

# A Study of Pinduoduo's Strategy to Transform its Brand Image after Capturing the Sunken Market

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**Abstract.** In the third and fourth-tier cities, a large number of people with lower incomes can not be met, a large number of tail merchants were Taobao, Jingdong and other platforms out. At the same time, as the city continues to develop, the cost of living, rent costs, logistics costs, etc. continue to rise, which also makes the production of some of the small goods of good quality and low price merchants gradually no living space. Pinduoduo found this market and built a corresponding platform for it, occupying the sinking market. But for Pinduoduo to achieve more growth, it is not only limited to the down market, but also to improve the brand image and product quality. This will not only achieve a greater competitive advantage in the competition of the sink market, but also help Pinduoduo to gain the stock of the middle and high-end market. Based on the perspective of Pinduoduo's competitive strategy, this study firstly elaborates the development overview and competitive landscape of Pinduoduo, then analyzes Pinduoduo's differentiated competitive strategy, finally analyzes its strengths and weaknesses as well as the opportunities and challenges it faces through SWOT, and finally gives some suggestions.

**Keywords:** Pinduoduo; social e-commerce; competitive strategy; brand image; SWOT analysis.

## 1. Introduction

### 1.1 Research Background

#### 1.1.1 The impact of brand image building on enterprises

Brand image shaping usually refers to the perception and evaluation of a brand influenced by the subjective impression, perception mode and perception background of the perceiving subject. Brand image is usually shaped by attaching importance to product and service quality, clear brand positioning, public relations and advertising, etc. Brand image shaping is the embodiment of brand value and vitality. A good image shaping can not only deepen the good impression of the brand in consumers' mind, but also stimulate consumers to consume, which is then beneficial to the development of the brand.

#### 1.1.2 Basic information of Pinduoduo

As the fastest growing e-commerce platform in China, Pinduoduo is now the second largest e-commerce platform in the country with more users than even Jingdong, making it the mainstream e-commerce application on the domestic mobile internet.

During the start-up phase of Pinduoduo, founder Huang Zheng, who has rich knowledge of network and network economy concept, launched Pinduoduo in 2015, mainly focusing on fruit piecing, which laid the prototype of "piecing" business model. In 2016, Pinduoduo and Pinduoduo announced their merger to form the current Pinduoduo company. 2017, the second anniversary of Pinduoduo, the number of users exceeded 200 million. With the development of the platform strategy,

the position of Pinduoduo in the e-commerce platform has become more and more consolidated. 2018, Pinduoduo was listed on NASDAQ in the United States.

In the growth explosion stage of Pinduoduo, it achieved all-round and multi-disciplinary development, explored the user demand in third and fourth-tier cities, found the neglected sink market, and accumulated a large number of users through the way of group fission. After that, Pinduoduo gradually accumulated the reputation and was recognized by the market through the low-price strategy and some ways to meet the needs of price-sensitive people. Finally around 2019 through the continuous development of the network effect, ushered in a growth burst, and finally in 2020, the active user scale reached 780 million people, becoming the largest e-commerce platform in China in terms of user scale.

## 1.2 Literature Review

By reviewing the literature it is easy to see that Pinduoduo's social media-based marketing information dissemination model has achieved breakthrough success while bringing dividends to the company and providing new ideas for other companies to broaden their marketing channels.

Wang Jia (2019) argues that in the case where the competitive pattern of e-commerce led by Taobao and Jingdong has been settled, Pinduoduo has taken an alternative approach to develop a social fission way of attracting potential customers, forming a competitive advantage and eventually creating a corporate value, creating a closed loop of business value chain in which innovative business models form a competitive advantage and eventually enhance corporate value [1]. Ding Shuyue (2019), in studying the socialized e-commerce research strategy of Pinduoduo, pointed out that companies should change their marketing strategies in line with the development stages of the company, and develop corresponding response strategies to find profit growth points in the early, middle and late stages of business development, respectively, while suggesting improvements to the current business disadvantages of Pinduoduo [2]. Song Ge (2022) points out that with the rapid development of the Internet, the use of social media is gradually integrated into the marketing strategy of enterprises, and Pinduoduo cleverly uses social breakthrough points such as WeChat circle of friends and friends cut a knife to make users achieve a spurt of growth [3].

Secondly, while achieving the occupation of the sinking market, Pinduoduo also faces the problems of negative brand image due to the low threshold of the resident merchants and uneven product quality, which urgently needs to find new breakthroughs to regain the corporate image.

Li Qing (2020) points out that in order to target the sink group, Pinduoduo sets its main products as fresh food, department stores and affordable clothing, and cleverly uses "reference price" to capture the customer's psychology, but there are also problems of blindly pursuing low prices and lacking quality control [4]. Bixi Zhou (2021) emphasizes that in order to change the inherent brand image and improve the reputation, Pinduoduo should reconstruct the corporate culture and strengthen the supervision to achieve the everlasting business in the development process [5].

