

# The Analysis of Competitive Business Strategy Among Platform Enterprises Like Taobao, Jingdong and Pinduoduo

Ruyi Wang

*Department of Economics, The University Of Sheffield, Sheffield, S10 2TN, UK  
Wangry2020@163.com*

## ABSTRACT

With the advances of the Internet and information technology, the digital era provides the development of enterprises with a new space: a digital economy platform. The increasing number of enterprises enter the platform market, which makes the competition among platform companies extremely fierce. Therefore, how to improve competitiveness in order to survive and develop in the fierce competition has become an important topic. This article takes Taobao, JD, and PDD as examples by focusing on case and comparative analysis. Through using SWOT analysis, this paper study the strengths, weakness, opportunities and threats of the three platform companies. Combined with the research results, there are some competitive strategies analyzed and proposed: efficient supply chain and after-sales service strategies, price competition strategy, product quality strategy, differentiation strategy, science and technology development strategy, cost leadership strategy, innovation strategy and cooperation strategy. These competitive strategies can provide a reference for the long-term development of platform enterprises.

**Keywords:** *platform economy, platform enterprises, SWOT analysis, competitive strategy, Taobao, JD, PDD*

## 1. INTRODUCTION

The rapid development of the Internet and information technology has a huge impact on people's social life, while promoting change in the era of the digital economy. As a new way of economic organization, the digital platform economy has developed rapidly in recent years, and it plays an increasingly important position and role in economic and social development. Although the development of the platform economy faces many difficulties, it is an irreversible development trend. The platform is a virtual or real trading place, and the platform itself does not produce products, but it can facilitate the supply and demand transaction between both parties or multiple parties. And it can acquire profits by charging appropriate fees or price differences. Compared with traditional enterprises, platform enterprises can complete transactions with the help of an e-commerce platform, which effectively simplifies transaction processes, reduces transaction time and also reduces commercial costs, so more and more traditional

enterprises are transforming into platform enterprises. The continuous expansion and development of platform enterprises make competitions of each platform enterprises become gradually fierce, so platform enterprises can only win by using a flexible competitive strategy. Some digital platform giants like Taobao and Jingdong (JD) survive the fierce competition and remain in the lead. It provides an opportunity to rethink the competitions of digital platforms that have already left strong marks in the global economy. Moreover, in recent years, some newly entered platform enterprises like Pinduoduo (PDD) have fast development speed and strong competitiveness in the industry, which attracts much attention from all sides.

Combined with the development situation of Taobao and JD, this paper uses SWOT analysis to study case comparative analysis of these two platform giants, which highlights the advantages of Taobao and JD enterprises in the competition and proposes competitive strategies. It can promote the future optimization and development of their respective platforms. Then, the paper analyses the reasons for the success of PDD, which can provide a reference for the development of

competitive strategies among the new platform enterprises.

