Analysis of Pinduoduo's Modern Marketing Strategy
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Abstract: Pinduoduo is an socialized e-commerce app built-in September 2015 and it characterizes as the basic pattern of C2M. Due to its especially unique strategy patterns, the folks have different reviews about it. To change the stereotyped cognition people hold for Pinduoduo, this paper deals with issues in terms of doing Marketing, and deeply analyses activities, such as Ten Billions of Subsidies, Enable the Uplink Market, Pinduoduo's public welfare activities. According to some published papers, combining the information from Pinduoduo's official website, at the same time, applying figures to prove the results, using tables to explain the theories, this paper commences the analysis operation and view of Pinduoduo have been shown to the folks. While researching its operation, this paper also creates new sights that Pinduoduo is not a low-price and poor-quality low-end purchasing platform but is an enterprise that is responsible for society.

Keywords: Marketing Strategy; C2M; Consumption Upgrade; Shared Value.

1. Introduction
1.1 Research background

Pinduoduo is a platform based on the C2M model. In less than three years, it has become the third largest e-commerce platform in China with 300 million users, millions of merchants and a turnover of more than 100 billion yuan in a certain period of time, because of its unique model of direct connection of users to manufactures and consumers to manufacture [1]. The rapid rise of Pinduoduo is beyond everyone's expectations, as its breakthrough C2M operation model, bottomless prices for low-priced goods, and group-based social shopping make its "unreasonable rise" justifiable. After quickly capturing China's low-end market in the e-commerce sector, Jindo has become a new generation of e-commerce giants.

In the early days of Pinduoduo, the company adopted "price war" strategies such as "click the link to help sb. to get a bargain price for the order" and "low price grouping" to sell products directly at an incredibly low price —— It is very tempting for those who lived in third and fourth-tier cities, the low-end consumers (low-end consumers tend to pay more attention to the price of their goods rather than the quality of goods), so the rise of Pinduoduo is very rapid, the low-end market traffic is almost swallowed by Pinduoduo. Under what appears to be an extremely successful business strategy, there are unobvious but extremely large pitfalls.

As time goes by and Pinduoduo's strategy shifts, this hidden problem is gradually surfacing and expanding. It makes Pinduoduo a low-end app in the eyes of consumers, and its reputation have been at a low level. The overwhelming and continuous complaints, grievances and bad reviews make it extremely difficult for it to complete a real upgrade. The recent social opinion of "60,000 people can't get a phone" has pushed Pinduoduo to the forefront.

Therefore, under the C2M base model, Pinduoduo has launched various marketing strategies, such as "the tens of billions of subsidies". That means subsidies on the original price to you, making its products cheaper compared to other products that is saled on the other platforms, so it has also achieved the classic battle of "village encircled cities" [2]. There is also Pinduoduo’s own
consumptive upgrading, for some people Pinduoduo is taking the road of consumptive downgrading, but for Pinduoduo, its consumer upgrading is reflected in the low-tier cities and rural users from nothing to something. The company also launched a series of "Dodo Public Welfare" such as Dodo Reading Month and Farmland Cultivation to help public welfare. The aim is to make it break out of the huge dilemma it has created for itself. In this paper, we study the tens of billions of subsidies, consumptive upgrading and the marketing strategy of its public welfare, with the C2M model of Pinduoduo. First, we analyze the impact of Pinduoduo's "tens of billions of subsidies" up market its impression on high-end users in first and second-tier cities, and then analyze the concept of Pinduoduo's consumptive upgrading from improving word-of-mouth [3]. The company's marketing strategy to improve its reputation and public perception is deeply analyzed based on the public's word of mouth and the public's evaluation of it.

