Discussion on the Improvement of Pinduoduo's Operation

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Abstract. This article is mainly to analyze and discuss the operation of Pinduoduo through literature research and data collection, mainly related to research background, industry and company introduction, marketing, financial analysis, and management. The main part of this section introduces the marketing strategy and problems of Pinduoduo, analyzes the relevant financial indicators, and lists the possible risks of Pinduoduo and how to manage these risks. SWOT analysis and annual financial statement analysis are used to understand the various strengths and weaknesses of Pinduoduo in more detail. Finally, it is a conclusion of the typical case of Pinduoduo and an outlook on future development.

Keywords: SWOT analysis; marketing; financial analysis; risk management.

1. Introduction

With the rapid development of China's current network technology, in the trend of economic globalization, e-commerce development is entering a new phase of innovation and rapid expansion, from the first outbreak of e-commerce in 2003, Alibaba invested 100 million to launch a personal online trading platform Taobao, until today, China's e-commerce industry has been more than ten years of development, in the field of toiletries, clothing, household and other department stores increasingly mature, e-commerce industry continues to grow. However, whether from the major e-commerce platform or from the online shopping penetration rate are close to saturation, but fresh food, agricultural products, household goods and other livelihood areas there is still more room for development. And "Pinduoduo" seize the opportunity to fresh food, the necessities of life, with a new social + business circle marketing model in the e-commerce industry to emerge as a new star in the e-commerce business, creating a "social e-commerce" shopping model, opened up another piece of heaven for e-commerce, in just three years, to become the top three domestic e-commerce platform [1].

Pinduoduo, founded around a few years ago, has registered more than 300 million users in 2019, got Tencent investment valued at more than $15 billion, entered the top three in the e-commerce industry, but also the leader of the new C2B e-commerce. The rise of Pinduoduo has brought great changes to the whole e-commerce industry, bridging the gap between social and e-commerce, allowing social and e-commerce to combine. Not only that, Pinduoduo has driven the growth of logistics, express delivery and other industries for the society, driving the growth of the economy [2]. The unique marketing model of Pinduoduo has opened a new pattern for the marketing of the domestic e-commerce industry. Through the study of Pinduoduo's marketing model, it is of great significance to better understand the domestic e-commerce market and the development of the domestic e-commerce industry, and through detailed literature review and research, we hope to find out the problems and shortcomings of Pinduoduo's marketing model and put forward effective opinions and strategic suggestions that are beneficial to its further development.

2. Industry and company analysis

2.1 Industry analysis

With the rapid development of China's Internet of Things, cloud computing and information technology, various industries are gradually entering the era of big data, which not only drives the rapid prosperity of China's economy, but also affects people's life and consumption concepts and

ways. In recent years, the e-commerce industry has started to rise rapidly, so that people can buy goods at good prices without going out to shop. The so-called e-commerce is the transformation of daily business activities through electronic information, to achieve electronic processing, improve the speed of information processing, and achieve the improvement of convenience. E-commerce marketing model gradually emerged, and the market is running quite smoothly to promote the e-commerce. The rapid development of e-commerce has set off a boom of e-commerce, which has facilitated people's work and life. In recent years, with the improvement of the level of Internet information technology, everyone's consumption concept and way has changed, 2013 ~ 2019 China's e-commerce transaction scale continues to expand, the share of social retail has been climbing, but the growth rate of online shopping has dropped due to the pressure of industry competition. According to the statistics of China Electronic Commerce Research Center, China's e-commerce transaction volume in 2019 was 34.81 trillion yuan, an increase of 6.7% over 2018, from which we can see that in recent years the field of e-commerce in the rapid prosperity of the industry is also facing fierce competition, the market size tends to gradually stabilize [3].

