Research on Marketing Mix Strategy of PDD E-commerce Platform

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ABSTRACT

PDD’s (hereinafter referred to as PDD) marketing strategies made the brand grow in a short amount of time. We used secondary sources investigation methods with our understanding of PDD’s marketing. This paper is discovered through investigations and shows that the manifestation of PDD’s marketing strategies is a huge product, cheap price, various promotions, and distribution marketing. Its feature trends are good reputation, qualify the consumers’ needs, and work from third-fourth tier cities to first-second tie cities. The reason behind that is because PDD wants to be a trending e-commerce platform. The marketing of PDD sets a great example of building a trending brand for its colleagues.

Keywords: PDD, E-commerce platform, Marketing Strategy

1. INTRODUCTION

Over the past two decades, the Internet has changed the nature of shopping by supporting the proliferation of e-commerce sites, which has shifted shopping to e-shopping [1] instead of traditionally doing business. Thus, the upward trend in the new way of doing business known as e-commerce has been sweeping the world for nearly a decade, and the sales generated by this industry have been growing steadily [2]. Compared with traditional business, e-commerce provides new opportunities for businesses and consumers to easily share information, find and purchase products while increasing consumer convenience [3]. For sellers, they don’t need to set up offline physical stores to sell, which reduces costs [4]. As customers become more transient due to improved access to information, it is easier and less costly for various e-commerce platforms to switch between their competitors [5]. Hence, it becomes especially important to find innovative growth strategies to attract customers and stand out from the major e-commerce platforms. The digital economy has grown rapidly in East Asia. Thanks to the rapid development of the Internet and mobile infrastructure, several "young" companies have quickly become domestic market leaders. They have entered international markets [6], including Alibaba, Jingdong (hereinafter referred to as JD), and PDD. PDD was founded in 2015, almost 20 years later than the other two companies. Around 2015, Internet platforms are competing fiercely in the Chinese market by fostering an omnichannel shopping ecosystem. Companies owned by the two giants, Alibaba and Tencent, lead a one-to-many competitive dynamic in the Chinese market. In this competition, the recently established PDD has gained attention for its rapid growth, positioning itself as the third-largest e-commerce platform in China with a 19.4% market share [7]. This is all thanks to the various novel marketing methods of the PDD platform.

Base on the background and phenomenon we talked about in the previous paragraph, we are interested in five questions: the development history of PDD; the target market and market positioning of PDD’s e-commerce; the combination of PDD’s marketing strategy; what causes PDD company adopts such a marketing strategy; and the enlightenment and influence of PDD e-commerce platform to other companies and e-commerce.

According to the research questions above, our research object is PDD, an online shopping platform that is very popular recently in China. Compare to Taobao, the online shopping platform of Alibaba, PDD only took one-third of the time to make itself successful. PDD’s yearly business volume of 2020 is around 30
billion yuan. Online resource of PDD is very limited, so the way we have our research is through secondary resources and cases study of PDD. We will mostly focus on the growth of PDD, the market positioning, the specific marketing strategy and the reason, and the future trend that will influence other brands. PDD is growing rapidly in the past few years, and it keeps growing bigger and bigger. The reason behind the extreme growth is because PDD has a combination of marketing strategies.

We found it is very interesting because online shopping platform is countless in China and over the world. Why do people choose them instead of others? Why can it grow so fast in 6 short years? Our research will dive deep into the strategies and why that makes PDD jump out of the crowd, being one of the well-known, highly used online shopping platforms. The unique strategy of PDD will also affect the industry. Will another businessman also follow PDD’s lead and launch something similar? Does online shopping go to represent cheap and fast in the future? The research mentioned above can help us discover innovative strategies and competency requirements that are in line with the context of today’s times and understand the needs of consumers in recent years. In this way, more individuals or researchers in e-commerce platforms or related professions can be provided with more novel materials and information to help advance their development and research. It can also reference the future growth plans of e-commerce platforms to help them better serve all kinds of consumers. For consumers, we also hope this study will also serve as a reference sample to help them recognize marketing tactics and false gimmicks in the dizzying world of e-commerce and to stay away from consumerism traps.

