

Original Paper

Analysis of Pinduoduo Social E-commerce Model

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Abstract

With the changes of the times, the internet is becoming increasingly important and mobile phones have become ubiquitous in people's lives. More and more people are willing to purchase goods online, and e-commerce has entered a new and flourishing stage of development. A single e-commerce marketing model can no longer meet the needs of consumers, therefore, social e-commerce has emerged. The e-commerce industry in China has been developing for over a decade, with various stages gradually maturing and e-commerce constantly growing. At this time, Pinduoduo launched a unique marketing model that integrates social and e-commerce into consumer services. With its unique social e-commerce model, Pinduoduo has become a leader in the e-commerce industry in just three years and has opened up a new field for e-commerce with its unique social e-commerce marketing.

Keywords

Pinduoduo, social e-commerce, analysis of e-commerce models, value creation

1. Introduction

Social e-commerce not only brings commercial development, but also stimulates the development of electronic technology. However, it cannot be denied that e-commerce still has certain problems in various aspects such as marketing, customer problem handling, transportation, and between merchants. This article conducts an in-depth discussion on the problems in social e-commerce marketing through the analysis and research of Pinduoduo, and proposes targeted solutions. For society, Pinduoduo has brought rapid economic growth and promoted the vigorous development of industries such as express delivery and logistics, bringing a new situation to the development of domestic e-commerce models. The analysis of Pinduoduo's unique marketing model, is of great significance to better understand the current Chinese e-commerce platform and promote e-commerce to enter a new stage.

2. Mode Analysis

Teams can make products, deliver services, negotiate, coordinate projects, make recommendations, and make decisions. The following are the four most common types of teams: problem-solving teams, self-managed teams, cross-functional teams, and virtual teams.

2.1 Group Bargaining Mode

Since its establishment, Pinduoduo has focused on the middle and low-income market groups in the third, fourth, and lower tiers. Therefore, Pinduoduo utilizes the characteristics of these groups to lower the prices of its platform's products to attract middle and low-income groups. In the Pinduoduo user group, women account for 73%, and consumers are mostly distributed in the age range of less than 24, 25-30, and 31-35 years old. They have a certain economic source, high consumption demand, and pursue economic and practical consumption concepts (Tang, 2020). The "pinyin" purchase model launched here aims to attract more consumers by utilizing the low price defined by the platform itself. Pinduoduo's group buying prices are generally lower than those of other e-commerce platforms, creating a truly low price for consumers, allowing them to purchase products at the lowest possible price.

2.2 Cash Collection Mode

Pinduoduo has launched a red envelope strategy. On the homepage of Pinduoduo's software, there is an activity where customers can withdraw cash from envelopes by sharing them with friends. When consumers share a link with a certain number of friends and click on the help button, they must download Pinduoduo's app. After the friend successfully helps, they can receive cash rewards from the Pinduoduo platform. This model utilizes consumers' competitive mentality to guide them to continuously share, invest time and energy, and use their social resources to attract a large number of potential customers for Pinduoduo. This marketing model integrates social media and e-commerce to leverage consumers. If the Pinduoduo platform recommendation sharing to expand brand awareness is far more effective than the expensive advertising effect.

3. The Dilemma of E-commerce Model

3.1 Excessive Sharing Leads to Development Difficulties

Pinduoduo platform is facing competition from traditional e-commerce giants to replicate successful social e-commerce models, as well as the constantly emerging new models and gameplay of social e-commerce (Tang & Zhang, 2020). At present, Pinduoduo is facing a social dilemma in the e-commerce model. After launching the low-priced purchase activity, the number of users of Pinduoduo is rapidly increasing. Consumers share links to the products they want to purchase with their family's WeChat group, inviting friends and family to help form a group. This has resulted in countless links shared on WeChat Moments, which has had a negative impact on consumers to some extent. The series of activities of Pinduoduo are all based on inviting new users, and if a user's invitation speed is too frequent, it is extremely easy to cause some potential users who have never used Pinduoduo or have not received certain benefits from Pinduoduo to feel disgusted and no longer use Pinduoduo. It is extremely unreasonable to

use the current huge traffic flow to block Pinduoduo's long-term development due to excessive sharing on social media, which leads to potential users of Pinduoduo being overconsumed. Excessive consumption of potential users can hinder the development of Pinduoduo. If the Pinduoduo platform wants to have in order to attract more long-term development, it must enhance consumers' shopping experience, change the current situation, improve activity rules, improve service quality, product quality, etc.

