

# Analysis of New Marketing Initiatives on E-Commerce Platforms: A Case Study Based on Pinduoduo's "10 Billion Subsidies"

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**Abstract.** In recent years, with the rapid development of Internet technology, the arrival of the e-commerce era has become an inevitable trend, more and more e-commerce platforms active in people's eyes, not only Taobao, 1688 and other veteran e-commerce platforms, but also with the Pinduoduo, Jitterbug and other emerging e-commerce forces are also gradually on the rise, which also makes the e-commerce industry, the market competition is intensifying, and in such a background, Pinduoduo in order to give consumers better quality service and want to stand out from the fierce market competition is difficult. In this context, Pinduoduo to provide consumers with better and better quality of service and want to stand out in the fierce market competition is difficult, so Pinduoduo to implement a new innovative marketing strategy - tens of billions of subsidy policy. Against this background, this paper analyzes the effect of Pinduoduo's 10 billion subsidies through literature research and online research and discusses its effect in depth in the light of Pinduoduo's actual situation.

**Keywords:** Pinduoduo; 10 billion subsidies; Marketing disadvantages; Marketing strategy.

## 1. Introduction

Pinduoduo was established in 2015, incubated by founder Huang Zheng's game company, since its inception, the rapid development, the development speed is more than Taobao and Jingdong, the total number of users exceeded 200 million in only 2 years, is currently the fastest growing one of the e-commerce. Pinduoduo's development process has always attracted people's attention, it implemented the "10 billion subsidy" plan in 2019, the plan did not achieve the expected results at first, but later became a symbol of Pinduoduo's identity, this paper adopts the case study method to investigate the specific object of Pinduoduo's "10 billion subsidy". This paper uses the case study method to investigate and analyze the specific object of Pinduoduo's "10 billion subsidies", and finally concludes that the new marketing initiatives of e-commerce platforms, firstly, make a brief introduction to Pinduoduo, through the elaboration of the overall development of Pinduoduo and its financial situation, then analyze the marketing advantages of the 10 billion subsidy mode, and finally combine the operational disadvantages of Pinduoduo in this mode, analyze its future development strategy and give suggestions. The following is a brief introduction to Pinduoduo and its financial situation.

## 2. Literature Review

### 2.1. E-commerce Development in China

In recent years, the market scale of China's e-commerce has continued to expand, with year-on-year growth in transaction volume, gradually penetrating into the whole process of production, circulation, consumption and other real economic activities, showing strong vitality and development potential, and becoming an important driving force to lead the change of production and lifestyle and accelerate the economic development. 2024/03/22 According to the China Internet Network Information Center



(CNNIC) in Beijing, released the The 53rd Statistical Report on Internet Development in China[1]. The Statistical Report on the Development of the Internet in China indicated that as of December 2023, the number of Internet users in China had reached 1.092 billion, and compared with 2022, 24.8 million new Internet users had been added. At the same time, the mobile Internet penetration rate reached 77.5%, and the emergence of mobile Internet intensified the development of e-commerce. According to relevant data, the total transaction amount of e-commerce grows forty percent per year. It can be seen that e-commerce in China has great prospects for development, so many investors in China into the field of e-commerce, which also makes the e-commerce field of competition increasingly fierce, such as Taobao from the early introduction of the online payment tool Alipay to today's content of e-commerce, short video, entertainment, social integration, creating a new consumer scenario and shopping experience. Jingdong, on the other hand, is leading the way in the comprehensive application of digital-intelligent supply chain technology and the self-construction and innovation of its logistics system, bringing significant benefits to its partners and society as a whole, as e-commerce in China can be said to be growing by leaps and bounds.

