

Research on the Performance Analysis of Meituan

Rongtian Wang *

Josephine Butler College, Durham University, DH1 3LE Durham, UK

* Corresponding author: jmrp64@durham.ac.uk

Abstract. The pandemic has had a devastating impact on China's economy. People and purchasing behavior have changed a lot since then. This brings threats and opportunities at the same time for companies, and companies need to adapt to survive and grow after the disaster. As a result, this study's research objective is to analyze and suggest changes to an e-commerce company running in China Meituan. The research methods in this study are listed as follows: First, the data for the company performance is used, followed by the Pestle analysis and portal five forces theory To analyze future threats and market changes in China. The third is to analyze the internal factors of Meituan to find its strengths and short backs. Finally, it is by combining the information gathered to suggest Meituan. This study indicates that Meituan has done well in the past; with the opportunity provided after the pandemic and its competitive advantage, Meituan can earn a dominant place in the Chinese market.

Keywords: Marketing; branding; performance analysis; E-commerce; pandemic.

1. Introduction

Meituan is an investment holding company founded in 2010 by Wang Xing. It is a Chinese shopping platform for locals to find and search for goods and services, including food, delivery, hotel, tickets, and entertainment venues. Meituan has a business culture combining technology and retail to "help people eat better, live better." [1]. The company merged with Dazhong Dianping in 2015 and divided the company into two parts aiming at different objects, meituan dianping and meituan waimai. One is to provide local information about Clothing, food, housing and transportation, allowing consumers to find and compare; the other one focuses on online on-demand delivery service; it provides service of short distance delivery, mainly focusing on food delivery, by letting restaurants to runs on its platform and sells it to the consumer, Meituan waimai providing service of delivering. Meituan has been a successful company for years; it dominates the market with a market share of 46.1% [2]. However, the pandemic has had a strong negative influence on this company due to the lockdown and restrictions, shortening its success of this company.

2. Performance of Meituan

To determine whether the Meituan performance is good, this paper focus on what is good. For a technology company, performance is defined as a difference. The first key element to measure success is solving real market problems, making more people use your product, then profit and market share. Meituan has been a successful company. The company's primary revenue comes from the online on-demand delivery service, and it accomplished the goal of being the first global company that gets more than 10 million daily orders [2]. The company ran this service covering all places in China and had 448.6 million users in 2020, with a market share of 46.1% [3]. The online on-demand delivery industry has high barriers to high entry start-up costs and barely earns any profit until the user base reaches a significant amount. The cash flow in 2017 was -2, 775, 401 USD, and it continued to decrease in 2018 is -16, 067, 109 USD. It began to increase to 1, 013, 964 USD in 2019 and 1, 579, 584 USD in 202. It started to make a profit till it reached enough user base. In 2018, Meituan had 382.3 million Annual Transacting Users and 5.5 million Annual Active Merchants [4]. The user of Meituan keeps on increasing, 2019 the user's number was 450.5 million users in 2021 is 667.5million users, the revenues keep on increased from the 5, 217, 392 USD to 9, 547, 066 USD in 2018 to 28,

118,799USD in 2021, and the profit before tax keeps on the increased since 2019, facing other falls in 2021 due to the pandemic causing all the lockdown and restrict on delivering, the return on capital employee first facing a downturn in 2021, from 4.53 in 2020 into -13.04 in 2021, pandemic make a massive impact in the business running mainly because the political factors set by Chinese government [5].

3. External Environment

3.1. PESTLE Analysis

3.1.1. Political factors.

Political factors are the restriction and changes in laws that impact the company's strategy and production. For online on-demand delivery companies like Meituan, political factors would directly impact their service. During the pandemic, the government set restrictions on social distancing and set a restriction to shorten the chance for the virus to spread, which means the traditional delivery ways are not allowed anymore. During the pandemic in China, where Meituan runs, the government set laws that forced people to stay at their homes and set restrictions on the delivery process. Furthermore, the lockdown for a whole city eliminates the chance for service to run. However, political factors also bring opportunities for this company. First is the restriction on dine-in, making all the restaurants have to do business through delivery, then is forced people to stay at their own home, making all the daily shopping can only depends on those online on-demand delivery service, resulting in a high increase in demand. The increase in demand and restriction on the delivery process creates a conflict [6].

