

EGUO and Eleme: How Would Time and Other Factors Lead to the Success and Failure

Shiyan Li

Beijing No.80 High School, Beijing, 100020, China

2016122418@jou.edu.cn

Abstract. After years of development, how will time and other factors contribute to the failures and outcomes of EGUO in 2000 and Eleme in 2009, as representatives of O2O e-commerce? This study examines this question from two aspects. The main findings of this study : from a macro perspective, the economic background of a country is the external conditions for a business that can directly or indirectly influence the success or failure of business operations; the social factors influence general public's purchasing needs and preference and are the most comprehensive factors that affects the success or failure of business operations; the technological environment of the Internet is the most important technological factor for the success of O2O e-commerce. From a micro perspective, EGUO failed because the macro environment was too poor, which led to high operating costs and eventually led to bankruptcy; Eleme's success was rooted in the development of the times and society, and its business model was built on a deep technological foundation and a large consumer base, which led to Eleme's final success.

Keywords: O2O e-commerce; EGUO; Eleme.

1. Introduction

With the rapid growth of China's economy, the development of China's Internet technology and logistics and transportation technology has driven the comprehensive growth of China's Internet economy, and the increasement of the phenomenon of Internet food ordering has become a microcosm of the fast-paced life of today's society. in early 2020, a new coronavirus broke out in China, and the country entered into a state of emergency, with roads closed and neighborhoods controlled, people were in extreme panic, and food procurement became the focus of public voices during the epidemic period of O2O e-commerce has gained unprecedented attention and become the best choice for people to maintain their lives during the special period due to its characteristics of online ordering, personal delivery and no contact throughout the process, and O2O e-commerce has become one of the few industries whose revenue has risen against the trend during the epidemic. The main companies studied in this paper are Eleme Inc. and EGUO Inc. for the success and failure factors of their operations.

1.1 Company Profile

1.1.1 EGUO

EGUO was established in 2000, and is a high-tech, the cross-regional international company mainly providing Internet-related services EGUO website is based on the people's life closely related to clothing, food, housing, transportation, use, and other aspects, to provide maximum convenience and practical benefits for Internet users, is the first Chinese people's life network.

In April 2000, EGUO officially launched its "EGUO One Hour" delivery service slogan, promising free delivery of orders within one hour of dispatch to customers' designated locations in Beijing. EGUO recruited nearly 600 delivery workers, wearing bright red "EGUO" red vests and riding in the company's uniform delivery trucks, to travel through the office buildings and residential areas of Beijing, becoming a scenery of the city at that time. Although "EGUO" met the needs of customers, the high cost of delivery made it difficult for EGUO to make a sustainable profit and impossible to develop it as a mature business model in the long run. Finally, EGUO went bankrupt in 2001.

1.1.2 Eleme

Shanghai Lazarus Information Technology Co., Ltd, or "Eleme" website, was founded by Zhang Xuhao from Shanghai Jiaotong University and others and is located on the second floor of Building 3, Lane 800, Tongpu Road, Putuo District, Shanghai. "Eleme" was launched in April 2009, integrating offline restaurant brands and online network resources, and establishing a relatively complete take-out system, which allows users to search the surrounding food and order food online through cell phones and computers. With the concept of being "extreme, passionate, and innovative", Eleme is planning to realize the digital reformation of whole catering industry. In August 2018, this company's offline business has spread to nearly 2,000 cities nationwide, with nearly 2 million restaurants joined and 260 million users. As the leader of the domestic online ordering platform, "Eleme" has created a relatively sound business circle in the field of takeaway, and has a strong takeaway logistics and delivery system, so that users can search for food around the home, school, or company through cell phones, computers, etc., and order food online, providing convenient services for people's life.

1.2 Research Content

With the rapid growth of China's economy, the development of China's Internet technology and logistics and transportation technology has driven the comprehensive growth of China's Internet economy, and the increasement of the phenomenon of Internet food ordering has become a microcosm of the fast-paced life of today's society. 2020 At the beginning of the year, a new coronavirus broke out in China, and the country entered into a state of emergency, with roads closed and neighborhoods controlled, and people fell into extreme panic emotions, and food procurement became the focus of public voices during the epidemic O2O e-commerce became the best choice for people to maintain their life during the special period because of the characteristics of online ordering, personal delivery and no contact throughout the process, and O2O e-commerce also became one of the few industries whose revenue rose against the trend during the epidemic.