2. REVIEW OF THE LITERATURE ON THE CONTENT OF THE STUDY

2.1. Presentation of the research content

Since PDD was established only 6 years ago, there is not as much academic literature about it as there is about Taobao and JD in tens of thousands of papers in current academic studies at home and abroad. But because the PDD platform has created a lot of value and achievements quickly, thousands of academic studies about it can now be found on the web. At the same time, research on marketing strategy, which is itself a very important field of study in economics and has existed for a long time, can be found in the academic community in millions of volumes very richly. Due to the limited research on PDD platforms, this literature has a similarly limited audience and does not contain a significant amount of interdisciplinary content. In addition to most studies on economics and consumers, a very small number of studies on PDD can be found designed for the media, agriculture, education, and logistics.

2.2. Review of the literature about PDD

Although there is a lot of research on PDD today, in general, it can be divided into the following 4 areas.

2.2.1. PDD & other platforms

The first compares the PDD platform with other e-commerce platforms, such as Taobao and JD. For instance, Moss Trefor [8] suggests that PDD is an e-commerce application that turns discount shopping into an online game and has surpassed its competitors, Alibaba Group Holding Ltd. and JD, as the most popular Internet shopping in China. But in this context, PDD also faces a lot of problems to be solved, such as personnel management. They also suggested that the PDD platform should learn from the success of Taobao and Jingdong and make some improvements. Zhai [9], on the other hand, presents a possible threat to Alibaba through an analysis of PDD’s 2020 buyer data and stock price, as well as a presentation of PDD’s recent CEO replacements, and briefly states its response. Moss Trefor has similarly analyzed this in another of his articles. It is also not difficult to find comparative analyses such as in his academic article, Cang [10] mentions the “siege” of the PDD platform by Suning and Taobao, which means the reaction of other earlier e-commerce platforms to the rise of PDD in a competitive relationship.

2.2.2. PDD & consumers

In the second area, research on PDD has focused on the analysis of consumer behavior. For example, the United Daily News [11] 2019 news mentions why the PDD platform attracts users. This article analyzes the engagement, pleasure, shopping enthusiasm, and herd mentality of consumers on the PDD platform by asking questions and answering them one by one. In Yu’s article [12], he uses the example of PDD consumers to analyze the scope of social psychology research to explore people’s social relationships. In addition, he presents the various functions and promotion methods of the platform and generalizes the information of the e-commerce platform as a whole. Other similar content includes analysis of consumer trust issues with e-commerce platforms, and Lee, Lee, and Yip [13] also cite PDD in their analysis and articles.

2.2.3. PDD & Economic Theory

Another type of literature presents PDD companies as a case study with some specialized knowledge about economics. To illustrate, Wang and Wang’s article [14] published in 2019 discussed the “traffic distribution” and its impact on traditional e-commerce platforms, using the rise of PDD as an example, and systematically compares the differences between traditional e-commerce and social commerce. Similarly, a review by Sohu News [15]
uses PDD in his article to explain the relationship between brand, channel, and consumer, focusing on the C2B model in detail. Huang et al. [16] are using PDD as an entry point to compare the traditional. The efficiency of customer acquisition between e-commerce and community e-commerce, pointing out the trend of e-commerce development and why PDD can develop and grow rapidly. They also used the root theory to give several suggestions for PDD's word of mouth. It is worth mentioning that the study by Huang et al. focuses more on the PDD platform itself for some targeted analysis and recommendations than the previous two articles.