**2. LITERATURE REVIEW**

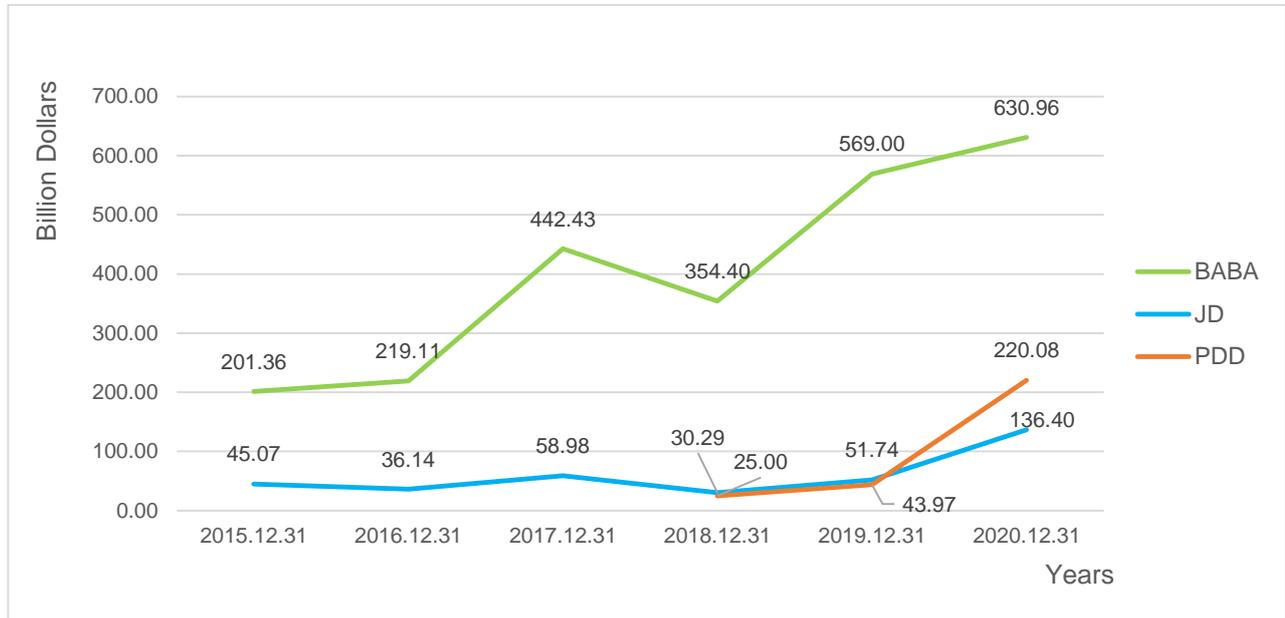
With the advent of the digital era, the digital business model has become a new framework for enterprises to adapt to this era, which is an effective way for enterprises to survive and develop in the fierce competition. And one of the most key components is the platform[1]. The competition between platform enterprises is a concern under the platform economy and many scholars are studying this topic. Benjamin and Wingand thought that platform enterprise offered a cost-effective distribution channel and greatly reduced the logistics costs[2]. Through studying the strategies of Amazon and Walmart, Jindal et al. found that providing more kinds of products, competitive prices, and convenient ways to purchase for online users are the best strategies to improve competitiveness[3]. However, Oliva et al. found that low pricing and rapid expansion of the market would generate negative feedback to platform enterprises in the long term[4]. According to the analysis of framework and strategies of e-commerce platforms, Lee suggested that platform enterprises should rethink their competitive advantages in cost,

differentiation and marketing[5]. In the article of Xue and Guo, their empirical analysis of Taobao data showed that the cost lead strategy and the credit leadership strategy can give them an advantage in the fierce competition[6]. There are many articles which are about theoretical research. However, the analysis of competitive strategies focusing on specific platform cases is not enough. And there is less comparative research on different platform enterprises.

**3. METHODOLOGY**

This paper focuses on the case analysis method and comparative analysis method. Through using SWOT analysis, Taobao, JD and PDD compare their advantages, disadvantages and propose appropriate competitive strategies. Heinz proposed that SWOT analysis was a situational analysis method based on the internal and external competitive environment and competitive conditions[7]. Through analyzing the main internal strengths (S), weaknesses (W) and external opportunities (O), threats (T) of enterprises, it can conduct a comprehensive, systematic, and accurate study of the situation where the enterprises are in, which is helpful for enterprises to make the best competitive strategy and development strategy[8].