In 2000, EGUO was born, marking the official establishment of China's first O2O e-commerce. After more than a decade of development, O2O e-commerce has long since gotten rid of its initial "blue ocean" market label of high returns and low risks and has become a "new red ocean" market pursuing low costs, high price advantages, and heavy capital. New Red Sea" market. At the same time, the development of a new retail business model has also made an outstanding contribution to the innovation of O2O e-commerce supply chain financing model. At this time, the pattern of the industry has formed, the development of the industry is also gradually maturing, the previous development trend of brutal expansion is no longer applicable to the growth of the O2O e-commerce sector, and current growth trend has evolved to white-collar users as the main target customer groups, the quality of service of the takeaway delivery platform as the core competitiveness, the quality of the meal as the focus of attention. The presentation of a series of new trends shows that the general environment of the O2O e-commerce industry has changed, and each platform company should actively change its market strategy to adapt to the new competitive environment.

How would time and other factors lead to success and failure? This is the concern of this study after many years of development from the failure of EGUO's operation in 2000 and the successful operation of Hungry for Business in 2009. The content of this paper can be organized into the following parts: the first part is to study the factors affecting its success and failure from a macro perspective, including economic factors, social environment factors, and technological factors, and the second part is to study the key factors affecting its success and failure from a micro perspective, including managerial management, competitive strategy, and operational disadvantages.

2. Economic Environment

The economic growth background of a country is the external conditions of an enterprise that can directly or indirectly impact their marketing activities and corresponding economic results. People's

purchasing power directly affects the market scale of this industry. and the development speed of related industries can also affect the development of catering industry [1-3].

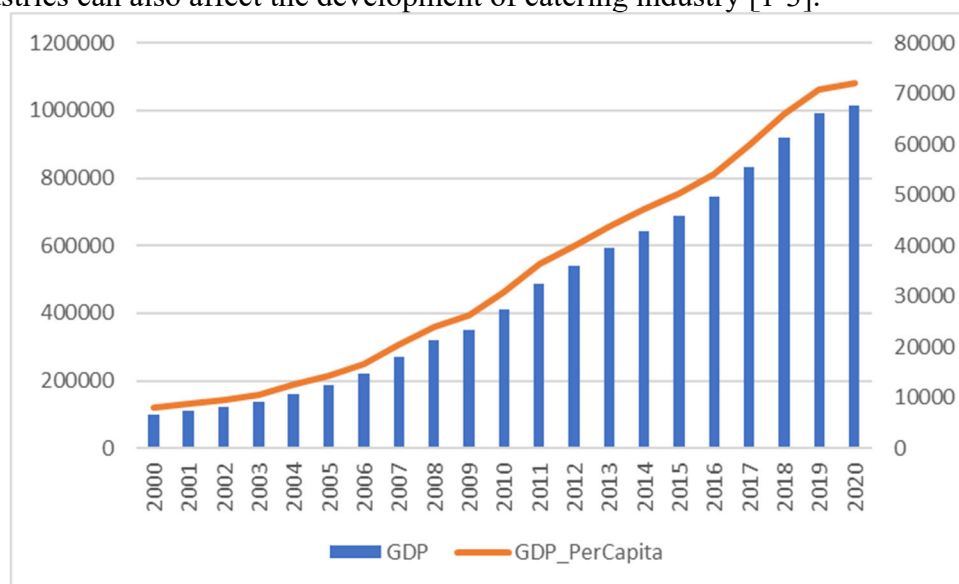


Figure 1 GDP and GDP per capita in China

As Figure 1 shows, China's economic development has been maintaining high growth, the gross domestic product in 2017 reached 827122 billion yuan, an increase of 6.9% year on year, and in 2018 exceeded 90 trillion yuan. The GDP per capita in 2000-2001 was only 10,000 yuan, while in 2013 it was 40,000 yuan, which shows that the purchasing power per capita is a key factor affecting the success or failure of a company. This was due to the fact that the potential purchasing power of consumers was too low. Ultimately, this led to its bankruptcy in 2001. When the time came in 2013, the GDP per capita reached \$40,000. This Eleme company's growth provided the basis for consumer purchasing power.