## **2.2. Introduction of Pinduoduo**

In 2015, Pinduoduo was founded, which is a third-party social platform focusing on group-buying. In 2018, Pinduoduo was officially listed, and its stock code is PDD. Pinduoduo is a pioneer of China's e-commerce model, which has created new models such as 10,000-person group-buying model and 10 billion yuan of subsidies. The founder of Pinduoduo, Huang Zheng, adhered to the concept of development that focuses on people, and so in June 2019, Pinduoduo launched a 10 billion yuan subsidy program, and so far, it has been used by more than 800 million users. Pinduoduo's tens of billions of subsidies have created a new model for China's e-commerce, under which Pinduoduo's position in e-commerce has become increasingly solid, and by the end of 2020, Pinduoduo has become the largest e-commerce platform in China in terms of the scale of users. However, the operating profit of Pinduoduo Enterprises was negative in both 2019 and 2020, and the negative operating profit is due to huge operating expenses, which reached 49.59 billion yuan in 2020, and the operating profit is as low as -9.380 billion yuan. However, Pinduoduo's operating cash flow shows a positive growth of 90.28% from 2023 to 2024, indicating that the company's overall financial position is relatively good [2].

## **2.3. Pinduoduo Marketing Advantage Based on "10 Billion Subsidies"**

1) Pinduoduo 10 billion subsidies for consumers' expanding consumer demand and accelerating the branding process. 2021, 10 billion subsidies channel to open "official cooperation flagship store" entrance, compared to the year, the newly stationed brand official flagship store year-on-year growth of more than 10 times, so far, 10 billion subsidies channel has nearly 10,000 flagship stores of the brand stationed, to achieve the industry-wide high appeal. Realize the high appeal of the whole industry, and the new and old brands are basically fully covered. At the same time, it is an important means of stabilizing the users in the sinking market of Pinduoduo, through which Pinduoduo further improves user stickiness and strengthens the user's trust in the platform.

2) Pinduoduo, as one of the domestic head e-commerce companies, combines tens of billions of subsidies and special live broadcasts [3], goes into the special industrial belt, joins hands with CCTV news to launch a series of live broadcasts with goods, and constantly increases its publicity. In today's era, live broadcasting has become the most important means of publicizing products, Pinduoduo follows the trend of the times, using the form of live broadcasting to continuously improve its popularity. At the same time, Pinduoduo tens of billions of subsidies for agricultural products, agricultural and sideline products plus subsidies, subsidies linked to hundreds of agricultural industrial zones across the country, effectively reducing the cost of supply and demand at both ends of the picking and selling, not only to improve the efficiency but also greatly reduce the supply chain costs

3) In 2022, Pinduoduo's 10 billion yuan subsidy will be launched in the form of a new "multi-person group", in which consumers can invite their friends to join the group to buy selected goodies on the platform at a lower price and enjoy excessive subsidies on the basis of the platform to comprehensively raise the threshold for the 10 billion yuan subsidized merchants to enter the market and improve the service standards of merchants, with faster delivery, stronger delivery capacity, and better after-sales service. The platform comprehensively raises the threshold for ten billion subsidized merchants to enter the platform, improves the service standard of merchants, faster delivery, stronger distribution, stricter quality control standards, better after-sales service, and brings consumers more fun and more affordable consumption experience. This not only allows consumers to enjoy the super discount strength but also can buy more exquisite goodies at a lower price, therefore, Pinduoduo rapidly expands popularity with this advantage.

### **3. Pinduoduo Business Model Based on "10 Billion Subsidies"**

#### **3.1. Supply Chain Model**

Pinduoduo by virtue of the "10 billion subsidies" strategy, first of all, can realize the buyers gradually to the full range of online shopping needs, on the one hand, but also able to increase the income of farmers, through the fast mode of direct shipment of the origin of the goods, can reduce the supply chain costs, shorten the logistical time, achieve the cost of sales of the products continue to reduce, at the same time, and the suppliers to establish a stable relationship to help buyers to all-round save money, it can be said that a win-win situation for all three, through the adoption of advanced warehousing and logistics management technology, to create a greater profit margin [4].