**Table 1** The changes in total market value



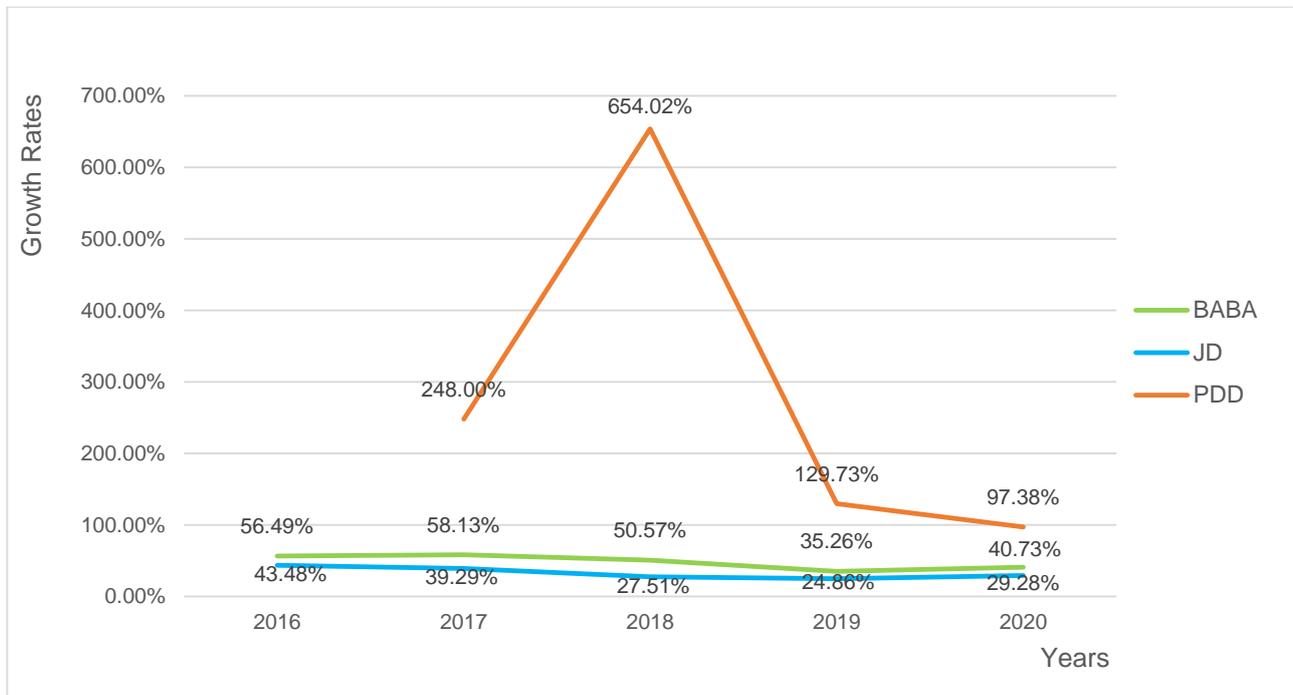
The reason why Taobao and JD are chosen as cases is that they are the best among many platforms enterprises. Taobao was founded by Alibaba in 2003. And it is a C2C platform, which is a popular online shopping platform. Its parent company is Alibaba group which is the most famous digital giant in China and occupies a large share of the market. JD is also a popular online retail platform. JD officially set up an e-commerce platform in 2003 and its model is B2C.

Both Alibaba and JD corporations successfully went public in the US in 2014. PDD is a new platform enterprise founded in 2015. Amazingly, it took only three years to go public in the US in 2018. Its rapid development makes Taobao and JD feel threatened. Table 1 shows the variation trends in total market values of Alibaba, JD and PDD. The total market values of PDD were similar to JD in 2018 and 2019, but it just spent two years surpassing JD in 2020. Its market value increased rapidly. The total market value represents the current scale of operation and assets, in the meantime, it

reflects the future development potential of the enterprise. The high market value provides enterprises better popularity and credibility, which is helpful for financing and attracting more users. Table 2 shows the variation trends in growth rates of operating income. It is obvious that PDD's growth rates of operating income were much higher than Alibaba and JD. Also, Alibaba and JD had similar growth rates of operating income. So PDD's rapid development has a threat to some unicorns,

like Taobao and JD. And PDD can be regarded as a good reference by other emerging platform enterprises. However, growth rates of operating income of the three enterprises showed in Table 2 had decreasing trends in recent years. It reflects that the competition becomes more fierce. Therefore, studying how to survive and develop in a highly competitive environment is important and necessary.