## 1.3 Research Significance

In this paper, we analyze the competitive landscape of Pinduoduo and the competitive strategies adopted by the company, conduct a SWOT analysis of the company, analyze its competitive advantages and opportunities, offer constructive suggestions on how to deal with disadvantages and threats, and finally make development suggestions for the company, aiming to give reference to Pinduoduo and other companies in a similar situation to Pinduoduo.

## 2. Pinduoduo Competitive Pattern and Strategy

### 2.1 Pinduoduo's Competitors

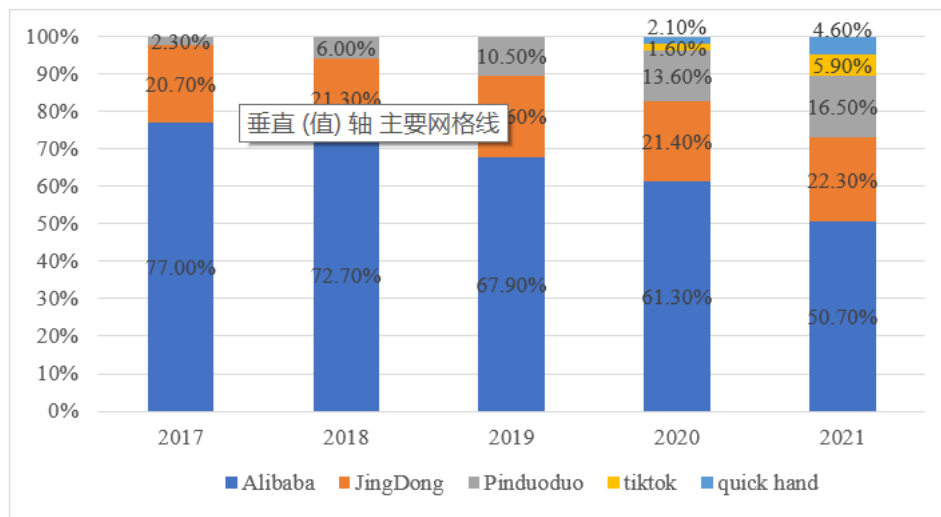
From the perspective of high-end positioning, Jingdong's advantage lies in its self-built storage and logistics network, providing efficient and high-quality distribution and saving logistics costs. Jingdong also has its mode to ensure the stability and high quality of goods. Taobao, positioned at

the middle end, has built its moat through the cooperation of shopping, payment, and logistics. And for the positioning of relatively low-end Taobao special edition, its relatively better supply and imitation of Pinduoduo price strategy, Pinduoduo caused a certain threat.

### 2.2 Competitive Pattern Between Pinduoduo and Other E-commerce Platforms

In 2015, traditional e-commerce has matured considerably, with Alibaba and Jingdong accounting for nearly 90% of the market share of e-commerce platforms. Of these, Alibaba is the only one, with a single company having captured over 70% of the market share. Pinduoduo has emerged strongly in this situation with its own disruptive and innovative strategy in the highly competitive e-commerce platform market and is gradually three parts of the world.

As shown in Figure 1, with the strong development of Pinduoduo, Alibaba and Jingdong have formed a three-way competition pattern in the e-commerce platform market. In recent years, live streaming e-commerce platforms led by Douyin and Kuaishou have developed rapidly and joined the market competition of e-commerce platforms, and their development trend can not be underestimated.



**Fig. 1** Competitive Pattern of major e-commerce platforms (GMV) from 2019 to 2021 (Data source: Futu Securities)

Pinduoduo rose to prominence in lower-tier cities and initially had a large number of exclusive users, but currently, the users of Pinduoduo and the Tao system have largely converged. The user volumes of Pinduoduo and Ali are very close, with both having over 730 million active sellers annually by 2020Q3, and the number of users for a single company is already at a similar volume relative to the overall national internet population of 940 million in 2020Q2. The number of buyers on Alibaba, Jingdong, and Pinduoduo combined is already more than twice the size of the overall internet population, indicating that the user overlap between the three platforms is already high.

**Table 1.** User exclusivity rate and overlap rate of the three platforms in 2020 (Data source: Soochow Securities Research Institute)

Exclusive rate			Recombination rate		
Pinduoduo	TaoBao	JingDong	Pinduoduo and TaoBao	Pinduoduo and JingDong	Pinduoduo and TaoBao、JingDong
11.59%	13.03%	1.52%	58.91%	45.20%	32.48%

As shown in Table 1, the exclusive user rates of Pinduoduo, Taobao, and Jingdong are 11%, 13%, and 1% respectively, and the rest are overlapping users, which again indicates that the user groups of e-commerce platforms have been very overlapped.