#### **3.2. Business Mode**

Recommendation marketing and gamified social concepts, first, fully understand big data, and then, combined with modern young people's social concepts and gaming experience, combine the two to form its own unique business model. This socialized shopping not only increases user engagement and stickiness but also brings more exposure and user growth to Pinduoduo, which also subverts the traditional e-commerce business model in China. In addition, Pinduoduo's main target market is China's lower-tier cities and regions, where consumers had little exposure to e-commerce services in the past, and are starting to become Pinduoduo's main users as infrastructure improves and Internet access services become more widely available. In terms of user scale, Pinduoduo's large scale of active buyers has incentivized more merchants to sell on the platform. As the number of buyers increased, so did the platform's ability to sell. For merchants, more active buyers mean greater potential sales, and this positive feedback mechanism makes the platform very attractive to merchants, resulting in more and more buyers using Pinduoduo, greatly increasing Pinduoduo's market share.

#### **3.3. Marketing mode**

Pinduoduo has a deep insight into the market customers, driven by the 10 billion subsidy model, to achieve low-cost customer acquisition in a short period of time, and subsequently establish a sticky and relatively strong customer relationship, while consolidating the key core competencies, and constantly improve their market competitiveness, which has brought more user traffic to Pinduoduo, and so far has been used by more than 800 million users. For example, on traditional e-commerce platforms, consumers usually buy individual products, whereas on Pinduoduo, users can get bigger discounts by group-buying with friends, family, and coworkers [5]. This socialized approach to shopping attracts a large number of users and also increases user stickiness as they are more likely to interact with their social circles and share their shopping experiences. In terms of price, by creating a larger consumer base, consumers can get lower prices, and with the tens of billions of dollars subsidy model, customers can be further incentivized to use the platform, and for buyers, lower prices and a wider range of products are great attractions.

## **4. Operational Drawbacks under the "10 Billion Subsidies" model**

### **4.1. Destroying the Business Ecology and Brand Image**

Tens of billions of subsidy activities have attracted a large number of users, but at the same time also promote the user "woolgathering" thinking, this behavior undermines the business ecology. The price transparency of high-end goods is high, and it is easier for e-commerce companies to compare prices, so Pinduoduo's bottomless commodity subsidies not only upset the market price, but also lowered the brand image. Low-priced sales make products undervalued, leading to a negative impact on brand image and lowering brand awareness and reputation. This has led to a large number of potential and existing users becoming skeptical about purchasing at normal prices, thus affecting brand protection and brand image.

### **4.2. Impact on Merchants' Profit Margins**

While the tens of billions of dollars of subsidy strategy implemented by Pinduoduo has brought convenience to consumers in the short term, in the long term, this subsidy model will bring more economic burden to Pinduoduo itself. This economic burden may eventually translate into pressure on merchants, as the platform needs to maintain the sustainability of this subsidy strategy, which may cause a squeeze on merchants' profit margins. In addition, many of the tens of billions of subsidies are not official flagship stores, but authorized agent stores, which increases the difficulty of the platform's auditing and may negatively impact both the platform and the merchants in the event of quality problems. The 10 billion subsidy campaign has also made it difficult for merchants to make money while depressing the profit margins of middlemen. This has led to the fact that although the sales scale of Pinduoduo has risen, merchants are still facing difficulties.

### **4.3. Weak Brand-to-User Communication**

Pinduoduo in tens of billions of subsidies at the same time, but also weakened the concept of the store, highlighting the platform, which is extremely detrimental to the communication between the brand and the user, the cultivation of user stickiness. In contrast, platforms such as Ali's e-commerce have strengthened the concept of the store and incubated many brands.

### **4.4. Creating Unfair Competition and Financial Risks**

Tens of billions in subsidies campaign puts more burden on Pinduoduo while creating unfair competition for competitors. This subsidy not only brings short-term convenience to consumers, but in the long run, it will bring more burden and financial risk to Pinduoduo.