**Table 2** The changes in growth rates of operating income



#### 4. SWOT ANALYSIS

##### 4.1. Strengths

Both Taobao and JD are large online retail platforms in the Asia-Pacific region. These companies are very famous, it can be said that they are the best in China's e-commerce industry. Their excellent enterprise images are good to attract more users. For Taobao, its cost is low, which can attract many sellers to enter the platform. So there are many different kinds of goods on the platform, which can provide users with a wider range of choices. Moreover, Taobao belongs to the Alibaba group. Alibaba group includes many subsidiaries and it operates different businesses. So the background can provide a good development environment and rich resources for Taobao, which may produce synergy effects. For example, Alipay is a popular payment method, and its convenience and security have attracted a large number of buyers and sellers on Taobao platform. At the same time, the transactions on the Taobao platform also promote the use of Alipay. For JD, it has a clear market positioning. JD is the largest 3C online shopping platform in China's

B2C market. Its unique advantages in the comprehensiveness and professionalism of the 3C products make it become a priority choice for users. Therefore, the differentiation strategy of JD makes itself have strong core competitiveness. Moreover, JD's logistics system is perfect. It has self-built logistics centers and expresses delivery companies in different regions, which can provide good after-sale services and help improve the satisfaction of users.

##### 4.2. Weakness

For Taobao, the entry threshold of its platform is low, which results in many fakes being sold on the platform. The behaviors not only harm consumer interests, but also have a negative effect on the credibility of Taobao which is a third-party trading platform. And the homogeneity of products is serious. Many internet sellers are selling highly similar products on the platform, even sellers stock from the same producer. It leads to excessive market competition, which may produce a vicious circle of operation. Moreover, platform services on Taobao are weak. Its credit evaluation system is imperfect, and the ineffective supervision leads to many sellers getting high evaluations through dishonest means. In addition,

Taobao does not have its own logistics system platform, which may be easy to have a bad impact on the consumer's service experience and cause the inefficiency of logistics distribution. Therefore, this restricts the expansion and development of platform enterprises to a certain extent. However, for JD, although JD has its own logistics system, its distribution pressure is increasing. With the increase of product types and sales volumes, a large number of orders have affected the distribution efficiency of JD Logistics.

### **4.3. Opportunities**

There are good development opportunities for Taobao, JD and PDD. With the development of Internet technology and the accelerated pace of people's life, modern consumer markets are becoming increasingly digital, and more people accept and get used to shopping online which is convenient and time-saving. Therefore, platform enterprises have huge market space and development potential. Especially, through the COVID-19 pandemic, more and more people are willing to purchase goods through internet platforms. So the pandemic encourages the development of platform economy. It accelerates the speed of the transition to platform enterprises. Moreover, the government also realizes the development space and important position of the platform economy. Therefore, the government provides more policy support and a relaxed environment, which creates a good external environment for the development and norms of the platform enterprises. In addition, under the development trend of economic globalization, the proportion of foreign trade is also increasing, which gives valuable opportunities for platform enterprises to enter the international market and expand their trading scale.

### **4.4. Threats**

The competition between platform enterprises is very fierce, and there are continuously newly entered and transformed platform enterprises to grab the market. These challenges bring a great sense of crisis to the current platforms. Moreover, the platforms exist information security problems. The government's supervision of platform enterprises is not enough and it lacks relevant regulation. Online trading has some risks, for example, the disclosure of user information damages personal privacy.

## **5. COMPETITIVE STRATEGY**

Taobao and JD are the leading positions among platform enterprises and they both have high market share. So they are strong competitors for each other. For their long-term development, the following competitive strategies and measures can be taken in future reform.

Firstly, efficient supply chain and after-sales service strategies. Taobao should build its logistics and warehousing systems. It can set up a distribution station and after-sales service center, which will improve the efficiency of supply chain services. A perfect logistics system can provide distribution services in time for users, and ensure the quality of goods. And JD should improve the current logistics management system and expand the scale and numbers of logistics centers to relieve distribution pressure, which greatly improves its management and operational efficiency. Moreover, it should use big data to optimize the distribution routes and improve distribution efficiency[9].