1.2 Research significant

Through the study of these marketing strategies of Pinduoduo, this paper concludes that each company has its own strategic choices according to different development models and directions. Although in the previous model of low price consumption there were some merchants who regard bad goods as fine one, resulting in damaging to its reputation, the public’s reputation declined and causing impact on the impression of society, but immediately after Pinduoduo also made countermeasures on these matters, such as adjusting the supervision of products, the introduction of various marketing strategies. Although the current social evaluation is poor, this continuous rollout of multiple strategies and the simultaneous breakthrough strategy has great feasibility. The overall future. The overall improvement of Pinduoduo’s perception will occur in the future.

2. Analysis and effect of "the tens of billions of subsidy"

2.1 The background of "the tens of billions of subsidy"

Backed by Pinduoduo's C2M model and various low-price strategies, its listing on Nasdaq State in July 2018 was a sight to behold. However, at this time, Pinduoduo is already facing two huge problems: 1. Pinduoduo is trapped in a "counterfeit" dilemma, and the public and investors are full of questions about Pinduoduo. 2. The other two giants in China's e-commerce market: Taobao and Jingdong launched "Tao Te" and "Jing Xi Pin Gou" apps to counteract Pinduoduo, At the same time launched a series of special activities, trying to compete for Pinduoduo's dominant position in the low-end market. Starting in Q4 2019, Pinduoduo's customer acquisition costs have risen dramatically and it needs to make changes.

![The customer cost of Pinduoduo](image)

Figure 1. Cost of customer acquisition for Pinduoduo 2018Q1-2020Q1 [4].
2.2 The specific measures and promotion process of "the tens of billions of subsidy"

In May 2019, Pinduoduo announced, "the tens of billions of subsidy" [4]. In June of the same year, Pinduoduo joined hands with several brands to provide cash subsidies for hotter items across the network. Such as iPhone, Dyson, and other well-known brand goods, from September to November of the same year, "the tens of billions of subsidy" involved many aspects, in addition to phones and other digital products, and help agricultural goods, medicine, cars, cosmetics, insurance and so on. The New Coronavirus outbreak occurred in January 2020, and Pinduoduo also subsidized healthcare products.

Until May 2020, Pinduoduo's tens of billions of subsidies cover a fairly wide range of big-name sports products, and well-known restaurants (such as Burger King and Moutai white wine) are also within the ranks Pinduoduo's subsidies.

2.3 The effects of "the tens of billions of subsidy"

Pinduoduo's earnings report on March 11, 2020, showed that its full-year 2019 turnover increased more than in 2018, but its actual profit instead lost money compared to 2018 [5].

The data shows that the actual effect of Pinduoduo's tens of billions of subsidies upmarket is poor. The analysis of its strategy process and the actual situation shows that: 1. Pinduoduo implemented this strategy with excessive capital investment, resulting in poor performance on the income statement. 2. the so-called high-end customers in first and second-tier cities attracted by Pinduoduo there is still a considerable part of "one-time consumers" with low repurchase rate, and this part of consumers, once the bonus of tens of billions of subsidies passed, will also follow out of the game, they can not be called Pinduoduo's high-end customer traffic.

Pinduoduo's "the tens of billions of subsidy" strategy is designed to cover many aspects, not only high-end popular goods, but also relatively low-end agricultural and sideline products. "The tens of billions of subsidy" channel firstly launches more than 3,000 kinds of selected agricultural products and agricultural by-products, involving more than 400 agricultural production areas in China. Its vegetables, potatoes, and other agricultural products meet the needs of low-end customers, its high-end, high-value-added agricultural products (e.g. sea cucumbers, aconite, etc.) meet the needs of high-end customers [6]. Therefore, as far as the direction of agricultural products is concerned, "the tens of billions of subsidy" strategy is comprehensive and effective in helping it improve its word of mouth.