2.2 Company Introduction and Analysis

Pinduoduo was established and registered in September 2015, positioning itself as a third-party social e-commerce platform focused on C2B grouping. After downloading, users can share with their family and friends to purchase their favorite products at a lower price. Nowadays, the development of Pinduoduo is very fast, the user volume of Pinduoduo is increasing every year. Surprisingly, both Taobao and Jingdong have spent nearly a decade trying to gain a place in the e-commerce industry, while Jindo has leapt to the top four in China's e-commerce industry in just three years. Pinduoduo prominent grouping model is to share the link with friends, family or neighbors, and then relatives and friends click on the link to purchase the goods at a lower price. Since its launch in 2015, the number of users has exceeded 300 million and the total monthly turnover is over 40 billion RMB, which is a very rapid development trend. Pindduoduo is officially listed in the U.S., and on its first day of trading it rose more than 40%. The fact that Pinduoduo has grown so quickly in such a short period of time is closely related to its unique new social e-commerce model. But at the same time, Pinduoduo has many problems in its marketing strategy, which needs to be updated and improved continuously to maintain sustainable development.

3. Marketing Analysis

3.1 Marketing Strategy Analysis

3.1.1 Strengths

When Pinduoduo was not established in 2015, China's e-commerce market was in a stable stage of development, and the major e-commerce operators were in fierce competition, but were still oligopolistic in their respective fields. In order to break the barriers, enter the market quickly. The founding team not only understands e-commerce operations, but also knows how to find a place in the market with innovation among many competitors. With the overall control, the founding team started to find the connection between social media and e-commerce platform, and explored the new business model of "social + e-commerce". With this unique operation model, Pinduoduo entered the market quickly and successfully ranked among the top of the e-commerce market, becoming a new dark horse of the e-commerce market. Group buy plus low price, the buyer to buy the goods link as the entry point for sharing, will share the shopping link to WeChat and QQ friends, consumers who received the collocation link and then collocation and sharing. Through the "group" form of fission, quickly spread in the social platform, to achieve low-cost access to traffic. Although the merchant's individual product price is low and the profit is low, the overall profit of the merchant is huge as the number of sales increases significantly. This model can not only increase the number of merchants on the platform, but also increase the visibility of the app. With its social attributes and low prices,

Pinduoduo continues to inspire users to consume in a timely manner, while using the product sharing function to occupy a place in the highly competitive market with the mindset of finding people with goods.

3.1.2 Weaknesses

Pinduoduo uses viral marketing tactics such as receiving products for free and receiving cash every day, requiring users to constantly share the links to their friends or social groups, inviting them to participate in them to give themselves a boost. In the process of forwarding, there are usually eye-catching words like "free merchandise" and "800 yuan Pinduoduo's best luck bonus". However, after the actual operation process, users will find that the actual and textual descriptions do not match, resulting in a sense of deception. Again, the large social network of individuals can make it possible for the same user to receive shares from different sharers every day. In the long run, one's social tools will be flooded with such links, which will inevitably lead to boredom and dissatisfaction with the platform. This can lead to a crisis of trust among users. Excessive consumption of This will reduce the trust and credibility that the platform has built up in users' minds.

In the early stage, Pinduoduo mainly relies on price advantage to open the sinking market, while in order to seize market share, the control and audit system for merchants stationed on the platform is not perfect, many small and medium-sized merchants with incomplete business qualifications successfully stationed. The price of Pinduoduo's products is much lower than the standard market price. Because of the low price, it is difficult to ensure that the manufacturer will not decrease the cost in order to increase the profit, and then produce very low quality goods. At the same time, a variety of fake goods are flooding the platform, such as hanging the Uniqlo brand, but the actual clothes received are miscellaneous brands. As a result, Pinduoduo has given everyone the bad impression of being a gathering place for counterfeit merchants. Consumers are willing to pay low prices for goods, but not for poor quality or even counterfeit products, which causes a large number of users to be lost from the platform.