2.2.4. PDD & marketing model

Finally, for other aspects, analysis of the PDD marketing model is not excluded but is just less numerous. One example is In Jia and Xiong's article [17]. They analyze the current situation of PDD as a member of modern competitive e-commerce and examine its impact on the online development of major, medium, and small e-commerce companies. There are also some references to PDD in the literature, but only as one of many cases for analyzing market elements for building models. For example, Chang et al. [18] developed a research model based on risk theory and customer resistance to change (CRC) framework by analyzing various e-commerce platforms. Moreover, Zhao, Wang, and Chen [19] similarly develop a theoretical framework for sustainability in analyzing platform business models.

From the above observation of various literatures, it is easy to find that the current academic research on PDD is more concerned with analyzing economic knowledge and consumer psychology using PDD platforms as examples rather than focusing on the platform itself. The analysis of PDD's marketing strategy is not detailed enough, and the "dark horse" that appeared in the e-commerce world did not receive much attention and discussion. Therefore, we want our research to be specific to the PDD platform itself, analyze to some extent the various marketing strategies used since its inception, and derive important information to provide to the research or business sector that needs it.

3. MARKETING STRATEGY PORTFOLIO APPROACH OF PDD PLATFORM

3.1. Introduction of PDD e-commerce platform

Shanghai Xumeng Information Technology Co., Ltd. was established in 2014. In September 2015, he founded PDD, a new social e-commerce platform, and PDD is now the company's main product. PDD platform adopts "good goods are not expensive" as its operating philosophy and provides consumers with subsidies and discounts for big-name products, agricultural products of origin, factory products, and new brand products. Shanghai Dunlu Technology Co., Ltd., an affiliate of PDD, recently changed its business scope and added "tourism business" [20].

From the perspective of user volume, it took only six years from the establishment of PDD in 2015 to 2021, and the number of active users of PDD increased to 788 million in 2020. This number of users is more than Alibaba's 779 million. Not only surpassed Alibaba but also surpassed Amazon to become the world's largest e-commerce user platform. What is even more eye-catching is the turnover of PDD, which has now grown to 1,667.6 billion, a year-on-year growth rate of 66%. PDD is expected to be profitable in 2022 [21]. From the perspective of order volume, the total number of orders for PDD's platform in the express logistics industry reached 38.3 billion in 2020, increasing 94% over the total number of orders in 2019 [22]. At the beginning of 2021, PDD was already listed in the United States. It has become one of China's third largest e-commerce companies, and the domestic e-commerce market has formed an "oligopoly". The three platforms of Alibaba, JD, and PDD account for 80% of the Chinese e-commerce market. And PDD has the strongest development momentum regarding the number of active users and annual turnover [23].

3.2. Manifestation of the marketing mix strategy of PDD e-commerce platform

PDD is an e-commerce platform that is open to everyone. Its positioning is buying with other people to have a lower price. The name PDD in English means to put more and more together.

3.2.1. PDD's market positioning and product marketing strategy

The key concept of PDD’s product marketing is huge. PDD has set their slogan as the bigger the order is, the lower the price will be to let people have lower prices. PDD wants to connect socialization and communication with online shopping. The way to make the order bigger is to share with your friend a link on social media like WeChat. This has helped people to connect differently. Normally people connect through chatting or shopping in person. This has helped people who might not be able to shop together in person but still can shop together differently. They did it by using the strategy of putting different peoples’ orders together. This also brings profit to the sellers due to the huge amount of the order. This also makes advertising easier because the consumers will spread the news of helping themselves get a lower price by having a bigger order with other people. And this phenomenon will keep happening as long as social media exists. The huge amount leads to lower prices and brings up the key concept of PDD pricing.
3.2.2. PDD's targeted Users and price strategy

The pricing of PDD is cheap, and it is cheaper than any of those e-commerce platforms in the market. Under the market mostly controlled by JD and TaoBao, how did PDD stand out in such a short amount of time? Because of pricing. The cheap price attracted lots of consumers to shop on PDD. In such a short amount of time, PDD gained tons of fame to support their marketing strategy. But there's also a problem with the lower price: some consumers do not trust PDD quality. Normally lower price comes with lower quality. Since PDD's have the lowest price in the market, people will assume that the quality of PDD is also not ideal. However, people who shop in PDD care less about the quality, whereas they pay more attention to the price. For example, basic salary workers, migrant workers, and lower to the middle class. This is not only the majority group of people who shop in PDD but also the majority group of people in China. All in all, the lower price helps PDD's to stabilize their position in the market.