3.1.2. Economic factors.

Economic factors are the economic situation of the country and the market this company runs in, including measurement of the economic situation and how that might impact this business's running. Economic factors have one important factor that directly influences the target group of those services, mainly the consumer tier and the target group of this company are the low and middle-income workers and students. The country this business runs are suffering a economic recession during the pandemic, The GDP of China falls 6.8% in the first quarter in 2020 [7]. In Shanghai, the financial center of China, a survey shows 93% of respondents cut their revenues projections, more and more business broke and lack of confidence for consumers leads to Consumer downgrading, which means consumer are no longer able to afford what they used to buy before and decide to consume cheaper substitutes, also there are more people fall in consumers tier, which means more and more people are having less income [8]. And that not a threat but an opportunity for Meituan, since the target consumer are those who have lower income, so the target consumer amount increases due to its relatively cheap price, and the exist consumer are not leaving since there are no further cheaper substitutes, and food delivery, which the company most focus on, are necessities and would not have significant influence by the economic recession. The economic downturns still have some negative impacts on Meituan. The demand is increasing, but the supply is facing problems, more than 460,000 firms were closed forever in the first quarter of 2020 [9].

3.1.3. Social factors.

Social factors focus on the people who live in this society, including the amount of the population, age, education level and culture of the population. China has always been one of the largest population countries in the world. A large population means there is enough working force in this country. Delivering a company as Meituan runs highly depends on the vast number of employees. China offers much cheap labour to make the company earn a profit, then is the age group. The middle age in China in 2020 was 38.4, increasing from 37 in 2019 [10]. The increase in the ageing group is not Optimistic for a country's future growth, But the total population keeps growing, giving the country a chance to keep going. The increase in the education level of the younger generation is a threat to Meituan. Since the delivery guy is mostly uneducated, more and more educated labour in the future means a lower

potential for the company to expand its employee. In order to keep thriving in the future, the company needs to work on a replacement for the traditional human workers.

3.1.4. Technological factors.

Technological factors are the technology improvement that impacts the company, which usually happens when technological development leads to the advancement of producing process. The tertiary Industry, industry focus on service. It is the enhanced technology that makes the service itself increase. Company research and development ensure the product. It is competitive and enlarges the product life cycles [11]. Meituan needs to advance its service to stay competitive.

3.1.5. Legal factors.

Legal factors are how a company adapt and survive through the different legal system, and the law the country runs on might impact the company's running. For Meituan, the most they need to focus on is the after-sell service, for example, the guarantee for the food they deliver as a platform that allows the restaurant to sell on it. They have to ensure the safety issue to maintain consumer loyalty. Also is the advertisement law [11]. China has a restrictive law on advertisement, which means the advertisement methods and context shall be reconsidered.

3.1.6. Environmental factors.

Environmental factors focus on the ecological environment. It is all about natural weather. Its focus is more than business. It focuses on sustainable development, and building an environment-friendly profile is suitable for brand image, but for a tertiary industry like Meituan, there is so less they can do. They focus on delivering. They can help promote environmental protection and use more environmentally friendly transport through delivering [11].

3.2. Porter's Five Forces Analysis

3.2.1. The threat of new entrants.

The threat of new entrants includes a few parts. First are the barriers of entry, including start-up cost, technology barriers, absolute cost barriers, how much the company dominates the market and left, how much market share the competitors, also how the company maintain consumer loyalty [12]. For a delivery company like Meituan, the barriers to entry are very high. This Industry runs on many employees, and many merchants use this service. Even though the whole running process is replicable and easy to limit, the high start-up cost and the running cost through maturity stop most potential competitors from getting into the market. Also, this business earns a low profit by a low-profit margin per service and a considerable amount; most new entrants only survive once they can earn a profit. In this case, the high barriers of entry restrict the new company from entering this market, and the threat of new entrants is low and does not need to pay ample attention.

3.2.2. Bargaining power of suppliers.

The bargaining power of suppliers means how the suppliers can control the firm's cost by setting the price of their products. It varies depending on the size of suppliers, product diversity, the number of small customers, the switching cost for customers, and the amount the customers buy [12]. However, for online on-demand delivering services like Meituan, the roles change. Since it is not like the traditional buy and resells process, it runs buy direct sell but as a platform to make the sales happen, the supplier's direct sell to the buyers, only restrict is they can only choose to use the delivery service offered by Meituan. Meituan runs its service not relying on substantial serval companies, but by vast numbers of small merchants, all the merchants providing similar but different products, and zero costs for switching customers; merchants can sell their product on serval platforms at once and use both services provided by its competitors, and the reason to choose this specific company only because the customers are using this platform to make the order. , suppliers' bargaining power was shortened, and the price had nothing to do with the platform and had no influence on it.