3.2 Delayed after-sales Service Affects Consumer Loyalty

On the Pinduoduo platform, there are still a series of problems where some platform merchants excessively optimize and exaggerate their products to attract consumers when publishing detailed information about their products. Even if it can attract a portion of customers to place an order, if consumers find that the products they purchased do not match the product described by the seller after placing the order, it will lead to a refund from the buyer and may cause conflicts between the seller and the merchant, increase the handling of after-sales issues on the Pinduoduo platform, and reduce consumer satisfaction with the platform.

3.3 The Rules Are Not Clear Enough

The boundaries of the game rules in certain activities of Pinduoduo are still unclear, which can easily mislead consumers on the Pinduoduo platform, causing Pinduoduo to be questioned by consumers. On the one hand, many consumers on the platform did not carefully read the game rules when participating in Pinduoduo's activities, which may lead to some activities where certain institutional rules are not clear enough. Many customers have doubts about the rules, which greatly reduces the consumer experience. On the other hand, new users who are attracted to a certain extent will immediately uninstall Pinduoduo after downloading it, which is extremely unfavorable for cultivating loyal customers and will affect consumer loyalty. The problem with unclear rules is that Pinduoduo has received more questioning, so it should improve the problem of unclear rules as soon as possible to enhance customer experience and enhance the ability to retain customers.

3.4 Difficult to Guarantee Quality

Unlike other e-commerce platforms such as JD, which focuses on products to attract consumers when publishing detailed information about their products. On quality, Pinduoduo's marketing model focuses more on product prices, which leads to weak quality control links and quality issues in the low-priced sharing group model. On the Pinduoduo platform, there are still a series of problems where some platform merchants excessively optimize and exaggerate their products to attract consumers when publishing detailed information about their products. Consumers' understanding of the product can only be achieved through videos, images, and text posted by the seller on the platform, and consumers are undoubtedly accepting the seller's suggestion. This usually leads to a certain degree of subjective imagination among buyers. If it is found that the product differs from the buyer's subjective imagination, the buyer will to some extent believe that they have been deceived by the platform and the seller. When it is difficult to

control the quality of products on the Pinduoduo platform, it not only affects the friction between consumers and merchants but also increases the amount of after-sales service consultation for Pinduoduo.

4. Suggestions for overcoming difficulties

4.1 Adjusting the Sharing Mechanism

The Pinduoduo social e-commerce model, as an emerging e-commerce model, usually involves sharing links from participating user activities, allowing other users to help with a series of activities such as buying or helping with price reductions, ultimately allowing sharers to obtain this product at a very affordable price. Data shows that most of Pinduoduo's new internet users are users over 30 years old, and currently, according to user profiles, the proportion of users over 30 years old is 76.7%. Customers in this age group are more willing to participate in sharing and hope to benefit from it. Enterprises need to adjust the sharing mechanism model, and study thoroughly who consumers are, what they are thinking, and what the environment and content they want. Pinduoduo can conduct user group analysis to find the maximum acceptance of different consumers, and use different push-sharing pages for analyzing customers. E-commerce platforms can also adopt the method of sending through fixed a hot topic for consumers, and the after-sales system is an inevitable requirement for those periods analyze the maximum activity limit that customers can share and pick up, to avoid excessive marketing and reduce consumer favoritism.