3.2.3. PDD's promotion strategy

The promotion strategy of PDD is also very interesting. The keyword for promotional marketing of PDD is various. For example, during the sale festival or the sale season, PDD has different discounts for different products. PDD's impressive advertisement will show up all over social media and TV shows. The cheap pricing and extra discount create an irresistible reason to shop on PDD. The reason why most consumers have to pick one from many products is because of the price. Now the consumers do not need to hesitate. The price is lower enough to buy everything consumers want. Also, people will be curious why PDD can provide such a low price. Out of curiosity, more consumers will try to shop on PDD and keep using it. The various discounts and promotions also help to stabilize the advantage of PDD.

3.2.4. PDD's distribution sales strategy

In Western economics, the meaning of distribution is to establish sales channels. According to the definition of the famous marketing master Philip Kotler, Distribution Channel, or Marketing Channel, refers to the transfer of Commodity or Service from Producer to Consumer [24]. The ownership of such goods and services helps all enterprises and individuals whose ownership is transferred. The advantage of Pinduoduo's use of distribution is that it can improve operational efficiency and save labor costs. It is a good choice for businesses with low budgets. If Pinduoduo merchants want to do distribution, they must first settle in Pinduoduo and pay a deposit. Then it is to choose the type of shop, distribution tools, and finally to promote. Now PDD's distribution model is becoming more and more mature, and the product variety and scale continue to expand. The distribution industry is showing a trend of diversification and deepening. This is a wonderful phenomenon for manufacturers, merchants, PDD platforms, and consumers. For manufacturers they can directly connect with many merchants and have a large number of stable output channels. For merchants, they can buy goods directly from the original factory to reduce the price difference between middlemen. They can also purchase at a more favorable price; for the Pinduoduo platform, to reduce the number of intermediate transfers. Once the quality of the goods has any problem, they can be directly traced to the manufacturer through the merchant in one step. It is simple and quick. Finally, the biggest beneficiary is, of course, the customer. Because the source of the product is simple and clear, once the product is free of problems, it will be more guaranteed to be responsible to the consumer to the end, instead of many middlemen shirking each other. The distribution model will continue to develop at least in the next 5 years.

4. PDD MARKETING STRATEGIES' TRENDS, CHARACTERISTICS, AND REASONS

4.1. Features and trends of PDD's marketing strategy

4.1.1. PDD's reputation

The uniqueness of PDD's marketing is to benefit the people and win a good reputation. However, this "by word of mouth" is not a good reputation brought about by the real quality and low price of the goods, but it is obtained by using the trust of relatives and friends in each other. They give discounts to some customers who want to get a small profit to recommend the product and even the PDD software to people who trust them. For example, they will give new users discounts in the form of direct cash payment when new users register so that these newly registered customers will share the cash collection interface with others and let them click on it. This method will effectively increase the number of clicks and online time of the old customers on the e-commerce platform of PDD and attract new users who have never registered and used PDD software. After all, PDD has a clear understanding of human psychology and human weakness. Anyone interested in hearing that software will give you cash directly; the platform also suggests that customers share the link of PDD with their friends when they want to buy an item to buy what they want at a better price through friend's hits.