3. The results brought about by the upgrading of Pinduoduo 's consumption

3.1 Create demand with supply

Pinduoduo is completely different from the traditional sense of creating supply from demand, it is a story of creating demand with supply, "Many times it is indeed demand to create supply, but after
there is new supply, it stimulates new demand, when there was no e-commerce in the countryside before, it did not consume because it could not consume, and now that the infrastructure is perfect, the potential consumer demand is stimulated." Wu Yibing said [7]. Therefore, Pinduoduo should continue to promote the business model of C2M, start from the supply side, and achieve new consumption upgrades. Pinduoduo’s "farmland cloud spelling" strategy, which has been implemented in the early days, is a typical example of supply-side reform, through the cultivation of their own new farmers, the use of cobblestones and big data analysis, accurately meet people's needs for agricultural products, realize the mode of directly connecting manufacturers to consumers, greatly reducing costs and improving product quality. Then, whether Pinduoduo can continue this strategy and expand C2M to other commodity fields, whether it can reduce costs from the supply side, and give consumers lower prices and higher quality, will determine the reputation of Pinduoduo in the public mouth in the future.

3.2 Consumption upgrade from 0 to 1

In the context of consumption upgrading, the maturity of consumer consumption concepts, consumption patterns and behaviors tend to be rational, and the level of pursuit is generally higher, and at this time Pinduoduo, it chose to accept which white-label merchants, so that in the early days of Pinduoduo it was maliciously commented as "consumption downgrading", and even some people said that which Ali used ten years to crack down on counterfeit and shoddy products with the help of Pinduoduo and resurgence, which is undoubtedly a "regression of the times", Wu Yibing, president of Temasek's China region, believes that "consumption is downgraded". It is a pseudo-proposition, because the consumption upgrade includes the expansion of consumer entities and the increase in disposable income, and in 2018, Pinduoduo was listed on the Shanghai Stock Exchange and the New York Stock Exchange at the same time, and rose by 41.05% on the basis of the issue price on the opening day, with a total market value of more than 30 billion US dollars at the close [8]. The surge in the number of Pinduoduo users just proves one thing, that is, Pinduoduo is not a "consumption downgrade", Pinduoduo is also a member of the "consumption upgrade", but the consumption upgrade of Pinduoduo is not the better quality and better service pursued by users in first-tier cities, and the consumption upgrade of Pinduoduo is reflected in the consumption upgrade of low-tier city users and rural users from scratch. Pinduoduo has activated a huge number of low and middle-income people, allowing people to see another dimension of consumption upgrades, which is a consumption upgrade from 0 to 1 and from 1 to 10.

According to the bulletin, China's per capita disposable income is 25,974 yuan, and the median per capita disposable monthly income is 1,867 yuan. For an ordinary family of three, 0% of households have an average monthly income of less than 9,000 yuan, and 60% of families don't have $6,000[9]. As a result, Pinduoduo's consumer upgrade is not only about taking care of the masses in a down market but also about getting good stuff for cheap, so that high-end consumers can buy quality goods at low prices.

According to calculations by the economic and social network, during the period from June 1 to 18,2019, the total amount of orders placed by e-commerce in the entire industry exceeded 400 billion yuan, and the number of orders for Pinduoduo exceeded 1.1 billion. With the rapid rise of pinduoduo, china's e-commerce industry is still evolving from small and jd.com's "two-power competition" to a "three-power competition" situation. In the future, as the consumption potential of the sinking market is gradually released, helping multi-brand and consumers upgrade "upmarket" penetration, spell Pinduoduo is bound to maintain high revenue growth, growth potential, and development prospects cannot be underestimated. In more than three years, 430 million users, more than 500 billion GMV, and maintain very high growth, if the number of users and volume, it is the second-largest e-commerce. Pinduoduo AI Data Research Institute Vice President Chen Qiid Pinduoduo's consumer upgrade quickly received recognition from consumers, the data showed that on June 1, the day of the launch, consumer demand was in a blowout situation, sales in the first hour increased more than 10 times over the same period last year [10].
As it turns out, most of the Pinduoduo home page recommendations have sold one hundred thousand units, and millions of them are not uncommon, an unimaginable number for traditional e-commerce [11]. All of this shows how big the zero to one effect of Pinduoduo's consumer upgrade is.