3.2.3. Bargaining power of buyers.

The bargaining power of buyers is the power of buyers and how they can control the price, whether the company would change the price for consumers easy to accept. The number of buyers influences the power, the percentage of consumption in consumer's cost, the cost of switching buying, and how the product differs in consumers' views [12]. For Meituan, the number of buyers is enormous, the consumption is for necessity, and the service is only a small part of consumer cost. The service the company provide is undifferentiated from the service provided by its competitors, and there is no switching cost for the consumer. The charge for the service itself is low, and the price elasticity of demand for this service is very high, so the customer can easily switch to its rivals. The bargaining power of buyers is high, which means the existing customer group could be more stable and long-lasting, and they need to use strategy to maintain customers.

3.2.4. Threats of substitutes.

Substitutes are the product or services provided by other companies in other Industries that provide similar functions and similar levels of utility [13]. For the food delivery industry, the direct substitutes shall be the prepared semi-finished foods and the entities restaurant nearby; also, the pre-order food, the power of substitutes measure the threats of it. Compared to Meituan, its substitutes have an advantage in time, semi-finished foods only take a few minutes, and the nearby restaurant can be more time-consuming than food delivery. Substitutes also have an advantage in price. There is no service charge but the same product. Also no longer need to be concerned about the food getting cold or spreading on the way there.

3.2.5. Industry rivalry.

Industry rivalry is the competitors in the same Industry providing the same or similar service. The higher the competitor's power, the stronger the industry rivalry. Several parts measure the rival's power, the number of competing firms, the size and market share competitors have, the growing speed of the market, the product differentiation [13]. It is a vast market in China with few competitors. Meituan has gained 62%, making it one of the oligopolies in this market [14]. the number of competing firms is not considerable, but the power of competitors is intense. Its Main competitor, ELEMA, has a similar size and provides a like service. The market is already saturated but still growing slowly. To win in the competition, the firms need to use different policies. The price can only make little difference since the amount is already tiny. The quality of service and the promotion used to retain consumers is the key to winning the competition.

4. Internal Factors

Internal factors are the parts that the company can control by itself to make the company run more effectively and competitively. Internal factors include a few parts, financial, employee, leadership, and resources [15]. For Meituan, employees and resources are the critical elements for the company to become more competitive.

Employee management is fundamental. Meituan uses most temporary workers instead of contract workers and provides work benefits like insurance and paid holidays for workers who sign the contract, weakening the power of the talent market. During a pandemic, employee management faces problems. Delivery workers must be insured for their health, and the parcel itself shall be disinfected. First is the shortage of available employees due to the insurance of health policy, workers need to spend hours per day to keep them, and consumers save. Some of the workers not able to pass the Covid test are just not allowed to work, bringing a solid shortage of workers, then is the protection policy simply asking the workers not to leave their district and not allowing anything to get into their district, eliminate the chance for delivery service to happen.

They are the resources. Meituan has dominated the market for a long time and has a mature system and many employees. Meituan also develops strong relationships with a merchant in its platform, offering a lower price and huge amount in a new way to reach economies of scale, which means a

lower price for new competitors to compete. Meituan has also achieved a high market share of 46.1% in food delivery [3].

How to deal with the problem faced in labour management and how to maintain the advantage in resources is the critical element to maintaining the company's success and require leadership and strategy to deal with

5. How Meituan Continues to Succeed.

Meituan has always been a successful company. They are facing all the challenges and finding opportunities in them. They adopt and develop themselves and survive through the pandemic. the government restricted their service to delivered by the door as they used to do. With all the healthy regulations and lockdowns, Meituan dealt with that perfectly by appointing regional directors. They kept employees only taking charge of their own to restrict certain delivery guys for a particular area, easy to control and monitor the health. Then is the promotion they used to deal with economic recession, they offering a significant discount in areas, by providing an even more considerable discount for large amounts storing purchase, which perfect feet the consumers need, in order to keep the clients, they offer loyalty card aiming at providing more significant discount and cut the service charge, with the charge at one time and giving few coupons, the consumer need to keeps on consuming to use the coupons and make sure they not wasting the money they paid advance. The research and development in technology make it much more manageable. First is the delivery locker they develop to respond to the policy, deliver into the locker, and disinfects itself. The consumer gets from the locker without the need to contact others. Also, by analyzing Hadoop, Meituan can provide tracking information to make the service more transparent and easier to use and customize the advertisement to the potential tastes and desires of the consumer. Then is the innovation for the longer term. They are planning to use drones to do the delivery instead of human to eliminate the risk of the social factor causing the shortage of enough workers. Also, drones can be faster, giving them an advantage over competitors.