4.1.2. PDD follows the current fashion

Another important factor that makes PDD's marketing so successful is that it captures the pain points of contemporary young people's consumption. In the past
decades ago, the main commodities people bought were for the basic needs of a normal life. And now, people prefer small and interesting products that can truly enrich their personal lives. For example, Fast Moving Consumer Goods, cheap and trendy clothes, and jewellery. As the pace of life of modern people is accelerating, people’s leisure and entertainment time are less squeezed by the pressure of work and study, so they need more high-frequency and rapid mental stimulation in the limited rest time to allow them to relax. Therefore, the classic, long-lasting market is no longer popular now. What modern young people need more is a wave of fast and novel, and constantly innovating fast fashion. In this case, PDD’s cheap and time-sensitive website setup just caters to the consumption concept of modern people. For example, in China, PDD first proposed and implemented 9.9 yuan, which is equivalent to less than US$2, to buy a product and deliver it to your door for free. It sounds unbelievable because I also live in the United States, and the price of fewer than two dollars is not as expensive as the delivery fee of some goods. Including but not limited to clothes, necklaces, rings, issuing cards, stationery, stickers, etc.

4.1.3. Different cities influence PDD differently

The city that the consumer of PDD lives in is also an important part of the marketing method. In the current situation, JD and Taobao have taken most of the market of first and second-tier cities, which leaves no space for PDD, an online shopping platform that is pointing for a cheaper price. The only way PDD can work this out is to point at a different group of audience, the third and fourth-tier cities. The final goal is to work it out from the third and fourth-tier cities into the whole country. To operate a successful company, PDD knows that they have to gain a reputation first. The third and fourth-tier cities’ consumers fit best. Most of them are looking for cheaper products and relatively good quality. When they satisfy the consumers of the third and fourth-tier cities, they have gained enough reputation to move forward to the first and second-tier cities. Thus, now PDD can compete with big brands like JD and Taobao in the first and second-tier cities. Although PDD is still not the first choice for most of the people who live in the first and second-tier cities, PDD has made huge progress in such a short amount of time. In the future, PDD will keep expanding its market. Not only the first and second-tier cities in China but also the cities outside of China. The expanding process is from small cities to bigger cities, and it takes a lot of time which PDD has shown as only example in which they expand so fast.

4.2. The reasons behind PDD marketing

The reason why PDD has been so successful in just a few years cannot be separated from its use of mass psychology. PDD is extremely adept at exploiting the weaknesses of multidimensional human nature and uses psychology to the fullest extent. They exploit human weaknesses to the fullest degree to convince consumers to provide them with publicity willingly and for free.

4.2.1. Laziness

It takes advantage of the psychology of most consumers to get something for nothing or get more for less. Laziness is the greatest human weakness and psychology that everyone cannot avoid. So, everyone may fantasise about getting something in return without giving. Not giving means no loss, and getting something in return can be enjoyed. And PDD is precisely to seize such psychology of the masses and make the most of it. Take PDD’s most common marketing tactics as an example. Many people know this platform because of its “chop a chop” feature and “daily bonus” feature. These two functions are to share multiple friends and invite the shared person to click on the link to download the program, and the sharing person will get the opportunity to buy the product for free or get a hundred yuan red packet. This will encourage consumers to see such information driven by the psychology of taking advantage of the bargain, to share the platform’s so-called “cut-price information” with each other. At the same time, the platform also pushes the corresponding cut price information to the sharer, prompting the sharer to share the platform content. Through this continuous sharing, the platform can easily make users become “free advertising” for the platform, thus gaining more attention and views.