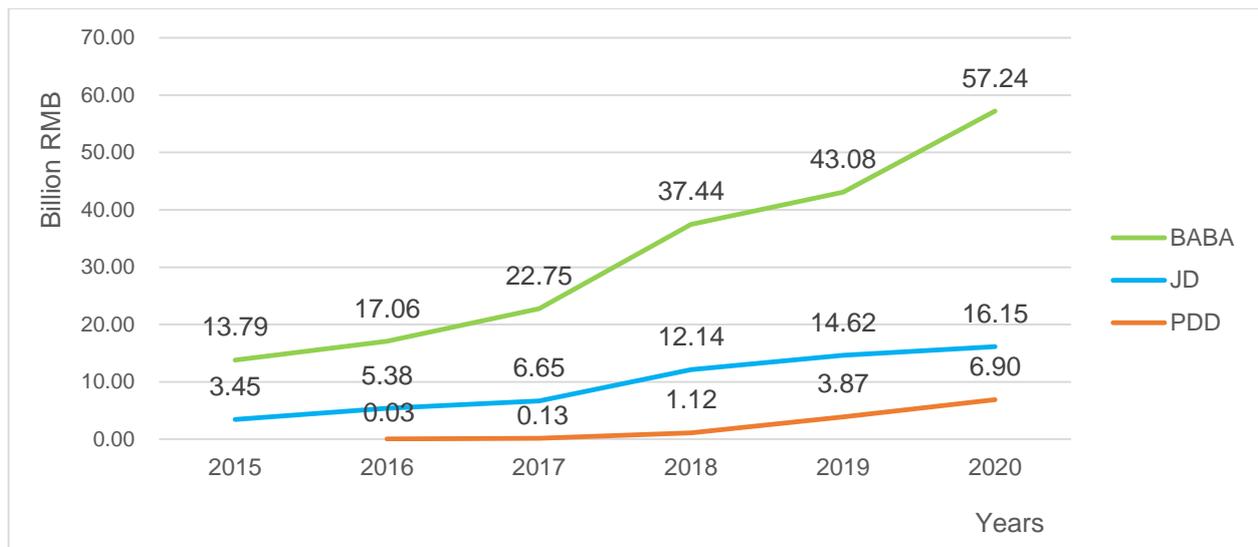
Secondly, price competition strategy. Compared with JD, Taobao has an obvious advantage in the price. Consumers are sensitive to prices. Taobao often holds many shopping holidays, such as Double Eleven. Through offering discounts to attract users and increase trading volumes[6]. Therefore, JD should learn from Taobao, and hold more shopping activities.

Thirdly, product quality strategy. Product quality is the foundation of everything, which plays an important role in the long-term development of platform enterprises. JD is business-to-customer and its platform only allows enterprises to enter. JD's advantages of product quality increase the credibility of the platform and attract a large number of users. Therefore, Taobao should raise its entry threshold, which may effectively eliminate those low quality and fake products. Moreover, it should pay more attention to internal supervision and impose strict penalties for sellers who sell fake products. This contributes to creating a good shopping environment for users.

Fourthly, differentiation strategy. There is a large number of similar products on Taobao platform. So Taobao should create its special core products and personalized service which are different from competitors. Based on previous sales data and industry data, it can select the most popular product types regarded as the main products to develop. The strategy has a positive effect on improving competition.

Fifthly, science and technology development strategy. Technology level and innovation ability are the core competitiveness of an enterprise. The application of big data and AI can provide a more accurate analysis of target users and user needs, which has a positive impact on platform optimization[9]. Therefore, platform enterprises should attach more importance to and spend more investment on research and development. Table 3 shows the research and development expenses of Alibaba, JD, and PDD. All their investments in research and development increased by the year. Obviously, the increasing speed of investment became faster. It reflects that the importance of technology level and innovation ability.