In the last decade, as China's economy has shifted from investment-driven to domestic consumption-driven, GDP per capita has increased, and consumer spending has thus shifted from basic needs-based spending to autonomous consumer spending, and the type of consumer products has shifted from physical goods to life services consumption that focuses on improving people's quality of life through convenience. The data shows that China's GDP per capita has been increasing in recent years, driven by the country's economic growth. This further provides the foundation for Eleme's development.

The labor supply for the life service industry is sufficient. As the labor supply side shifts from the traditional agriculture and manufacturing sectors to the service sector. The service industry with sufficient labor supply is also well positioned to enter and develop new business areas with high labor demand, such as real-time delivery, and the cost advantage of Chinese labor compared to developed countries is also a key factor for the development of the service industry. This further provides a sufficient labor base for the growth of Eleme.

China's O2O e-commerce industry has slowed down after rapid expansion, but the market share of O2O e-commerce in the restaurant industry still has a lot of room for development, according to CINNC data, China's online takeaway market reached 250 billion yuan in 2021, while the proportion of takeaway restaurants in developed countries is often close to 30% of the proportion, China's O2O e-commerce industry has a large incremental market.

Comprehensive data mentioned above, the good development trend of O2O e-commerce industry, the steady growth of domestic economy, the growth of per capita income level, the growth of per capita consumption level, and the increase of labor supply provide the guarantee for the sustainable development of Eleme. And the economic environment in 2000 could not support the development of EGUO, which led to its eventual failure.

3. Social Environment Analysis

The social environment affects people's purchasing needs and lifestyles and is the most complex external factor affecting the marketing of a company, containing factors such as the social structure and customs of the company, people's values, and lifestyles. China's food and beverage industry has always occupied a relatively important position, and the traditional strength of the take-out industry is relatively weak, which has laid the foundation for the development of China's take-out industry [4-6].

3.1 Meal Ordering Culture

The ordering culture has contributed to the development of Eleme. According to CINNC data, China's online take-out market size reached 250 billion yuan in 2021, still maintaining a double-digit growth rate; while the size of online take-out users has almost approached 400 million people, occupying one-third of the total national population, also maintaining a double-digit growth rate. All the above data show that online ordering has become increasingly popular in China.

In 2000, the food ordering culture only covered a portion of the population with high purchasing power, and the number of potential consumers was too low, which eventually led to the failure of EGUO.

3.2 Number of Internet Users

As shown in the figure, Eleme has a larger potential customer base and lower information operating costs in 2020 as the size of Internet users increases. According to CNNIC survey data, it has reached 850 million people in mid-2021, an increase of more than 25.9 million people compared with 2020; in terms of network penetration rate, it reached 61% in mid-2021, an increase of 1.6% compared with 2020; in terms of cell phone user statistics, cell phone users totaled 840 million people in mid-2021, an increase of 29.8 million people; in terms of mobile broadband, internet speed will increase six times compared to five years ago.

