

Analysis Meituan's Current Situation and Development Strategy

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Abstract. In recent years, Meituan has achieved certain positive results in China, but its management under the old system has led to the continuous emergence of deep-seated problems. The immaturity of the supply chain has led to a severe impact on Meituan and a lost customer base. The problem that Meituan faces are not only a supply chain problem but also the risk of expansion. To resolve these risks, we need to optimize the supply chain through Meituan, establish a general warehouse to accommodate more suppliers and establish self-pickup and distribution points. To make it easier for residents of the community to pick up the goods, the expansion of the hotel industry starts with low-star hotels and uses some guarantees and discounts to bring in new customers. These improvements are conducive to the steady and healthy development of Meituan in China and realizing an upward trend in the future.

Keywords: Optimize; distribution; conducive.

1. Introduction

Meituan is the largest economic system in China's food delivery industry. Times are changing, but people's demand for food remains unchanged. Meituan continues to adapt to the needs of current times through innovations and changes in business models, technologies, and supply chains, which is a long-term exploration of Meituan in the future [1]. Meituan's problems in China are broadly related to supply chain and expansion, especially in the hotel business. If Meituan wants to expand in the hotel business, it will start with low-star hotels and provide some customers with some discounts and high-quality services. However, in an era of rapid technological change, Meituan's competitors have already established themselves in the market, and earlier research like this may not generalize to everyone's approval. In these studies, there is consistent data to prove that Meituan received some platform (competitor) influence. Nonetheless, the lack of supply chain optimization and the risk of expansion are huge obstacles to Meituan's future.

The main purpose of the research goal is to allow Meituan to realize a larger trend in its future through some data and analysis of supply chain and expansion. The research objective is an important part of the dissertation and a central idea of the dissertation [2]. The rest of this paper is organized as follows. In the second part, we introduced Meituan and analyzed the current situation and business prospects of the company. In the third part, we used data to analyze the problems and diagnoses of Meituan. In the fourth section, we used some comparisons to provide relevant feasible applications and suggestions to Meituan.

2. Introduction of Meituan

As the leading lifestyle e-commerce service platform, Meituan's mission is to make their customer's life easier. "Help everyone eat better, and live better" is what they are hoping to achieve. The company owns Meituan, DaZhongDianPing, and everyone's most familiar Meituan take-out service. Its service possesses up to 200 different kinds of leisure and entertainment services, its

business covers up to 2800 cities around countries worldwide. The home page of Meituan is yellow. In color psychology, yellow brings people a warm, pleasant, bright, and rich feeling. The page allows you to recommend stores in real-time and has categories for each function [3].

2.1 The current situation and business outlook of the Meituan industry

As one of the first companies in China to imitate the Groupon model and put it into use, Meituan has certain advantages and has also gained a stable place in the market with its high-quality services. even though Meituan has achieved a monopoly place in the market in facing nearly 2000 new companies' websites merging into the market which makes them face a series of internal and external challenges. As the dominant player in the industry, Meituan still lost approximately 15.6 billion yuan, the data shows that Meituan delivery made a revenue of 96.3 billion yuan with an operating profit growing from 2.8 billion yuan in 2020 to 6.2 billion yuan in 2021 which gives people no doubt that Meituan delivery is making a profit.

Ignoring the earnings, the CEO of Meituan has mentioned publicly that the cost of the people who deliver the food has exceeded the delivery revenue. On average, Meituan loses 1 yuan for every order delivered by a rider. The number of Meituan delivery riders reached an astonishing amount of 5.27 million in 2021 and still progressively increasing, this huge amount of manpower expenditure has become a heavy asset for Meituan. To spread the risk, Meituan began to expand by focusing more on group buying and e-commerce which resulted in most of the profits made being consumed by investing in new business which eventually leads to loss.

2.2 SWOT model of Meituan

S: High visibility, as the first Chinese group buying site and large delivery service. Meituan also currently supports drug delivery services. All aspects are more comprehensive and can be delivered to customers at the fastest speed.

W: The management of customers' money is not perfect and safe, it is convenient to buy but troublesome to return during the transaction, in addition, the rider may be late for delivery.

O: At present, Meituan in China to start a boom in COVID-19 when the major restaurants do not allow dine-in services, but Meituan can offer take-out deliveries.

T: rival hungry publicity channel than Meituan to be a little more efficient, "according to Doudou.com statistics hungry to 35.6%, 28.8%, 18.5% of the market share respectively, leading the campus, white-collar, family three major markets.