## **2.3 Pinduoduo Differentiated Competition Strategy**

### **2.3.1 Drainage**

In terms of attracting businesses, Pinduoduo mainly tends to small and medium-sized businesses. Businesses in the fight more than the threshold to open a shop, and the need to pay commission and advertising fees are also very low. Compared to Taobao, Pinduoduo's rules are more lenient, which makes it more attractive to sellers.

Pinduoduo's innovative group way, WeChat as a new stakeholder, reduces transaction costs and improves transaction efficiency so that businesses and consumers alike benefit. In the early days of Pinduoduo, to attract users, the company first invested a huge amount of money in marketing investment and then titled multiple varieties of shows to improve the popularity of Pinduoduo. Pinduoduo has taken a lot of marketing means to effectively reduce the drainage cost, based on the strong user flow of WeChat, one is in the user-initiated group, to share with friends and relatives will attract new users; The second is through the way of "bargaining". The initiator invites friends to help him "cut a knife", which is helping Pinduoduo attract new users for free. With the use of WeChat, Pinduoduo has been able to attract a large user base with low customer acquisition costs, achieving its goal of rapidly expanding its user base.

### **2.3.2 Price**

Pinduoduo has absorbed a large number of tail products that have been eliminated from platforms such as Taobao and JD.com. Merchants provide high-quality and low-cost products for Pinduoduo. At the same time, Pinduoduo also uses reverse customization to calculate consumer preferences through big data and customize products for merchants to obtain lower prices

Secondly, Pinduoduo also uses cash to subsidize people's life consumption of explosive products like hair dryers, mobile phones, Maotai, etc. The reduced prices range from a few hundred to a few thousand so that some first and second-line users are attracted by the higher price difference. This move can also make consumers develop thinking inertia, after a successful purchase, whenever they think of low prices, they will unconsciously go to Pinduoduo to compare prices, which also increases the exposure opportunities of Pinduoduo's goods, which plays a role in the increase of its sales.

### **2.3.3 Shopping experience**

In terms of user experience, Pinduoduo not only increases its customer volume by canceling the shopping cart and by having words such as "how many more to go" to make them spend when their shopping desire reaches its peak. At the same time, Pinduoduo can also lower the selling price through mini-games such as "chop a knife", which increases the user's pleasure when buying and also satisfies the price-sensitive needs of the target group.

Pinduoduo also offers payment methods such as WeChat payment, Alipay payment, and finding someone to pay for you, which greatly facilitates the needs of the target group when spending and provides a convenient payment method for different user groups.

### **2.3.4 Locating Target Users**

Pinduoduo was founded in September 2015, in the background of China's implementation of "targeted poverty alleviation". In July 2015, the state issued relevant policy documents and selected 200 demonstration counties nationwide to build and improve the logistics system at the county, township, and village levels. Thus, the rural logistics system is gradually improved, and rural e-commerce becomes possible. At this time, the e-commerce market in first-tier and second-tier cities has been firmly occupied by Taobao and Jingdong, but the rural market is a blue sea that has not yet been developed [6].

Pinduoduo has set its sights on the blue ocean of the rural market. Unlike Taobao and Jingdong, which focus on high-income groups, Pinduoduo's target customer positioning is mainly in rural areas and third-tier cities. Users in the rural market are part of a sinking market group with low average income levels and low per capita consumption levels, and belong to a price-sensitive consumer category, so the main product category of Pinduoduo is also low-value and consumable products with good value.

### **3. SWOT Analysis of Pinduoduo's Competition Strategy**

#### **3.1 Strengths**

##### **3.1.1 Precise targeting of customer segments**

Pinduoduo's consumer base is precisely targeted at those who make up a large proportion of the total population, and who have low incomes but can bring in huge amounts of traffic. Most of these people are from third or fourth-tier cities or rural areas, mostly women with low to medium incomes, low spending power, and more free time, as well as school students with no income and newcomers with low incomes. These groups are extremely price sensitive and are willing to forward to their friends for bargain hunting to get discounts.

##### **3.1.2 The low-price advantage of group buying**

Low price is one of the core competencies of Pinduoduo, which is achieved through the mode of group buying that enables merchants to sell more and thus achieve smaller profits. The low price itself will stimulate the non-rigid shopping needs of users, plus the low-priced products that Pinduoduo promotes are mainly the basic necessities that people need, such as fruits, tissues, food, etc. It is easier to stimulate the shopping needs of consumers and give users a shopping experience that they can buy to earn.