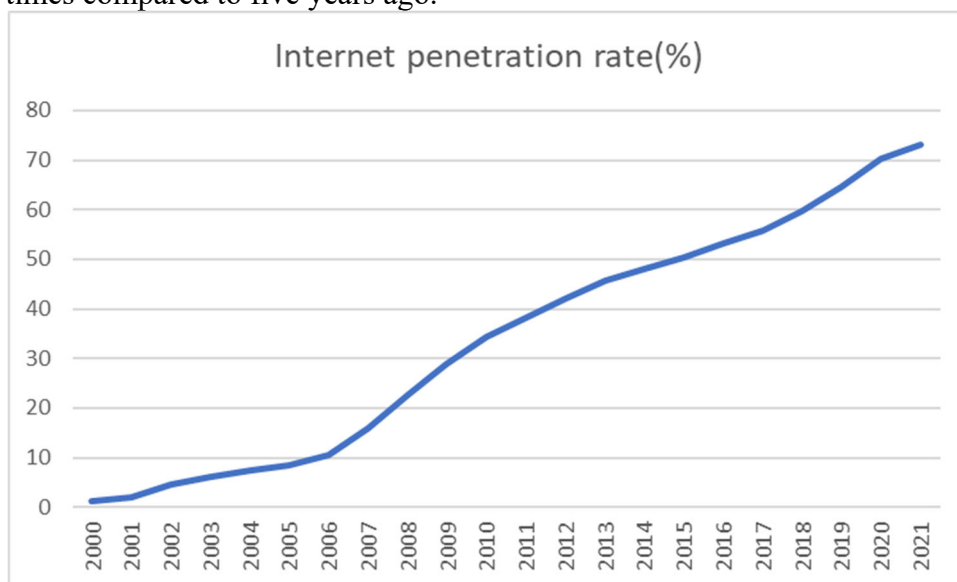


Figure 2 Internet Penetration rate

As shown in Figure 2, the number of Internet users and the penetration rate of Internet users were too low in 2000, with only 22.5 million Internet users 2000, which indicates that EGUO's lower potential consumer base as well as higher information operation costs led to its eventual failure.

In terms of online shopping, according to CNNIC survey data, the number of shoppers reached 560 million by the end of 2021, an increase of over 6.5% compared with 2020, and the overall proportion of Internet users reached 71.0%. The user scale of cell phone online shopping continues to maintain steady growth momentum.

3.3 O2O E-commerce

With the establishment of an online take-out consumption habit, Eleme will get more orders. According to CNNIC survey data, the user scale of online O2O e-commerce in China reached 364 million by December 2021, an increase of about 6% compared with 2020. Among O2O e-commerce users, cell phone users total 340 million, an increase of 6.6% year-on-year, with traffic fees trending significantly down the well.

In 2000, China did not have O2O e-commerce APP, there is no hot financing environment, which led to EGUO its operating costs increasing and sustainable operating capacity decreasing. 2013 Eleme began to formalize the national layout, in November 2013, hungry for the C round of \$ 25 million led by Sequoia China, when hungry has begun to lead all take-out competitors 1 year time In 2014, the first year of China's O2O e-commerce, the industry's top 4 market size are: hungry (30.58%), Meituan takeaway (27.61%), Tao dot com (11.20%), Baidu takeaway (8.55%).

3.4 Consumer Habits

EGUO was established in 2000 when the market size of the food delivery industry was only a few million RMB and consumer habits had yet to be cultivated.

And in 2020, with the establishment of consumers' online consumption habits, Eleme's market size will continue to expand. With the continuous development of mobile internet in recent years, people's consumption has gradually shifted from "offline" to "online", from "clothes" and "use" in the early days to "with" gradually to the current "food". According to CNNIC survey data, China's food delivery market similar to take-out has been growing year by year, and in 2021, China's food delivery (raw and cooked food including take-out) exceeded 500 billion RMB, and the number of consumers exceeded 400 million. From this, it finds that the change of consumer behavior and this change of consumer behavior provides the consumer base for the development of Eleme. Secondly, from the perspective of consumer demands, a series of advantages of Eleme delivery, such as "convenience", "hygiene" and "brand", also fit the current consumer demands, and Eleme proposes The concept of "safe delivery and hygienic delivery" enables consumers to make reservations, buy food and cook without leaving home, so the convenience of take-out is strong and meets the current consumer demands.

4. Technology Environment Analysis

Science and technology widely and profoundly affect general public's lifestyles, enterprises' behavior, and consumption of household sector, and have an impact on the corporate marketing environment and the effectiveness of marketing activities. Benefiting from the development of information technology and Internet technology, especially the development of mobile applications and smart phone industry, people can realize many activities on mobile apps regardless of time and geographical location [7-10].

4.1 The popularity of Mobile Internet

In 2001, there were only 1.5 million cell phone owners in China, and the cost of traffic was higher than compared to the cost of traffic in 2013. And in 2013, China stepped into the 4G era, where information operating costs were lower compared to 2000. Therefore, the too low mobile Internet penetration in 2000 led to the failure of EGUO.