3.3 Different consumption upgrades can be closer to customer needs

Huang agrees that Pinduoduo's consumption upgrade is to some extent a consumption upgrade for low-income people. He believes that in affluent areas such as the Yangtze River delta, the poorer the place, the more expensive things are. "Pinduoduo has a dream about leveling the playing field." In order to enable low-and middle-income people to use high-quality, low-cost, high-quality, and low-cost products, Pinduoduo is constantly improving itself, constantly enriching the platform of commodity perfection, absorbing more influential brands into Pinduoduo, adding weight to young people like fashion items, digital products, and so on. Pinduoduo’s low price is not to drive down prices, but the pursuit of good prices, with lower prices to provide good products, Pinduoduo’s low price is not to meet the needs of a certain category of people, it's about satisfying a certain type of human need.

I believe that with the continuous efforts of Pinduoduo, we will strengthen our product supervision, enrich our product categories, lower the price of our products from the supply side, slowly and steadily absorb better merchants, will go out of their own consumer upgrades so that not only in the rapid development of the sinking market but also in high-level users to stand firm in the public's approval.

4. The embodiment of Pinduoduo's marketing strategy in public welfare activities

4.1 Marketing strategies in the field of agriculture

Pinduoduo, which started with agricultural products, is rooted in the three rural areas and has become China's largest platform for the uplink of agricultural products. With its C2M business operation model, Pinduoduo has captured the agricultural products sector that is neglected by B2B and B2C. The "Together Agricultural Goods" section, through accurate push technology, pushes seasonal fresh produce produced by farmers to consumers in need, realizing "goods to people". The shopping method of buying together extends the scattered demand to the maximum, solving the seasonal problem of fresh produce. This is a breakthrough in time and space.

**Figure 3.** Pinduoduo’s "farmland cloud" agricultural products sales model [12].

Pinduoduo’s "farmland cloud" model connects consumers and farmers directly, creating a cloud dialogue between 850 million users and more than 16 million farmers, allowing agricultural products...
to cross layers of distribution channels and reach consumers directly from the farmers' end. Under this model, agricultural products are pushed to consumers in demand through accurate analysis of big data, realizing the connection between the production end and the consumer end, making it possible to shorten the sales chain while, and relying on the information and scale advantages of the internet, bringing agricultural products into the digital economy. It is of great significance to agricultural development and the sale of agricultural products and empowers the uptake of agricultural goods[12].

In terms of helping farmers, Pinduoduo has adapted to local conditions, asking experts to develop suitable production plans for each region's latitude and longitude, soil, etc. In Bao shan, Yunnan Province, for the first time, Pinduoduo established the "Pinduoduo Farm", inviting agricultural experts to introduce high-end brands such as Blue Mountain in a coffee test field. In Davao County, a national poverty-stricken county, the "e-commerce platform + cooperative + farmer" model was set up. In 2015, the concept of "new farmers" was introduced, in which "new farmers" are not only farmers with certain knowledge, but also local wealthy farmers. In 2018, Together University was established to teach agricultural knowledge both online and offline. By 2020, Pinduoduo have driven more than 100,000 people to return to their hometowns to start their businesses.

Pinduoduo carries out agricultural products on the market through innovation in agricultural products, innovation in technical systems, continuous investment in agriculture, and blood-making assistance to farmers. Not only for agricultural products to do articles, but also from the roots of agriculture and technology support, while increasing support for agricultural knowledge education, reflecting a sense of social responsibility that a company should have."It is better to teach people how to fish than to teach them how to fish", and there is a reason for the blood-breeding approach to helping farmers. Pinduoduo's unique approach to helping farmers is to tailor production plans to local conditions, so that each place can play to its strengths and start from its conditions, rather than just outside investment. If you rely on external help, rather than endogenous power, you will only have superficial false prosperity, and once the investment chain breaks, the poverty will still return. In the era of talent being the most competitive, Pinduoduo has a more far-reaching significance to the cultivation of e-commerce talent. Talent with e-commerce knowledge can effectively improve the embarrassing situation of farmers who can only grow and not sell. Pinduoduo's farming activities can give consumers a sense of participation. This not only attracts more consumers and expands Pinduoduo's market share, but also helps to improve business performance.