##### **3.1.3 The fission advantage of social networking**

At present, the demographic dividend brought by the Internet era for e-commerce platforms is gradually decreasing, and the growth of online users is slowing down, while e-commerce platforms have joined the competition for online traffic, making the cost of traffic rise significantly. However, Pinduoduo uses the "social + e-commerce" group buying model to achieve viral social fission, which has reduced the cost of attracting traffic while gaining customers quickly.

##### **3.1.4 A new business model**

The business model adopted by most e-commerce platforms is based on simple business-to-consumer interconnection, for example, Taobao adopts a C2C (Consumers to Consumers) business model, while Jingdong has developed a B2C (Business to Consumers) business model.

In December 2018, Pinduoduo launched its "New Brand Plan" to explore a business model of C2M customized production based on consumer demand. C2M (Consumers to Maker) refers to the reverse production model of user-driven production, which helps and guides clients to express their opinions directly or indirectly and feeds them back to the enterprise platform through the transmission of big data, which then designs and produces products according to the clients' opinions [7]. The new brand program launched by Pinduoduo helps OEMs (Original Equipment Manufacturers) incubate their own brands at the lowest cost to match the real demand of consumers on the platform, and helps OEMs to transform from brand OEMs to their own brands.

In October 2020, Pinduoduo launched the New Brand Program 2.0 to further expand its strategic reach. The plan's partners are mainly head OEMs, expanding to quality manufacturing companies across China. The company has invested 10 billion in subsidies and strong resources such as the second spelling business group as a "support resource package". The cooperation model has been upgraded from the original one of helping OEMs to incubate their own brands to four models of cultivating OEMs' own brands, building sub-brands of well-known brands, supporting new brands,

and rebuilding old brands of national products, to implement the strategic change from "Made in China to Made from China".

### **3.1.5 An innovative platform for selling agricultural products**

With the occupation of the sunken market by Pinduoduo, the growth rate of active users has gradually slowed down, with a growing degree of 55% in the fourth quarter of 2020, the growth of user volume seems to be approaching the ceiling, so there is an urgent need to penetrate more potential users.

At the same time, while cooperating with the State Council Poverty Alleviation Office, the Ministry of Commerce, and other departments, Pinduoduo carried out a comprehensive demonstration project of e-commerce in rural areas, accumulating rich resources of agricultural bases in the process and possessing stronger bargaining power than other platforms, providing an opportunity for the layout of "Buy more vegetables" [8].

In August 2020, "Buy more vegetables" was launched simultaneously on the Pinduoduo app and the WeChat app. As an agricultural products community group buying platform, Pinduoduo has established a supply chain with suppliers, chiefs, and community users as elements. The products on the shelves include rice, noodles, oil, vegetables, and other agricultural and sideline products, adopt the booking + self-pickup mode, consumers place an order online before 23:00 every day, and the goods will be delivered the next day, after 16:00 the next day consumers can go to the cooperation network for self-pickup, effectively solving the "last kilometer" delivery problem. In the industry's view, Pinduoduo's intention of selling vegetables is not wine, in the case of hitting the ceiling, Pinduoduo uses vegetables, fruits, and other fresh food high-frequency, just needs attributes to stimulate users to repeatedly order at the same time, expand the crowd, improve market penetration.

### **3.1.6 A multi-faceted layout for agricultural poverty alleviation**

Unlike Taobao and Tmall, which have apparel as their main category, and Jingdong, which has 3C electronics as its dominant selling point, Pinduoduo made its fortune in fresh produce e-commerce. In the early days of its establishment, Pinduoduo merged with the main fresh produce e-commerce company Pinhaohuo, and its subsequent development has been inseparable from the sale of agricultural products. In response to the country's goal of implementing the rural revitalization strategy and winning the battle against poverty, Pinduoduo has invested heavily in resources both online and in reality [9].

In 2018, Pinduoduo launched the "Pinduoduo Farm" poverty alleviation model, first establishing a demonstration site in Yunnan, where merchants directly purchase coffee beans, realizing the "first kilometer" of origin and the "last kilometer" of consumption. The direct connection between the "first kilometer" of origin and the "last kilometer" of consumption saves distribution costs and solves the problem of stagnant agricultural products and high sales costs, while allowing consumers to enjoy fresh and affordable agricultural products, achieving a mutually beneficial and win-win situation. By reshaping the agricultural chain to achieve standardization and disintermediation, it has reduced the cost of agricultural product distribution on the one hand, and on the other hand penetrated the pathway from the origin to the consumer, bringing light and hope to the agricultural product growing industry in poor areas [10].