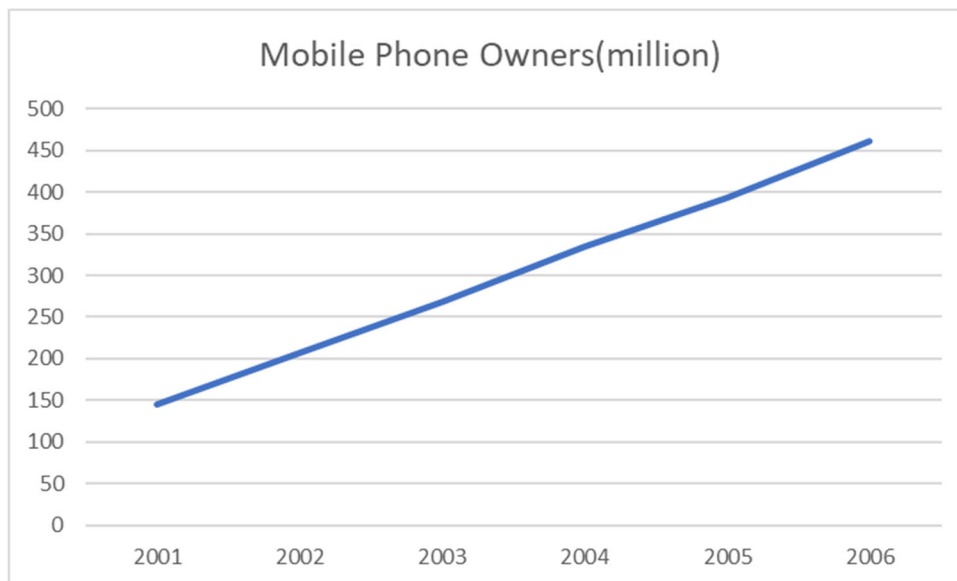


Figure 3 Mobile phone owners in million

From 2013 to 2020, the development of the mobile Internet will lay the technical foundation for Eleme. With the rise of iPhone, Android, and other smartphones in recent years and their performance is not considered to be improved, the cell phone has become more than a calling device, it is more like a microcomputer, and its functions are becoming more and more powerful. With the wave of smartphones, the mobile Internet has become a great success and has become closely integrated with our lives. The rapid growth of mobile Internet is benefited from the growth of the number of active user scale, according to CNNIC survey data, Chinese mobile Internet users have shown a rapid development momentum in recent years, and the number reached 1.032 billion by 2021, accounting for 98.3% of the total number of netizens. According to CNNIC survey data, the number of smartphone owners in China is estimated to reach 1.18 billion in 2022, almost one per hand, an increase of 4% year-on-year.

4.2 Third-party Mobile Payment

Hundreds of millions of mobile payment users and trillions of mobile payment transactions undoubtedly have a strong boost to Eleme's model. With Alipay and WeChat taking the country by storm, Alipay payment and WeChat payment have laid the foundation for the domestic mobile payment market. 64% of the domestic third-party payment market was mobile payment in 2017, far exceeding the 18% of bank card payments and 17% of Internet payments, making this country become the largest mobile payment market in the global, and the mobile payment rate in the Asia-Pacific region is also significantly ahead of Europe and the United States. According to CNNIC survey data, as of 2018, the scale of mobile payment users in China reached 650 million, an increase of 15.7% year on year. According to CNNIC survey data, the scale of mobile payment transactions has shown a spurt of growth in recent years, from less than 10 trillion yuan in 2014 to more than ten times in just three years in 2017, reaching 109 trillion yuan, and is expected to continue to grow at a high rate to about 350 trillion yuan by 2022.

In 2000, consumers were more likely to pay in cash, and the low payment efficiency and high payment costs were among the reasons for the failure of EGUO, which was not established until 2003, and by 2013, Alipay became popular in China, with a large number of mobile payment users offline. This greatly low facilitated the development of Eleme.

4.3 Technical Standards

Internet technology provides the basis for the development of Eleme and also promotes the rapid development of the O2O e-commerce model. Especially with the popularization and promotion of smartphones, people's lifestyle has changed significantly and online consumption has become the

main consumption mode. At the same time, with the promotion of map technology and LBS service technology, O2O e-commerce gradually moved towards local life and gained rapid development, and the increasingly accurate positioning technology brought more efficient and accurate marketing and a more convenient service experience. Especially in 2000, the penetration rate of smartphones was too low and consumers had not yet established the habit of online consumption, which eventually led to the failure of EGUO.

4.4 Technology Trends

With the promotion of technologies such as big data and cloud computing, Eleme is able to obtain consumers' data information more conveniently and understand consumers' needs by analyzing and organizing consumers' data information, so as to improve user experience. With the promotion of technology, O2O e-commerce has ushered in another blowout period in the development process. In terms of specific trends, first, the future of precision marketing will be more targeted, O2O e-commerce platform will be more accurate in the positioning of customers, such as combining different users' consumption habits to provide users with more personalized, more suitable product mix. In 2000, the cost of obtaining consumer data was too high for EGUO to pinpoint user needs, which led to high operating costs and its bankruptcy in 2001.