3.1.3 Opportunities

In the user segmentation, Pinduoduo deviates from Tmall and Jingdong to focus on the mainstream first and second-tier urban user groups, and sinks its target to the third and fourth-tier cities and rural users, and takes women as the key target. In addition, the desire and demand for shopping in low tier cities and the strength of purchase are comparable to those in developed cities, especially female customers, who are more willing to shop on shopping platforms. According to the big data, nighttime is the peak time for mobile Internet users to be active, and residents in low-tier cities get off work earlier than those in first and second-tier cities, so these groups have more time for online shopping. These groups have more time for online shopping, which can provide better GMV for the platform. When Pinduoduo grows to a certain scale, with the "million subsidy" activity, while pursuing low prices to ensure the authentic products, and thus attract the first and second-tier city groups. When the first and second tier people get genuine goods at a lower price, but also to dispel the prejudice in the heart. Therefore, Pinduoduo has been able to break the barriers between different cities step by step.

3.1.4 Threats

One of the major threats facing Pinduoduo is the intense competition from competitors. The rapid development of similar e-commerce platforms such as Taobao and Jingdong, and the continuous launch of similar grouping models, such as Taobao Special Edition, pose a greater threat to Pinduoduo. Taobao, Jingdong and Pinduoduo, the three major platforms focus on low prices at the same time, each with similar 9.9 specials, limited time seconds and other activities. However, the biggest advantage of Taobao and Jingdong is the strict control of goods, and crack down on counterfeit and shoddy goods. At this time, relative to the merchants to enter the low threshold of Pinduoduo, does not occupy an advantageous position.In addition, the marketing model of Pinduoduo's low price grouping, once imitated by competitors, it will lose a large number of users. Moreover, the poor

quality of many products and low customer bonding will also cause Pinduoduo users to move to other platforms. Once, playing price war can let Pinduoduo lucky to get back a game, but this is always not This is not healthy competition, which is not conducive to the long-term healthy development of the market [4, 5].

4. Finance Analysis

4.1 Profitability Analysis

Table 1. Profitability Analysis (unit:100 million CNY)

	2021	2020	2019	2018	2017
Revenue	939.5	594.9	301.4	131.2	17.44
Revenue growth rate	57.92%	97.37%	129.74%	652.26%	245.45%
Gross profit	622.3	402.1	238.0	102.1	10.21
Gross profit growth rate	54.75%	68.94%	133.03%	900.22%	1499%

(1) Revenue: Pinduoduo's revenue continues to grow and it is impressive that it can still maintain growth at a high scale, but the revenue growth rate continues to decline, indicating that the market may be nearing saturation and needs to shift strategies or launch new products to stimulate revenue growth.

(2) Gross profit: Similar to revenue, gross profit has also been growing in the past five years, but the growth rate has been slowing down from the original exaggerated rate, which is a necessary experience for a company to mature gradually.

4.2 Profitability Analysis

Table 2. Operating Capacity and Solvency Analysis

	2021	2020	2019	2018	2017
Total assets turnover ratio	0.55	0.51	0.51	0.46	0.23
Total assets turnover days	651.64	710.92	712.07	775.11	1556.89
Current ratio	1.72	1.78	1.60	1.66	1.08
Net cash from operations/current liabilities	0.31	0.34	0.32	0.32	0.80

(1) Total assets turnover ratio: Pinduoduo's total asset turnover ratio is relatively low, below 1 for the last five years, and even below 0.5 in some years, which shows Pinduoduo's weak solvency, but it is worth noting that this indicator has been growing consistently over the last five years, which is a good sign.

(2) Current Ratio: This indicator is good, the last five years are greater than 1, reflecting that the company's current assets are greater than current liabilities, the enterprise has short-term solvency, after the emergence of unexpected circumstances do not appear to be insolvent embarrassing situation, also indicates that the last indicator is relatively poor may be affected by other assets.