In the same year, Pinduoduo also created a new function "Duoduo University" built into the app, combining online and offline classes to train new-era e-commerce operation talents. The company has also created a new function in the app, "Duoduo University", which combines online and offline classes to train new-era e-commerce talents. The open classes on online operation training, including three-dimensional burst search to quickly drive free traffic, single product search traffic burst practice, title keyword layout accurate flow, and so on, make zero-based people can also easily start and teach shops how to quickly profit. The offline, Pinduoduo invites lecturers in e-commerce to provide face-to-face e-commerce knowledge training to farmers. In less than 5 years, Pinduoduo has become the largest e-commerce platform for selling agricultural products in China.

## 3.2 Weaknesses

### 3.2.1 Commodity variety is limited

As low prices are easily associated with low quality, consumers are more likely to buy goods such as electronic equipment and luxury clothing from physical shops or other e-commerce platforms such as Tianmao and Jingdong. The low-priced goods that Pinduoduo promotes are more everyday necessities that people need, and users buy these goods through the group mainly because of their low prices and do not have high requirements for the quality of the goods.

### 3.2.2 Low barriers to entry for merchants

Pinduoduo's seller base mainly comes from the spillover of capacity from Taobao and Jingdong under strict regulation, taking on a large number of low-end and mid-range white-label manufacturers. As the initial development of Pinduoduo coincided with the upgrading of Taobao's anti-counterfeiting efforts, a large number of suspected Taobao infringing shops were shut down. Pinduoduo became the main platform to take over this abandoned long-tail merchant segment. At the same time, amid the fierce competition from Taobao, small and medium-sized merchants were limited in traffic due to limited funds, and the market was severely squeezed. At this time, Pinduoduo has adopted the strategy of "no threshold" and "zero deposit" to attract merchants. In this case, Pinduoduo has become the best choice for these small and medium-sized long-tail vendors, and more and more tail-end merchants are turning to Pinduoduo on their initiative.

### 3.2.3 Lack of a mature logistics system

As an important node in the e-commerce supply chain, logistics occupies a pivotal position in all aspects of the supply chain. Alibaba took the lead in setting up the Cainiao network as early as 2013 and has cooperated with 13 mainstream domestic couriers, taking a stake in Yuantong, Shentong, Zhongtong, and Best Express to enhance the coverage area of platform logistics from urban and rural areas respectively. Jingdong has built its own logistics system for the warehousing and distribution of goods, realizing a full closed loop of online and offline from stocking, and warehousing to sales, distribution, and after-sales service, which has greatly reduced Jingdong's logistics costs. The current stage of Pinduoduo's dependence on major courier platforms is strong, once the logistics platform is across the board to raise prices, Pinduoduo is difficult to have the bargaining power to compete with it.

### 3.2.4 The proliferation of poor-quality goods leads to damage to brand image

Most of the merchants operate in good faith to achieve more profit, but there are also bad merchants to maximize profits, abandoning the requirements of product quality, using substandard goods, and real and fake mixed sales, seriously undermining consumers' confidence in shopping in the Pinduoduo platform.

This is a serious blow to consumers' confidence in shopping on the Pinduoduo platform, and also affects the sales of genuine sellers.

As a result of some unscrupulous merchants' substandard behavior, the goods bought by consumers on Pinduoduo are of varying quality, which can easily lead to consumer complaints. However, the poor quality of Pinduoduo's customer service and incomplete after-sales service system will greatly reduce consumers' experience. At the same time, due to the lack of establishment and management of the logistics system in Pinduoduo, there are logistics problems such as irregular express delivery, slow delivery, and early sign-off. These problems have led to a certain blow to the brand image of Pinduoduo, and people will jokingly call it "Pin xi xi" when referring to Pinduoduo, meaning that the quality of goods is not good, and lack of carries. In the long run, some consumers who seeking high quality will switch to other e-commerce platforms for shopping.