![Figure 4. Basic mechanism of the operation of the Pinduoduo Farm Project](Source from: 2019 China E-commerce Revitalize Agriculture Development Report)
4.2 Marketing strategies embodied in the book sector

The Pinduoduo platform, relying on a unique business use model and marketing model, occupies lower-tier cities. The sinking market with huge consumption potential provides an opportunity to bridge the knowledge divide between urban and rural areas. In April 2021, the platform launched the "Together Reading Month" campaign, which was repeated in August, and joined the "Crowd-sourced Creators Project" salon to connect authors directly with readers. In December, the "Year-end Reading Week" programme was launched, with over 60 authoritative publishers, as part of Shanghai’s efforts to promote reading for all [13].

Table 1. Together Book Month Development Process

<table>
<thead>
<tr>
<th>Time</th>
<th>Iconic events</th>
<th>Iconic activities</th>
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<tbody>
<tr>
<td>2021.3.31</td>
<td>Flagship stores that Yuanjie Zheng authorized are admitted to come to Pinduodu</td>
<td>Implement tens billion of subsidies to more than 1000 kinds of books</td>
</tr>
<tr>
<td>2021.8.24-2021.9.24</td>
<td>Cooperate with authorized publishers</td>
<td>Add the part “Voices and Writers plan”</td>
</tr>
<tr>
<td>2021.10.22-2021.12.28</td>
<td>Cooperate with “2021 Shanghai book’s power exhibit”</td>
<td>Donation activities “Read for you”</td>
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In the second Together Reading Month, the "Crowd-sourced Creators Project" salon was launched, inviting famous authors to connect authors with readers. Mo Yan, Zheng Yuanjie and others came to the Pinduoduo platform to interact with readers, increasing the exposure of famous classics and allowing long-tail new books to be seen by a wider public. This not only facilitates the marketing of the books on the platform, but also contributes to the "catfish effect", creating a book explosion, increasing the usage rate of young and knowledgeable users, optimizing the customer base, and facilitating the development of the entire book industry chain, while realizing the unity of commercial and social value. Pinduoduo's knowledge sinking extends knowledge for the benefit of all to read for the public good. Pinduoduo has invited writers from the salon to participate in the "Reading for You" public welfare donation campaign. The campaign has already reached Sichuan, Gansu, Guizhou and Yunnan, donating 120,000 books to schools. Pinduoduo's reading fund and subsidies have brought a large number of quality books to the public at a lower price. In addition to its customer base, all kinds of quality and genuine books have entered lower-tier cities and rural areas at a lower price point. In the lower-tier cities and rural areas where libraries and bookstores are less distributed, knowledge is brought to the public. In the process of sinking knowledge, reducing the gap between urban and rural areas is the essence of the knowledge inclusion strategy and the implementation of Pinduoduo’s sense of social responsibility. Based on the characteristics of this platform, Pinduoduo’s efforts to sink knowledge, using the internet as a carrier, continue to export value to readers, reduces the urban-rural cultural gap, contribute to public welfare activities, and benefit the development of the book industry and the progress of literature.

4.3 Social responsibility and economic benefits combined to create shared value

Creating shared value means that market-based solutions are used to solve problems and meet social needs while making a profit [14]. There are still many social problems in developing countries that governments cannot solve, and every company should have a sense of social responsibility and a high level of spirituality to commit to solving these social problems.