4.2 Enhance after-sales Service

The after-sales service of e-commerce shopping platforms has always been a hot topic for consumers, and the after-sales system is an inevitable requirement for the sustainable development of an enterprise. Establishing a comprehensive after-sales service system to maintain customer satisfaction and loyalty is very important for enterprises. Pinduoduo can focus on improving the quality of the platform's after-sales service and resolving consumer complaints as soon as possible. The first step is to send a questionnaire survey through the platform to understand the problems that consumers encounter reflect on the most, and focus on improving these problems. Secondly, certain rules can be established for the after-sales process of the Pinduoduo platform, so that consumers on the platform can receive corresponding protection during shopping and receive quick and effective solutions when encountering some problems. Only when customers truly feel that their problems have been valued and resolved will they trust the platform. Only in this way can consumers increase their purchasing frequency, strengthen their loyalty, and truly stay on the Pinduoduo platform, achieving the desired effect of a social e-commerce model.

4.3 Transparent Rules to Create a Fair Shopping Environment

E-commerce platforms should create a transparent and fair shopping environment for consumers, and efforts can be made to make the activity mode transparent from the following aspects. Firstly, it is necessary to clarify the rules of the activity, clearly indicating the number of people required to negotiate during the activity and the interval of each bargaining session; Secondly, place the lottery rules for

activities on the Pinduoduo platform in a place where consumers can see them, and emphasize them with bright colors or enlarged fonts to ensure consumers' right to know. Third, we should adjust the message push of the WeChat official account, never allow to push false messages to consumers, let transparent marketing replace false marketing, and let the company pay more attention to word-of-mouth marketing. Users who follow the rules can and must receive rewards after following them, which is a basic form of trustworthiness for users and a way of creating a self-image for Pinduoduo. Making consumers feel fair and transparent is the foundation for enhancing user experience, and only on this basis can we truly win consumers' trust and improve customer loyalty.

4.4 Enhance Product Quality

Pinduoduo has gained over 300 million users, and to increase user usage and widespread popularity, it is necessary to crack down on counterfeit and inferior products. To users, it can broaden their complaint channels and ensure that their complaints can be resolved. Once a consumer complaint is successful, a certain amount of fine must be imposed on the merchant to ensure the quality of products sold on the platform and protect consumer rights.

4.5 Optimizing Product Strategies to Support Development

Social e-commerce can only transform customers into loyal users by meeting their needs and improving their shopping experience. Social e-commerce can identify customer needs through web browsing records, favorites, consumption history, etc., and map customer needs through the calculation of big data. Consumers' recent preview information on web apps and other related content is closely related to their future consumption. Only by knowing what consumers want to purchase can we directly push the products they desire to customers. If the platform's technology can accurately locate customers, then the company's marketing will save huge costs. And enterprises can also effectively promote customer needs, such as age, preferences, income, and other characteristics, through big data analysis. Pinduoduo should not be limited to product promotion when collaborating with other fields. It can develop new products based on the characteristics and advantages of both products. Currently, consumers are more focused on abstract content such as the cultural connotations and values of the products themselves; Starting from consumers, valuing their needs, improving products, or launching more attractive and distinctive products through cross-border cooperation, to achieve the platform's multi-disciplinary development, expand funding sources, develop more derivative new products, and promote the formation of a new cross-border development model of Pinduoduo.

5. Conclusions

To sum up, Pinduoduo's social e-commerce model is undoubtedly a great success, and let us see a Xintiandi of the e-commerce platform. Pinduoduo has enabled consumers to bargain and benefit greatly and has formed a new consumption scenario through consumers' spontaneous communication behavior on major social media, forming demand economies of scale. However, relying too much on social platforms has led to a lack of flexibility in marketing methods, and the quality problems caused by low-

priced sales have become increasingly serious. In addition, inefficient operational efficiency has limited the sustainable development of Pinduoduo Company (Jiang & Yan, 2020). Pinduoduo needs to face the current problems, reduce sharing and compete for potential users, plan a comprehensive after-sales service system, and strictly control the quality of products. Improving the original group-sharing model of Pinduoduo, promoting the marketing model of Pinduoduo, and continuing to develop the social e-commerce model will surely stabilize its position as an e-commerce platform and win the favor of consumers, enabling the enterprise to thrive.

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