### 3.2.5 Weak aggregate purchasing power of target customers

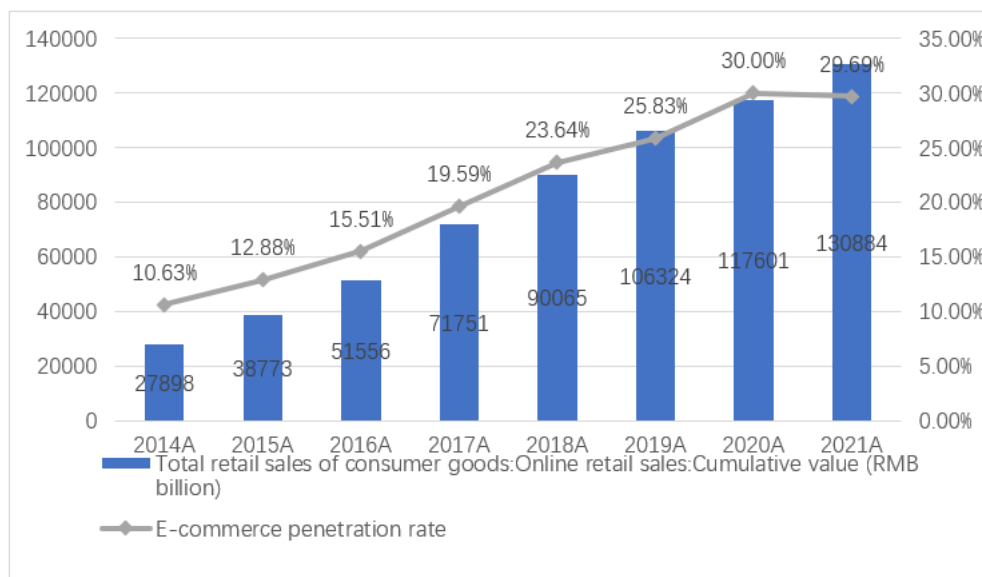
Pinduoduo has attracted many new users with its low prices and affordable features, drawing on the huge user base in the sinking market, and achieving rapid growth in users. Yet the majority of

users in this sinking market are consumers in third-and fourth-tier cities. This group is mostly price-sensitive and low-consumption individuals who do not pursue brands or value high or low quality in the consumption process. Due to the limited purchasing power of this low consumer segment, the overall buying power of target customers in Pinduoduo is low compared to the amount spent by high spenders on other e-commerce platforms, and the unit price of customers is much lower than Taobao.

### 3.3 Opportunities

#### 3.3.1 Unabated growth in online shopping demand

With the maturation of internet technology and the popularity of smartphones, the continued steady growth in disposable income has led to a multi-level increase in the public's consumer demand. This increase is not only reflected in the growth in the size of transactions but also in the change in consumption patterns, with online shopping starting to come to the attention of the public. The advent of mobile payment methods has added to the convenience of online shopping, making it a more convenient experience for residents to spend money online.



**Fig. 2** Online retail transaction size and e-commerce penetration in China, 2014-2021  
(Data Source: Office for National Statistics)

As can be seen in Figure 2, China's online retail sales have grown steadily from RMB 278.98 billion in 2014 to RMB 130.884 billion in 2021. In contrast, the e-commerce penetration rate in the chart reflects the proportion of China's online retail sales to China's total retail sales of consumer goods. It is easy to see that the public's demand for online shopping has increased in recent years. The penetration of online shopping is even growing significantly in 2019 due to the impact of the epidemic at home. The public's concern about the spread of the epidemic has led to a decrease in the frequency of offline shopping, and the improved services of e-commerce platforms are conducive to increasing consumer stickiness, which will continue to increase the demand for online shopping in the long run.

#### 3.3.2 The State introduced favourable policies to support the healthy development of the platform economy

Since 2022, the government has held several important conference speeches and continued to release favourable policies to support the healthy development of the platform economy. The Financial Stability Development Committee of the State Council held a special meeting on 16 March, stressing that the relevant departments should effectively assume their responsibilities, actively introduce market-friendly policies and cautiously introduce contractionary policies. The National Committee of the Chinese People's Political Consultative Conference (CPPCC) held a special

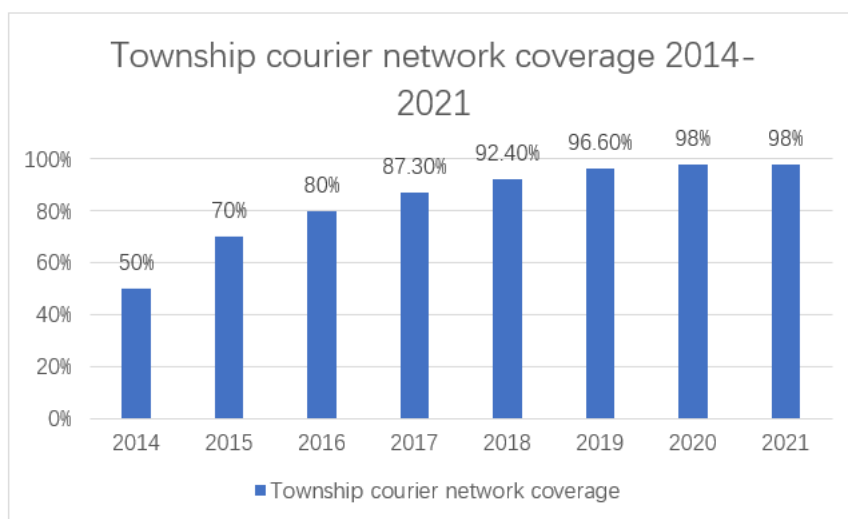
consultation meeting on May 17 on the theme of "Promoting the sustainable and healthy development of the digital economy". The government's emphasis on the development of the platform economy and its outlook for the future is reflected in the talks given by the relevant government departments on the platform economy. With the booming development of various platforms in recent years, the platform economy has become an important part of China's economy and the state has placed great hopes on the development of this new industry and has proposed to make efforts to adapt to the all-round changes brought about by the platform economy. In the future, a series of policy measures implemented to promote the platform economy will create a healthier competitive environment for the e-commerce industry and help major platforms to continue to grow.