2.2.3 Porter's Five Forces model

Bargaining power of suppliers: The bargaining power of merchants is weaker and that of Meituan is stronger. Merchants need to rely on the Meituan platform to have more economic financial flow. The Meituan platform is mainly developed for small businesses, who have a strong dependence on the platform and therefore weaker bargaining power. The Meituan platform has a good brand effect, the service as well as its innovation is second to none. It occupies sixty-two percent of the market share, so there is less threat of potential competitors which gives Meituan has strong bargaining power [4].

The threat of substitutes: The group-buying industry of Meituan is an emerging business model and the industry is still in its infanB2-B B2-B, B2C, and C2C websites are strong substitutes. Group buying is ubiquitous on the Internet, and it is relatively easy toning on other e-commerce sites. The threat of substitutes is relatively high and requires Meituan to differentiate its services.

Bargaining power of buyers: The bargaining power of buyers is strong, although consumers cannot buy in large quantities on Meituan. But consumers can compare the products on other websites. The bargaining power of consumers is still strong from a comprehensive point of view. The competitive power of potential entrants: The competitive power of potential competitors is small because Meituan already occupies 62% of the market share. Other software occupies 38% of the market share. The degree of competition of competitors in the same industry: The degree of competition of peers is high,

and statistics as of the first half of 2013, there are 6218 group buying websites. And all have different degrees of loss. Avery expects that no more than three websites can survive in the future [5].

2.3 Business model and business pain points

Meituan's business model is based on the core strategy of "Food and Platform". This gives it two main directions of focus. The first one is "Eating" as its core of income, in 2021 the market size of the Chinese catering industry reached an enormous amount of 4.7 trillion yuan. The second direction is platform traffic access. As the leading company of local service platform in China, they provide their services in the first to four-tier cities. This means business pain points would be first. Most customers focus on the final price rather than the price difference. How Meituan can effectively hit the economic pain points of customers is their key point of getting more new customers [6]. Secondly, time pain points are also very important. To explain this more efficiently would be the time from ordering the delivery to when the food arrives in the customer's hands. This time is estimated to be 40-45 minutes. According to people on the internet, when they experimented with this, it usually takes about 8 minutes to create, order, and wait for the result for other delivery companies. However, if you place an order on DaZhongDianPing, it only takes 1 minute for a reply. The third point would be the convenience and food quality pain points. Convenience focuses most on-time control, and food quality is the quality of the ingredients they use. If Meituan wants real customers, they have to focus on this instead of spending money on a price war against Elena.

In 2012, Meituan started its "T-shaped strategy". This means for the company to develop a group-buying platform and attract a large number of customers to find offline promotions online. while developing "horizontally" based on customer traffic. A "vertical" line refers to the vertical into the industry based on the group-buying platform, subdivision, and incubation of vertical businesses such as movies, nine o'clock, take-out, etc, and to set up subsidiaries and make them as big as possible.

3. Problem Analysis and diagnoses

3.1 Business structure

The Meituan company's organizational structure is separated into two parts: the technique structure and the business structure. The usage of technique structure is mainly reflected in the software of Meituan, so the business structure will be an elaborate analysis in this essay. The organizational distribution of Meituan could be analyzed from three sides. In Feb. 2019, CEO Wang Xing adjust the fourth strategy named Food + platform, and the Meituan operational structure was managed from three sides, including two Innovative sectors, two business groups, and two platforms. Also, Meituan's scale of China's take-out users increased by 17.4% in 2018 compared with 2017 and reached 358 million people. In the share distribution of online catering take-out orders in the first and second-tier cities of China in 2018, Meituan take-out accounted for 51.8%, as it is a popular take-out ordering platform for young and middle-aged people such as college students and corporate employees. Those bunch of data could tell the strategy was already successful in attracting people, which is the main proportion of Meituan's business structure. Moreover, like the above mentioned, the T strategy is an important way to support the company, the horizontal line is a innovative sector that takes the responsibility to create new options and research new fields, for instance, the Meituan optimization is a quite successful new option developed by sectors. But this one single filed loss 9000 millions in 2022, although this number already experienced a decrease by controlling the cost. Also, the two business groups are a crucial part of Meituan's benefit, but they need to burden the loss of other programs as their main income, the most difficult part is that Meituan has to stretch to new fields to compete with other internet companies. In addition, the sectors of the platform play an important role in running the company [7]. As an entrance, Meituan puts all kinds of services and fields into the platform. For example, the homepage of the platform has 45 different services and

functions, which makes the whole page too complicated and swollen so that consumers are unable to use its programs properly.