4.3 Capital structure and ROI analysis

Table 3. Capital structure and ROI analysis

	2021	2020	2019	2018	2017
Gearing ratio	58.55%	62.13%	67.59%	56.41%	90.95%
ROA	11.48%	-16.93%	-32.06%	-102.03%	-67.26%
Total net asset margin	4.57%	-6.11%	-11.69%	-36.17%	6.96%

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5. Management Analysis

5.1 Risk management

5.1.1 Strategic Risks

At this stage, most e-commerce platforms are transformed into diversified development strategies, and the strategic expansion of e-commerce platforms increases the risk of enterprises. Pindduoduo is a de-centralized e-commerce marketing platform. The core e-commerce marketing platform is decentralized, which strengthens the connection between people and people in the three elements of e-commerce. Pinduoduo needs sufficient cash flow to further improve its infrastructure and increase the frequency of purchases and order prices of its users. Pinduoduo's monthly user activity "has also peaked" and it will be increasingly difficult to expand its user base in the future. In addition, the manufacturer will submit its own products to a store on the Pinduoduo online shopping platform, and the store itself does not know the quality of the manufacturer's products, but can only make a rough evaluation of it through long-term experience and credit accumulation. At this time, the manufacturer will reduce the degree of disclosure of its own information, which leads to product information dissipation and distortion.

5.1.2 Financial Risks

Pinduoduo's high operating costs and persistent losses lead to high financial risk. Despite the significant sales volume of Pinduoduo, its low average unit price has led to low profits and losses.The loyalty of users attracted by the competitive advantage of low prices is also low, and there is no stable source of customers. If it is in a loss-making situation for a long time, investors may reduce their investment or even withdraw their capital. Since Pinduoduo's financial resources are more dependent on external investment, if Pinduoduo loses its investors, it will not be able to obtain sufficient funds and may even go to financing restructuring or even bankruptcy. The epidemic has changed the global economic trend, making slowed down the development of our economy and the global economy. During this period, many companies went bankrupt or restructured or merged due to cash flow breakdowns. In the environment of global inflationary pressure, how can Pinduoduo do well in the In this period, many companies have gone bankrupt or restructured or acquired due to cash flow failure. In this period, many companies have gone bankrupt or restructured or acquired due to cash flow failure.

5.1.3 Legal Risks

There are major problems with Pinduoduo's ecological risk control. On the one hand, in order to increase the number of user registrations and daily activity, Pinduoduo uses low-cost piecing to get a large number of new users, but few users are really successful in piecing, and its piecing home page does not indicate that it is a lottery activity, which is suspected of malicious marketing and has caused dissatisfaction among many users and has a significant impact on Pinduoduo's reputation. Its failure to do a good job of product quality control and "logistics last mile" and other services, some of the single successful users received defective products, the user experience is reduced, there is a high possibility of legal disputes. On the other hand, the legal risk of Pinduoduo also comes from whether the transaction is compliant and legal. Most of Pinduoduo's B-class customers are merchants with lower star ratings on Taobao's online shopping platform, and the likelihood of getting into legal disputes ensues. In the course of judicial and administrative practice, there is a high probability that the platform will be held jointly and severally liable. Since the participants of the platform's

commercial activities are located in different geographical locations, it becomes an extremely complicated issue to determine jurisdiction and liability in case of legal disputes [8, 9].

5.2 Management Measures

5.2.1 Risk Monitoring

Risk control department strengthens monitoring of major risks. The day-to-day management and operation of a business is influenced by the external environment and internal factors. Pinduoduo's risk management department should actively carry out monitoring work, monitor and analyze its profitability, and adjust the business direction and strategy at any time. In addition, under the dual influence of the new crown epidemic and the overheated market, the Pinduoduo e-commerce platform may be in zero or negative profitability for quite a long time. In addition, the source of funding for Pinduoduo is mostly from the group's internal financial support or investment from the group's external investors, whether "external" funds can continuously "aid" the platform has become a thorny issue. Therefore, the risk control department can establish a big data risk warning system to screen to identify risk factors, so as to deal with the financial risk of whether the enterprise has sufficient funds for future operation and whether there is The risk management department can establish a big data risk early warning system to screen risk factors, so as to respond to the financial risk of whether the enterprise has a sufficient operating capital and whether there is a break in cash flow in the future, and start active real-time monitoring and risk This can prevent and avoid risks in advance.