### 3.3.3 Internet regulatory policies are conducive to an improved user experience

Since 2020, the government has proposed a series of regulatory measures for internet companies in three areas: anti-unfair competition, prevention of disorderly expansion and protection of labour rights. These regulatory measures have not only improved the competitive environment of the Internet industry and increased the viability of new entrants, but also one of the government-led regulations to unblock links between platforms has greatly enhanced the experience of online consumer users and helped consumers continue to move online. To prevent the interests of merchants from being maliciously appropriated by the platform through price wars, the General Administration of Market Regulation has also issued corresponding regulations to call a halt to price wars and safeguard the healthy business ecology of platform merchants.

### 3.3.4 Sinking of the express service network

The rise in rural per capita income and per capita consumption has, to some extent, increased the potential for rural consumption to escalate. In July 2015, the state issued a relevant policy document to select 200 demonstration counties nationwide for building and improving county, township and village-level logistics systems [6].



**Fig. 3** 2014-2021 Township express network coverage rate  
(Data Source: China Internet Network Information Centre)

As can be seen in Figure 3, courier network township coverage increased from less than 50% in 2014 to 98% in 2021. As a result, the rural logistics system is gradually being improved. The establishment of the rural logistics system has allowed rural consumption to shift from bazaars to e-commerce platforms, bringing billions of users to the e-commerce industry.

### 3.4 Threats

#### 3.4.1 User traffic growth peaks

According to the e-commerce industry flow theory, the difference between the size of the online shopping user and the size of the Internet user is the potential new size of the flow to the user. And according to Questmobile, the number of monthly mobile internet users in China reached 1.167 billion in the third quarter of 2021, with 1.101 billion monthly active users in e-commerce and a penetration rate of 94%. This means that several of China's major e-commerce platforms have largely achieved user coverage and the room for growth in the number of new users has shrunk significantly. How to improve the stickiness and utility of the users will become the focus of attention of the e-commerce industry, and how to improve user repurchase rate and avoid user churn will become the new direction of the e-commerce platform to think about. And as China's economy continues to expand, the per capita disposable income continues to improve, the national consumption ability to upgrade, and low-cost group e-commerce will gradually towards the end of the road, users will be from the group buying site to quality e-commerce platform to buy goods. The low-price group buying model serves only to cultivate users' consumption habits and attract a large amount of traffic in the short term, to the detriment of long-term value building. If Pinduoduo can dig deeper into the consumer upgrade trend at this stage, it is likely to achieve further development in the future.

#### 3.4.2 E-commerce regulatory issues

China's current laws and regulations relating to e-commerce are not perfect, and various types of transaction disputes in this area continue to show a year-on-year increase, especially the issue of return disputes. For Pinduoduo, the impact of this issue is even more pronounced as the quality of its products is more serious compared to other platforms. This is just a vicious competition tactic for Pinduoduo to seek customer growth. Such behaviours will not only lose the trust of customer groups and cause public discontent in the long run but may also be punished by law as e-commerce regulations continue to improve. Pinduoduo also has a situation where some orders are cancelled by merchants when customers have already placed a successful order at a lower price this is undoubtedly an act of consumer trust, after the gradual improvement of laws and regulations, this situation may also be subject to legal penalties.

#### 3.4.3 The threat of new shopping methods

Since 2020, livestream e-commerce platforms, led by Tik Tok, Kuaishou and Dot Tao, have gradually emerged as a new way for people to online shopping. With its huge user traffic and high user stickiness, the live e-commerce platform has risen to prominence, capturing a certain market share at a rapid pace. In the case of the three livestream e-commerce companies mentioned above, the number of their online shopping users has grown from 265 million in 2019 to 464 million in 2021. At the same time, the prices of livestream goods are equally low, posing a certain threat to Pinduoduo which takes low price as its core advantage.

#### 3.4.4 Price advantage diminishing

With this year's 618, double 11 and other activities' coming, Jingdong, Taobao and other platforms also launched their own corresponding "tens of billions of subsidies" activities, and have even lower than the price of the same goods in Pinduoduo. Based on the gap between the brand image, consumers may gradually favour other platforms to buy such goods. In this case, the strategic significance of the "tens of billions of subsidies" may be gradually reduced, and the core competitiveness of Pinduoduo to open up the first and second-tier markets is being gradually weakened.