3.2 Business model

The profit model is one of the crucial parts supporting the running of a company. Every company's business model is unique from others, Meituan's business model could be generalized into three stages: a. T shape strategy b. Three carriages c. Food + platform. The three carriages strategies consist of catering services, hotels with travel services, and local life services. After Meituan adjusts the business expansion barrier, follow-up work will be under the range of the three carriages. The third stage concentrates on catering services again. It keeps delivery as a kernel, and allocates massive resources to establishing the platform, underlining the digital establishment of the supply side [8].

The third stage is focused on analysis and the diagnosis, this will provide due to the essay being more concerned about the future. Meituan wish could increase self-barrier by a supply chain reform. To be specific, the company provides the solution on every single link to vendors on the platform which covers inside to outside, from construction to operation. At the same time, vendors in the platform need to pay for such an effective offered by Meituan, this way the value of industry chain increase.

Meituan's previous focus on horizontal expansion and lack of focus on deep-rooted strategies resulted in a loose supply chain with poor surrounding support. Therefore, the group has not achieved a stable platform, and there are likely to be other hidden flaws. It is necessary to find a way to attract consumers, but also attract businesses while achieving a certain degree of lock-in. So, Meituan's strategic priority starts with building a platform (supply chain reform) and earning profit posteriorly. Meituan's business expansion has entered the deep-water zone, such as fast delivery, vegetable shopping, and taxi hailing, all of these require very large-scale investments to establish and to maintain the rapid pace of Meituan's current expansion and leading edge.

3.3 New Business Expansion Risk

As many companies so do, Meituan already has been expanding for a while not only in food delivery services, but also in some new fields steeped into our daily life. The reason why Meituan acts like this and the risk behind that behavior will be analyzed. Meituan pays a fine to the State Administration of Market Regulation in China. On October 8, 2021, due to monopoly behavior, as the result of official monitoring. Virtually, before this punishment, Wang Xing was already detected that under multiple pressures such as official regulation, external criticism, and internal revenue growth, Meituan's takeout business structure will need adjusting in the future. For risk-sharing, Meituan has to start expanding new business in hotel services and be actively involved in locals' life through community services. Hotel and travel services face a challenge that intertype competition, that industry has already formed an oligopoly market power, if Meituan tries to get good scores, their services or goods need to have intensity differentiation with others. Meituan launched targeted services for special users, that is, people who can afford them [9, 10]. The main advantage of other companies lies in the brand reputation accumulated over the past decade. In particular, foreign hotel brands have a high degree of recognition to other companies, while high-star hotels pay more attention to the brand and strength of their partners than low-star hotels, therefore, it is hard to strike market shares or cooperation with high-quality hotels if Meituan does not fully use their regnant aspects.

4. Relevant feasible application and suggestion

4.1 Improve business model

Meituan's business model is to invite the corresponding merchants to stay and then push the classified interface to the customers who need it in the form of advertisements so that the quantity of

supply and the quantity of demand are efficiently connected. In this way, Meituan not only improves the effectiveness of the transaction but also improves the trust and information transfer between consumers and merchants. Meituan's profit comes from the transaction. After the customer places an order and receives the goods, a profit is made by the company from the commissions fee. Previously, Meituan had been focusing on catering group purchases and takeaways. Now, this model has not changed, but Meituan, as an intermediary, can still collect profits from it. For example, customers can book hotels from Meituan, and Meituan helps consumers (demand-side) connect with hotels (service-side) to collect commissions.

According to the organizational structure, Meituan will lose a total of 9 billion in 2022. Jack Ma said: "If companies don't want to be fooled by others, they must reform, innovate and implement more valuable business models. This is of great significance to the improvement of corporate value and sustainable development." From the transaction volume of China's Meituan industry, and the proportion of the national catering revenue, Meituan is the largest lifestyle service platform in China's e-commerce sector.