Huang Zheng says: "Be honest and be trustworthy; do your job, no matter what others are doing; isolate yourself from external forces, return to your original heart and focus on doing what you should be doing; don’t make money out of people, even if we can; and when problems arise, seek to blame yourself first [15]." This is also how Pindo practices the value of "doing our job". Pinduoduo started with the hardest part upfront, reaching out to rural areas to help farmers. On the material side, Pinduoduo implemented its farming goods upstream strategy, occupying most of the sunken market, allowing Pinduoduo to gain a firm foothold in the e-commerce industry, revitalize the rural economy
and work to tackle poverty alleviation. Later on, at the spiritual level, Pinduoduo adopts a universal strategy of sinking knowledge. On the supply side, Pinduoduo launched the “Together Reading Month”, a new marketing approach to make more consumers willing and able to buy books. While bringing economic benefits to Pinduoduo, it also bridges the knowledge gap between urban and rural areas and promotes the construction of an integrated urban and rural public culture system. Whether it is in the field of agriculture or books, Pinduoduo’s social responsibility is also evident in its marketing. This is not only a good way for the platform to win the public's favour, but also echoes the country's current policy, and shows that Pinduoduo is not just a shopping platform, but an enterprise with a high degree of responsibility.

![Figure 5. Pinduoduo’s Positive Effects](image)

## 5. Conclusion

### 5.1 Key findings

This paper is inspired by reading the literature on marketing strategies to improve brand reputation, such as Pinduoduo’s “tens of billions of subsidies”, agricultural products on the market, and public welfare activities in recent years. In the process of research, this paper finds that the current influence of public praise is becoming more and more important for the development of e-commerce enterprises, and at the same time, the dual combination of marketing strategy and social responsibility is gradually becoming the direction of enterprise development. In the process of research, this paper finds that the current influence of public word-of-mouth is becoming more and more important for the development of e-commerce enterprises, and at the same time, the combination of marketing strategy and social responsibility is gradually becoming the direction of enterprise development. This study shows that:

1. Pinduoduo’s "tens of billions of subsidies" strategy is a simple but effective way to uplink the market. This marketing strategy has directly led to an increase in spending by high-end users in first- and second-tier cities, especially on agricultural products and farm products, and some users from first- and second-tier cities have become Pinduoduo's resident flow. However, by analyzing the income statement of Pinduoduo, it can be judged that there is still a part of high-end users with low repurchase rates, which cannot become the resident flow of Pinduoduo.
(2) Pinduoduo has proposed a unique concept of "consumptive upgrade", through its own low-cost industrial chain, starting from the supply side, to ensure product quality while significantly reducing product prices, with the aim of enabling low- and middle-income people to use products at good prices. Through this marketing strategy, Pinduoduo has accomplished rapid development in the low-end market, and dominated the low-end market.

(3) Pinduoduo started with the online grouping of agricultural products and combined it with the C2M business model to give consumers good quality and inexpensive agricultural products, while helping farmers in rural areas and realizing the "uplink the agricultural". Pinduoduo launched the activity of "Duodu Reading Month" and subsidized a large number of books to meet the demand of rural people for knowledge and improve the literacy of remote areas, realizing the "sinking the knowledge".

5.2 Future studies

Pinduoduo's uplink marketing strategy is effective overall, but it is still not fully successful. It is foreseeable that if Pinduoduo still has enough capital to continue to implement the "tens of billions of subsidies" strategy, more and more high-end users will eventually become its resident traffic, which will also lead to a change in the image of Pinduoduo in the high-end user group. Pinduoduo's new "consumptive upgrading" is good from the starting point of view, in the subsequent development process, if Pinduoduo can promote the low-cost but high-quality production model to a variety of goods, then its "consumption upgrade" will gradually improve, Pinduoduo's reputation in the hearts of the public will also be greatly improved. In addition, Pinduoduo should continue to promote the strategy of "uplink the agricultural" and "sinking the knowledge", combine social responsibility with marketing strategies, help people in need, and promote social development and progress.

References