## **4. Suggestions**

### **4.1 Further Strengthen Pinduoduo Brand Image**

To build up a good corporate image, it is recommended that Pinduoduo continue to penetrate the mid-to-high-end market through its "10 billion subsidies" scheme. At the same time, it should carry out a "double fight", using big data analysis, automatic machine locking suspected counterfeit goods, and other methods to crack down on counterfeit and shoddy products, and for suspected infringement of other people's rights and interests of goods to take off the shelves or prohibit the sale of goods on the shelves, to improve the quality of goods. At the same time, the platform should also raise the threshold for merchants to join the platform, to follow up on the new products and other actions of merchants, and strictly prohibit the appearance of counterfeit and shoddy products in Pinduoduo, to speed up the process of establishing a good brand image. In addition, the "New Brand Program" can also help Pinduoduo to further reduce the cost and risk of building its brand, and help Chinese manufacturing industries and enterprises to find a way to build their brand.

At the same time, the company's brand image will be shaped into an ethnic network e-commerce platform to help farmers and the poor, to deepen customers' goodwill towards the brand, and attract potential consumers to buy goods on the platform while retaining old customers.

### **4.2 Improve the Degree of Fit with the Audience's Favorite Content**

In the marketing process, you can add the most popular domestic elements of the audience, link the feelings of domestic products, realize the concept identity, and help the future development of the enterprise; At the same time, it caters to young people's preferences, achieves flow grafting, enhances interaction and communication with the public, and achieves precise contact with designated consumer groups.

### **4.3 Make Great Efforts In Brand Construction To Achieve A Warm Platform**

Pinduoduo should not only strive to maintain and improve the quality of its products, crack down on counterfeit and shoddy products, and give consumers a secure shopping platform but also focus its development on brand building and the social responsibility of the platform to create a good shopping platform image. Pinduoduo can use the platform to fulfill its social responsibility, especially to continue to support the sale of agricultural and sideline products in poor and remote areas. For the current problem of remote areas where agricultural products are prone to sales difficulties, Pinduoduo can use its strong sales platform to increase publicity or carry out activities on its homepage to actively help farmers solve their sales problems and minimize farmers' losses, while also increasing consumer welfare. It allows consumers to buy fresher agricultural products and also establishes a good brand image in the minds of consumers.

### **4.4 Innovate Business Model To Curb "Erosion of Social Circle"**

WeChat, a popular social networking platform, has become an indispensable part of many people's daily work and life and is also used frequently as a private space on the Internet by many people. However, when Pinduoduo is constantly flooded with shopping links to gain traffic through forwarding and sharing, and users often unintentionally authorize them, Pinduoduo has become a "social cannibal" in the social circle, and this model has intentionally and unintentionally eroded users' private space. Pinduoduo should further optimize its marketing through business model innovation, increase consumers' reliance on and promotion of the platform through the emotional value chain nurtured by its products and services and user experience, break the barriers of social e-commerce, and build a safer, more reliable, convenient and comfortable platform to promote its sustainable development.

## 5. Conclusion

This paper has been inspired by reading the literature on the subject in recent years. In the course of this research, the paper finds that in the face of strong competition from two e-commerce platforms, Jingdong and Alibaba, Pinduoduo uses WeChat to attract traffic, adopts a low-price strategy, and uses mini-games such as "chop a knife" to improve the user's buying experience. In recent years, the company has focused its attention on consumers in third and fourth-tier cities and rural towns, gradually capturing the sinking market and, with its own disruptive and innovative strategies, "splitting the world" with Jingdong and Alibaba. However, the company's competitive strategy also has certain disadvantages, such as a limited product range, low entry barriers for merchants, difficulty in guaranteeing product quality, lack of a mature logistics system, and the overall weak purchasing power of its target customers, which have led to a negative impact on the company's brand image and led to the loss of consumers to other e-commerce platforms. This study first objectively assesses the disadvantages of Pinduoduo's competitive strategy, and based on the results of the analysis, investigates the strategic changes made by Pinduoduo and proposes rationalized recommendations for change.

Pinduoduo has been criticized and controversial since the last world. Although Pinduoduo has many problems on the road to development, the successful listing of Pinduoduo has made the public deeply aware of the structural subversion of the e-commerce industry. Given this. If you make more clear in the process of the future development of my shortcomings, adopting the new type of marketing will disadvantage into advantages, by improving the efficiency of logistics distribution, push marketing and brand promotion measures such as more accurate news to users to provide more affordable goods, at the same time continue to deepen the C2M mode, explore the sinking market, to achieve rapid economic growth [11].

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