### **4.5. Influencing Brand Pricing Systems and Partnerships**

Tens of billions of subsidies to bring low prices may affect the brand's own pricing system, which leads to the brand's cooperation with the platform is affected. For example, Wuliangye suspended cooperation with the platform because the price of the e-commerce platform is much lower than that of the offline channel operators.

Effects Below is a list of several important social platforms where miHoYo is active on the web. On the following platforms, miHoYo publishes information about its games and important updates. These platforms themselves have a huge amount of customer base and sufficient data samples to be feasible.

## **5. Pinduoduo Future Development Strategy**

### **5.1. Deepening Quality Development Strategies**

Pinduoduo will continue to deepen its high-quality development strategy by optimizing its platform services, strengthening its technological research and development, and enhancing its supply chain

capabilities to achieve a more efficient and economical consumer experience. The company plans to guide high-quality consumption through the dual-wheel drive of policies and activities while focusing on the theme of "national brands" to enrich high-quality supply and improve the high-quality ecosystem.

## **5.2. Increase Investment**

Pinduoduo will further increase its investment, including in research and development, supply chain capabilities, compliance capabilities, service capabilities, etc., in order to improve supply chain efficiency and provide consumers with a wide range of good products at good prices. The company plans to polish its supply chain capabilities through technological innovation, promote cost reduction and efficiency in the supply chain, and continue to tap into high-quality merchants and commodities to provide suitable fulfillment links.

## **5.3. Optimization of Platform Services**

Pinduoduo will continue to optimize its platform services, including logistics and after-sales services, to provide consumers with a full range of service protection. In addition, Pinduoduo will also promote "Project No. 1", that is, to manage the platform ecology and shape the environment in which good money drives out bad money, so as to promote the growth of high-quality merchants and the incremental value of consumers.

## **5.4. Strengthening Technological Research and Development**

Pinduoduo will continue to increase investment in research and development, precipitate easy-to-use tools and services to further empower merchants, and promote industrial digitalization and upgrading. The company plans to promote supply chain cost reduction and efficiency through technological innovation, and support scientific and technological development of agriculture, help agricultural technology to the countryside, the transformation of scientific research results, etc.[6].

## **6. Conclusion**

Pinduoduo is committed to creating a new space where online virtual space and the real world merge, so that users can buy the goods they need at the best price and have fun in the process. Pinduoduo's "downward spiral" and "gamification" characteristics, as well as the "new e-commerce" concept it advocates, are reflected in the three characteristics of universality, putting people first and being more open. Pinduoduo will actively look for investment opportunities that are beneficial to the long-term value of the company, even if it requires a large amount of money, which is also the background for the launch of the "10 billion subsidy" program. To summarize: Pinduoduo's vision for the 10 billion subsidy program is to create an inclusive, high-quality shopping experience by offering competitive prices and a quality shopping experience, combined with its "sinking" and "gamification" features and its "new e-commerce" concept. The concept of "new e-commerce" is to create a new e-commerce platform that is universal, people-oriented and more open. Through this strategy, Pinduoduo aims to create value for its users and seeks a long-term return on investment. At present, the research method of this article is not scientific and rigorous enough, and the data collection and analysis are not comprehensive and accurate enough. The innovative points of the thesis are not prominent enough to make significant contributions to the field. In response to these shortcomings, the thesis can be improved and perfected by further refining the research methodology, strengthening the literature review, deepening the analysis of the conclusions, and improving the expression of the thesis to highlight the innovative points of the thesis. In order to solve the shortcomings of this study, the future development direction is proposed: the sample capacity can be expanded, the research object of the precise sample can be studied, more in-depth research can be carried out, and the objectivity of the collected data can be ensured as much as possible, so that the research results can be more realistic. Finally, it is hoped that the findings of this thesis can provide useful references and insights

for research in related fields. At the same time, it is also hoped that the conclusions can provide valuable guidance and help for the new marketing initiatives of e-commerce platforms.

### **Authors Contribution**

All the authors contributed equally and their names were listed in alphabetical order.

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