**Table 3** Research and development Expenses



The rapid expansion and development of PDD shocked people and it also makes the current platform giants suffer a sense of crisis. Therefore, its successful competitive strategies can provide a reference for new platform enterprises. Firstly, cost leadership strategy. PDD realizes the direct connection between the users and the factories. Users place orders directly through the platform and then factories receive orders. So products can be directly delivered to consumers after leaving the factory without any middlemen. The simplification of the supply chain avoids the increase in price during the process of circulation, which reduces the costs of the supply chain[6]. Secondly, innovation strategy. Innovation ability is key for an enterprise. PDD creates a special business model: Group purchase. Its users can purchase products with other users by sharing links, which reduces the cost and attracts many users. And it mainly focuses on markets of small cities and rural areas which are ignored by Taobao and JD, so it meets the needs of users who have low-consumption levels. PDD pays great attention to research and development investment. Thirdly, cooperation strategy. PDD has many famous partners. It acquires financial support and propaganda resources from these strong cooperators, such as Tencent, SF Express and Bubugao. And only through achieving cooperation in the competition can we achieve a win-win situation. They can find some enterprises with good development and common value concepts to form stable supply and demand relations, which is helpful to establish the advantages of the industrial chain.

**6. CONCLUSION**

This paper uses SWOT analysis to study and compare the strengths, weaknesses, opportunities, threats and competitive strategies among Taobao, JD and PDD. A good external environment provides

valuable development opportunities for the development of platform enterprises, but there are still many risks. Therefore, the three platform enterprises should keep their strengths and continuously optimize their competitive strategies. The paper proposes five competitive strategies: efficient supply chain and after-sales service strategies, price competition strategy, product quality strategy, differentiation strategy and science and technology development strategy. These strategies can help Taobao and JD keep ahead in the fierce competition. These are also significant for the future long-term development of PDD. Moreover, PDD’s successful competitive strategies: cost leadership strategy, innovation strategy and cooperation strategy can provide suggestions to newly entered and transformed platform enterprises. At last, in future research, The author could study cross-border e-commerce competitive strategies of these domestic platform giants and compare them with some famous foreign cross-border platform enterprises.

**REFERENCES**

[1]El Hilali W., El Manouar A. (2020). Digital Business Models: Doing Business in the Digital Era. Innovations in Smart Cities Applications Edition 3. (SCA 2019), pp. 217-229.

[2]Benjamin, R. and Wingand, R. (1995). Electronic markets and virtual value chains on the information superhighway. Sloan Management Review, Winter, pp. 62-72.

[3]Jindal, R. P. et al. (2021). Omnichannel battle between Amazon and Walmart: Is the focus on delivery the best strategy? Journal of business research, 122, pp. 270-280.

- [4]Oliva, R., Sterman, J. D. and Giese, M. (2003). Limits to growth in the new economy: exploring the 'get big fast' strategy in e-commerce. *System dynamics review*, 19(2), pp. 83–117.
- [5]Lee, C.-S. (2001). An analytical framework for evaluating e-commerce business models and strategies. *Internet research*, 11(4), pp. 349–359.
- [6]Xue, Y., Guo, Y. (2012). Competitive Strategy of E-business Sellers on Consumerto-Consumer Platform: Based on Data from Taobao. *Nankai Business Review*, 15(05), pp.129-140.
- [7]Heinz, W. (1982). *SWOT Matrix-A Tool for Situational Analysis*. America: Long Range Planning.
- [8]Dyson, R. G. (2004). Strategic development and SWOT analysis at the University of Warwick. *European journal of operational research*, 152(3), pp. 631-640.
- [9]Zhao, Y., Zhou, Y. and Deng, W. (2020). Innovation mode and optimization strategy of B2C E-commerce logistics distribution under big data. *Sustainability (Basel, Switzerland)*, 12(8), p. 3381.