5. Micro Factors

5.1 Factors of EGUO's Failure

The reason for EGUO's failure was that the gross profit of the goods delivered had to be sufficient, and when EGUO's profit was not high enough, the business model was not sustainable. Although EGUO meets the needs of the customer, there is a market demand for it. But for a business model to be successful, there are many conditions, one of which is that EGUO's profit must be guaranteed. Another reason is human capital, such as the management of the entire supply chain, including the need to manage close to tens of thousands of products, which is a big challenge for EGUO at this time, from customer service to merchandise organization, people can imagine that there are too many links in it. From the perspective of 2020, EGUO at that time did not have technologies such as big data technology, ERP technology, mobile payment technology, huge smartphone users, and 4G technology, which led to its high management costs, and the fact that the purchasing power of potential consumers at that time could not cover its operating costs, which eventually led to its bankruptcy.

5.2 Eleme

5.2.1 Early establishment and brand advantages

This company was established in early 2009, the starting point was takeaway, with more mastery of the history and current situation of the market, and also accumulated more user data and rich customer resources, according to relevant data, by the end of 2013 before Meituan entered, Eleme team had more than 80% of the domestic and international take away market share in its pocket. By the end of 2016, it has covered more than 200 cities in China, with a large user base, and high active user volume.

5.2.2 Formed a differentiated advantage in the O2O e-commerce market

On top of summarizing the experience of traditional breakfast O2O (Meituan and Baidu takeaway breakfast, both of which have since been closed), Eleme adopts the T+1 ordering model, which allows users to book breakfast for the next day. In the choice of restaurants, all international or domestic famous chain restaurants are used to supply meals, and the price is generally controlled between 6 yuan and 8 yuan, which is more affordable. The user group of take-out breakfast is mainly white-collar, taking breakfast is the annoyance of white-collar customers, Eleme company for customers to take breakfast time planning more reasonable, each residential building is set up a meal distribution

location, and according to the actual time of the customer to work, to start unified planning and adjustment, to ensure the quality of the supply of breakfast.

Eleme's food distribution staff have passed professional training and have special work clothes to ensure the quality of food hygiene. The location of breakfast collection is set in the restaurants around the office building, which is relatively low cost and can effectively prevent the breakfast delivery staff from being embarrassed by the city administration, thus effectively guaranteeing the quality of breakfast service for customers.

5.3 Instant delivery plan

Hummingbird delivery under Eleme has excellent technical strength in the field of takeaway delivery, and according to the "2016 Instant Delivery Market Report" released by Econet, among several major delivery platforms, Hummingbird delivery temporarily ranks first with a 26.7% share.

The Hummingbird system can accurately predict the dining time range of customers during peak and non-peak periods according to their historical data information, so as to further optimize the route planning of reasonable delivery personnel. route.

Each of the above processes is planned and completed by the Hummingbird delivery system independently so that the efficiency of the entire takeaway delivery has been greatly improved. Up to now, among the 1.3 million registered delivery personnel, only 300 people are engaged in operation management, and the work of the whole application platform is driven by technology.

6. Conclusion

After an in-depth study of O2O e-commerce platform, it is found that this industry seems to have a very low threshold, but it is not easy to be big and strong. First, ELEME cannot operate successfully without a large smartphone owner, 4G technology, big data technology, a large group of consumers with high per capita purchasing power, and supply chain management technology.

O2O e-commerce is not just about creating a website, bringing in traffic, and promoting offline, whether it's logistics or team management at this stage, it has become a problem that takeaway O2O platforms have to deal with.

The main problem facing O2O e-commerce platforms today is that there is no user stickiness, and they can only continue to rely on subsidies to retain users, otherwise, users without loyalty immediately fall to the other side. The establishment of loyalty and the platform's service quality is closely related, therefore, in the next stage of development, O2O e-commerce platform development focus is "compete with the quality of service, and then cultivate user loyalty". Technical capabilities, analysis and mining of user behavior, grading of merchants, intelligent delivery, and optimization of management systems are all ways to improve service quality and cultivate user loyalty. In the future, Eleme will only be the final winner if it puts user experience and service in first place.

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