Judging from the losses of Meituan, the company needs a business model that enhances its innovation capabilities. The most popular thing about Meituan in China is its fast delivery time, not because of its strong ability. Meituan is good at "imitation and improvement". This means that the current mature business of Meituan is not its innovation. On the other hand, Meituan's food delivery is very successful, and hotel and future medicine delivery may also be successful, but this will never be enough, which will limit the future growth of Meituan. As China's largest life service platform, innovation is the DNA of an Internet company and the key to success in the current era of Internets and online services. For example, when Meituan riders have no way to reach distant areas, the company can create an unmanned delivery vehicle. This can be similar to hotels, many hotels use robots to deliver goods to their guests. Meituan can learn from this. Meituan's innovation will especially help the online, digital, and modernization of the service industry. It will be better integrated into the Chinese market, which will make Meituan's logistics industry a breakthrough point.

4.2 Avoid overextending

The three major business segments of Meituan's expansion are food delivery, hotel travel, and new business. According to Meituan's financial report, in 2020, Meituan's takeaway business will make a profit of 1.25 billion yuan, the hotel business will make a profit of 1.89 billion yuan, and its new business will lose 1.46 billion yuan, the total operating profit is around 2.17 billion yuan. Meituan's main business and source of income comes from food delivery revenue. However, in recent years, Meituan has expanded to hotels. Meituan's biggest competitor in the hotel industry is Ctrip, when Meituan competes with such a powerful company, it will inevitably have some disadvantages. Ctrip mainly operates with hotels and some high-star hotels. High-star hotel prices have high returns, but if Meituan wants to stay in the hotel expansion station, it should focus on low star rated hotels. Presently, it is very difficult for Meituan to compete with Ctrip's high-star hotels. their main target should be low-star hotels because it relies on the logic of "high frequency to drive low frequency", which allows users to form path dependence and form a siege on Ctrip from the sinking market. Meituan should launch some discounts in low-star hotels or some "super group purchases" in high-star ones. This will allow more people to choose Meituan, especially those in the middle class, who will think that Meituan can provide them with both protection and discounts. For Meituan, this will easily accumulate more customers.

4.3 Optimize the supply chain

Whether a group buying platform can develop for a long time depends primarily on whether the platform's supply chain system is complete. Only by grasping the supplied link can the supply and fulfillment work be guaranteed, and the subsequent expansion can be carried out. Meituan needs to invest a lot of capital and human resources to complete the reform of the supply chain. Secondly, it needs to cultivate talents to complete multiple tasks. Changing the supply chain will involve all

expanding businesses including local living, hospitality and tourism services or catering. The supply chain between Meituan is divided into three types, but after Meituan lost 9 billion in 2021-2022, they optimized their supply chain in the following ways:

1. Establish a general warehouse to accommodate remote suppliers - the advantage of establishing a general warehouse is that it can store more sources of goods and avoid the situation of short supply. The second point is to absorb more remote suppliers and reduce the logistics cost of remote distribution. Meituan has nearly 200 operating points across the country. To manage distribution, Meituan will divide regions. They deliver goods to Okura, and then accompany them from Okura to the grid site responsible for supplying.

2. Batch distribution - After the goods arrive at the main warehouse, they will be sorted and shipped to their grid warehouses in batches. For example, the first batch is vegetables, the second batch is beverages, daily furniture, and so on. The advantage of such batching is that the sorting is completed in advance, which can release the pressure off of the warehouse. Moreover, the transportation conditions required for fresh vegetables differ from those for other items. Separate transportation can better ensure the freshness of fresh vegetables and reduce unnecessary consumption.

3. Delivery to self-pickup points - Meituan will eventually deliver to self-pickup points in various communities after sorting in the main warehouse. Putting the goods at the self-pickup point can solve the problem of delivery costs at the last distance and make it more convenient for community residents to pick up the goods.

5. Conclusion

Meituan already established a commercial system and the different strategies in different periods that can provide a lantern to guide the development of the company. Food delivery, hotel services, and local services had been developing for a time, they are the main industries responsible for earning massive profits to support the whole company. The strategy and navigation mark for the future of the company is to improve their business model. This innovation can help Meituan's market readily blend in with China's citizen's habits due to online, digital, and modernization of the service industry. Also, Meituan should decrease the costly and ineffective extensions in particular economy recession periods. Despite other industries who can support them, the strategy of "high frequency to drive low frequency" should remain untouched. In conclusion, the supply chain should be optimized and matured by setting up delivery self-pickup points, batch distribution, and establishing a warehouse to let the Meituan steep in dwell's life. If Meituan does not provide a solution for their issues, they are still threatened at the brink of danger.

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