5.2.2 Platform Access System

In the process of combining traditional industries with Internet platforms, new areas require new industry rules, and traditional standardized risk management mechanisms need to be further extended and developed. Due to the special nature of the two sides of the e-commerce platform transactions, Pinduoduo should adopt a strict market access system, set up "confirmation" and other links in each transaction, through a detailed and legally binding treaty and more risk warnings to consumers to restrain In order to improve the fairness and credit guarantee of trading on the platform, we should set up "confirmation" and other links in each transaction, and prevent the circulation of poor quality and counterfeit products in the market to a certain extent through detailed and legally valid treaties and more risk warnings to consumers. In order to achieve the strategic transformation of the platform and upgrade the platform strategy and improve the profitability of the enterprise, through the development and implementation of various standards, effectively do risk control, fulfill social responsibility, improve the quality of products, reduce the return rate of users, and protect the rights and interests of all parties, to reduce legal risks, lay a good foundation for the innovation of Internet products, and to promote its development in the direction of diversification.

5.2.3 Service Mechanism Update

The e-commerce platform is in the maturity stage of the industry, the e-commerce market is overheated and the sales volume is growing slowly. The market is huge but basically in a satiated and the state, if still in the state of repeat purchases of old customers, the bureau there may be a large surplus of partial products. With sufficient cash flow, companies can consider price wars and price competition, and use customized and targeted services to consolidate market share and improve operational efficiency. First of all, it is advocated that consumers should compare prices when purchasing goods, carefully read information about the merchant, and compare with the average reputation of the same industry. Second, use risk transfer strategy to logistics services for third-party outsourcing. But at the same time to collect e-commerce sellers, producers producers and third-party logistics services as part of the deposit as the base fund to supervise the overall process of e-commerce platform transactions, in order to gain profits while gaining profits, but also to maximize the protection of the legal and compliance rights of all parties, so that consumers can rest assured that the development of the market, to establish a consumers, develop the market, establish a good corporate image, and gain more The company will also be able to establish a good corporate image and gain more consumers from the e-commerce platform [10, 11].

6. Conclusion

In this era of big data, e-commerce is rapidly developing as the darling of the new era, and the competition from third-party e-commerce platforms is not far behind each other. Pinduoduo, although an emerging third-party e-commerce platform, is an extremely fast-growing platform. It is easy to see that the superiority of the platform Pinduoduo lies in the strength of the grouping as well as the affordability, which has attracted the attention of some users and accelerated the development of the scale of users. In the process of operation, Pinduoduo has very effectively used some contemporary ideas to achieve the lowest price to buy the best quality products through grouping, forming a new e-commerce platform thinking. This paper analyzes the main marketing strategies of Pinduoduo through literature review and online information collection, and then analyzes the situation of Pinduoduo's users. Through the research, we found that Pinduoduo's low price marketing, group buying and other strategies have great drawbacks, and should adjust its marketing plan and strengthen the management of merchants in order to provide better service experience to customers. Pinduoduo is a hot topic in this society because there are few businesses that have been criticized and still succeeded. The development of Poundland is relatively rapid compared to other e-commerce industry, Pinduoduo has become a model in the e-commerce industry after only three years, but there are also shortcomings that need to be improved, in the process of rapid development, Pinduoduo should improve its strengths and avoid shortcomings, to sharpen its forward movement, to be good at its own strengths, and at the same time, to improve the shortcomings. To get a better level of improvement, to complete the sustainable development strategy.

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