple factors such as market development, user needs, and competitive landscape.

4. Possible Directions for Pinduoduo in the Future

Pinduoduo has made remarkable achievements in its short history of development, but it still needs continuous innovation and development in the future to remain competitive. Here are some possible directions for Pinduoduo in the future.

To improve user experience: Pinduoduo can further optimize the user interface and shopping experience to provide a smoother and friendlier platform. Strengthening the mobile app, offering personalized recommendations and more straightforward payment methods will help improve user satisfaction and retention.

Considering quality and trust: Pinduoduo can strengthen product quality and authenticity guarantee to eliminate users' concerns about product quality. Establish a more strict supply chain management and commodity audit mechanism to provide users with high-quality commodity choices.

Social interaction and community building: Pinduoduo can further strengthen the construction of social interaction and user community, encourage users to share shopping experiences and evaluate products on the platform, and form interaction and mutual help among users. Social interaction can enhance user engagement and promote sales growth.

To expand market share: Pinduoduo can further expand its market share, especially in sinking markets and rural areas. Strengthen brand recognition and user stickiness by offering products and services adapted to the needs of consumers in different geographies.

Innovative business models: Pinduoduo can explore more innovative business models, such as providing more service-oriented functions, expanding the online-to-offline integration model, or introducing more value-added services to increase the business value of the platform.

To keep sustainable development: Pinduoduo can focus on sustainability, environmental protection, and social responsibility in the process of development. By promoting green consumption and supporting rural economic development, we can achieve a balance between business development and social responsibility.

To realize international expansion: Based on a solid position in the domestic market, Pinduoduo can consider international expansion. Explore overseas markets, understand local consumer demand, but also drive the influence of made-in-China brands in the international market.

In general, Pinduoduo's distinctive business model revolves around its innovative approach to e-commerce, fostering a fusion of social interaction and collective purchasing. Established in 2015, the company rapidly achieved remarkable success by integrating the concepts of group buying and social commerce, primarily targeting users in second and third-tier cities as well as rural regions. In China, rural e-commerce has been underdeveloped, and Pinduoduo tapped into this by attracting rural users through its value-driven merchandise, social shopping, and approachable user experience. This strategy aligns well with its emphasis on cost-effectiveness and group-based buying.

To further evolve, Pinduoduo must perpetually innovate and refine its model, enhance user experiences, fortify quality control, and explore expansion avenues while maintaining its core characteristics. Sustaining its innovative spirit, nurturing a cohesive user community, and ensuring a seamless shopping journey will remain pivotal as the company pursues continued growth and sustainable success.

5. Conclusion

In the contemporary digital landscape, e-commerce platforms have fundamentally reshaped conventional business practices. This research, exemplified by the case of Pinduoduo, delves into the intricate interplay between innovative business models and user analysis, revolutionizing the landscape of commerce. Employing literature review and case comparison techniques, the study underscores Pinduoduo's triumphant fusion of social shopping, group buying dynamics, affordability,

and robust user engagement mechanisms as central drivers of its success. Furthermore, the research provides a forward-looking perspective by envisioning Pinduoduo's future trajectories through the lenses of user experiences and social interactions.

The study should emphasize the necessity for empirical data validation and field surveys to bolster its credibility, so it just provides theoretical insights and serves as a foundation for prospective researchers. In forthcoming research on Pinduoduo, addressing product quality and user experience issues might offer a promising avenue to explore more robust and sustainable business development models.

References

- [1] Leiyang, Liu; Hua, Zhang. *Analysis of Pinduoduo's Business Model based on Entropy Theory*[J]. *Market Modernization*, 2023
- [2] Yazhuo, Li; Xiujuan, Chen. *User-based Research on the Effect of Social Rift Marketing of Pinduoduo*[J]. *Media Forum*, 2023(15)
- [3] Xueyan, Guo. *Discussion on the Marketing Strategy of Retail Enterprises in the Era of the Digital Economy -- Taking Pinduoduo as an Example*[J]. *China Journal of Commerce*, 2023: 36-39
- [4] Ruiqi, Zou. *Research on live marketing communication effect of Pinduoduo e-commerce under SICAS theory* [C]. *Guangxi University*, 2023(02)
- [5] Haojie, Sun; Xiaoqi, Liu. *Research on Countermeasures for Improving Rural E-commerce Platforms - Based on the Thinking of Taobao, JD.com and Pinduoduo*[J]. *China Market*, 2023(10): 70-73
- [6] Zhifan, Li. *Discussion on Pinduoduo's Marketing Strategy and its Future Development*[J]. *Time-honored Brand Marketing*, 2022: 9-11
- [7] Fan, Liu. *Research on the Application of Strategic Cost Management of E-commerce enterprises - taking Pinduoduo as an Example*[J]. *Enterprise Reform and Management*, 2022: 62-64
- [8] Kelin, Sun. *Discuss the Strategic Choice of Pinduoduo based on SWOT Analysis*[J]. *China Storage & Transport*, 2022
- [9] Xinran, Chen. *Pinduoduo's Marketing Strategy*[J]. *Marketing Management Review*, 2022: 139-141
- [10] Wenrui, Liang. *The Development Path of Pinduoduo's Brand Rejuvenation Under Consumerism*[J]. *Special Zone Economy*, 2021