4.2.2. Sunk Costs

Representative weakness is the “Sunk Costs”. If an expense has been paid and cannot be recovered regardless of the choices made, a rational person would ignore it. This type of expense is called a sunk cost [25]. In PDD’s "friend bargain" process, the first few friend bargains will give the user a "sweet taste", but the further you go in the bargaining process, the less each share can offset the price. This means that reducing the same price in the final stage requires more shares and views by sharers than in the initial stage. Each person has to invite almost hundreds of friends to get the reward, and most people can hardly complete this "task". During this process, users will gradually realize that they need to share more times to achieve their goals. However, because they have already shared many times before and appear to be close to completing the task, users mostly choose to continue sharing to get there, but in the end, few actually get the discount. Then the PDD platform is constantly benefiting from such countless sharing. In addition, people are more inclined to trust people they know, and PDD is a way to leverage users’ natural networks to accomplish more efficient advertising. At the same time, due to the partnership between PDD and WeChat platform, WeChat becomes a platform for PDD.
advertising, and more users enter the platform through acquaintance fission. In addition, PDD utilises media monitoring and big data analytics to accurately determine almost every consumer’s preferences and push them accordingly based on interpersonal networks and search records. We also push each other's friends' purchase history to different users to motivate them to buy.

To sum up, PDD has developed a precise marketing strategy through the knowledge of psychology, and finally, the breakthrough of human weaknesses, and their choice has proved to be correct.

5. CONCLUSION

Based on the PDD platform as the main case object, this paper analyzes the main research issues of PDD and obtains the following main conclusions:

5.1. The uniqueness of PDD marketing strategy

Firstly, the core idea of PDD product marketing is that the larger the order, the lower the price. Secondly, the cheap price attracted lots of consumers to shop on PDD. Thirdly, the keyword for promotional marketing of PDD is various. Last but not least, the advantage of PDD’s use of distribution is that it can improve operational efficiency and save labor costs. This is a good method for manufacturers, merchants, PDD platforms, and consumers.

5.2. The characteristics and trends of PDD marketing

At first, PDD uses the trust between acquaintances to gain word of mouth. Then, PDD caters to modern consumer concepts and leads the consumption trend. Finally, PDD focuses on consumers in third and fourth-tier cities, acquiring high-volume customers with a price advantage.

5.3. The reason why PDD adopt such a marketing method

Using human weaknesses such as greed for petty gains and increasing "sunk costs" can effectively achieve PDD’s marketing. Next, using such a marketing method allows PDD to obtain more comprehensive feedback information, thereby making it more precise to Launch the product.

5.4. Discussion

In response to the above study, the following assessments are made. It cannot be denied that there are some shortcomings in our study. In terms of research methodology, because of the limited resources available to us, we could not conduct a large and generalized sample survey or interviews with individuals involved in PDD’s management. This paper is based on the inductive processing and summary analysis of secondary data related to PDD, so we do not have a clear picture of the complete research process of the cited sources. Therefore, the information we obtained was shallow and lacked details. For example, what problems were encountered in the acquisition and study of the data, and whether they were properly addressed, or whether the findings were true and generalization. All these restrict the deeper research of this paper to some extent. Secondly, this paper is mainly based on PDD platform marketing strategy research for its related case study. However, it has certain typicality and representative because the research is limited to the PDD platform. Thus, the conclusion of this paper may not be universal for all e-commerce platforms and cannot reflect the whole picture of e-commerce platforms and their marketing strategies. In other words, there are certain defects and shortcomings in the object. Despite the shortcomings mentioned above of the study, there are still some highlights worth mentioning. First of all, from a theoretical point of view, we have developed an analytical framework in our description and analysis of the marketing strategy of the PDD platform. That is first. We analyzed the marketing strategy of the PDD platform from four aspects: product, price, promotion, and sharing. Secondly, we explained its manifestation, and finally, we analyzed the marketing characteristics and trends of the PDD platform and then analyzed the reasons behind its marketing. In this regard, our article can inform future marketing researchers’ research framework and help them more rationally organize the marketing strategy analysis of their research subjects, allowing for a more logical and layered analysis of their research. In addition, in terms of practical implications, our analysis is useful for practitioners in marketing to learn from and be inspired by. They can find the best points from the highlights of PDD platform cases to utilize and improve them, and at the same time, they can use the reasons and experience behind the success of the PDD platform to adapt to their own industry planning. Furthermore, understanding the platform's consumer psychology and various marketing strategies will help consumers consume rationally and avoid consumerism traps.

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