For an existing and mature company, the advertisement no longer needs to spend a lot on it, Customer protection law still needs to be a concern, then is the environmental factors. Meituan has always tried to be an environmentally friendly company. They choose all-electric vehicles instead of petrol and encourage consumers not to use disposable tableware by setting no tableware as a default setting and giving a reward for not asking for it. Depside this, the threat of new entrants is low. They still try to become more competitive, which benefits consumers. Meituan DianPing building a solid relationship with suppliers on it by giving promotions to the merchant on their platform and asking for higher discounts, bonding the suppliers to the platform, also giving rewards and charging less for the prominent selling merchant running on its platform increase the stickiness of sellers, and not highly rely on specific employee make every worker can be replaceable also using piece rate wage make the labour eager to get a job there and with need concern the labour market got too many power. For the buyers, they using a membership reward to increase the stickiness of consumers.

Moreover, they need to advance their service to shorten the power of substitutes. They have done this correctly, first by offering training for every employee trained them to become more efficient, more polite and adding a grading system for the user, which motivate the employees to work harder and better, and by using loyalty card and coupons to cut the service charge, make the substitutes to lose its strength. Then are the competitors, the most challenging task. Since all the promotion strategy is replaceable, and the service is just alike, the size also cannot bring any advantage to Meituan. How to compete and win is the central question to developing consumer loyalty, and attracting consumers from its rival is the key to winning. Meituan has taken advantage of its diversity in the product line by use Meituan Dianpin, which focuses on providing information like grading and review of the restaurant on it, and by providing one-stop service. The consumer can find a restaurant on it, then direct order and wait for delivery, by providing more convenience and more advanced service, making Meituan gradually win the competition.

6. Conclusion

Meituan runs in a new way of business, not the traditional buy and resell, but more like a platform that allows small businesses to sell on it and bond its own delivery business for every trade, making many strategies not applicable to it. With the changing of time and technology, the way business is run shall change. Meituan did a great job in adopting and advancing in this new environment. The company suffered a downturn at the beginning of the pandemic due to the rapid change in policy and the economic environment. However, it thrived through the most challenging time and gained more customers. The business it runs is the basic need and necessity for consumers, so it will not likely be replaced for a very long time. The pandemic is gradually disappearing, which would be a bright future for Meituan. All the lack of this firm is the unique selling point other than its competitors. After gaining this, this company can continue its success for a long time.

References

- [1] Meituan. Company profile and news. Bloomberg.com. Bloomberg. Retrieved from: <https://www.bloomberg.com/profile/company/3690:HK?leadSource=uverify+wall>.
- [2] Meituan. Dianping becomes the first worldwide on-demand delivery platform to process more than 10 million orders and deliveries per day. Wayback Machine. 2017. Retrieved from: <https://web.archive.org/web/20170615042020/http://www.fox14tv.com/story/35003690/meituan-dianping-becomes-the-first-worldwide-on-demand-delivery-platform-to-process-more-than-10-million-orders-and-deliveries-per-day>.
- [3] Smith, C. 30 interesting Meituan Facts and Statistics, DMR. 2022. Retrieved from: <https://expandedramblings.com/index.php/meituan-stats-facts/>.
- [4] Meituan. Meituan is a technology retail company. 2024. Retrieved from: <https://www.meituan.com/>.
- [5] Shibboleth authentication request. 2024. Retrieved from: https://orbis-bvdinfo-com.ezphost.dur.ac.uk/version-20221222/Orbis/1/Companies/report/Index?backLabel=Back+to+Key+information&format=_workSheet&WorkSheetSection=PROFIT_LOSS_ACCOUNT&uniqueId=KY41094WB_IC&sl=1672854899686.
- [6] Xiang Yu, Xiang Yu et al. Understanding the beginning of a pandemic: China's response to the emergence of covid-19. *Journal of Infection and Public Health*. 2020.
- [7] Covid-19's impact on China's industries. China.org.cn - China news, business, travel & language courses. 2024. Retrieved from: http://www.china.org.cn/business/covid-19-economic-impact/node_8018307.html.
- [8] Flannery, R. Doing business in China is getting harder: U.s.-china business forum, Forbes. *Forbes Magazine*. 2022. Retrieved from: <https://www.forbes.com/sites/russellflannery/2022/08/13/doing-business-in-china-is-getting-harder-us-china-business-forum/?sh=2fe18d864e22>.
- [9] Nearly half a million Chinese companies close as pandemic batters' economy. *South China Morning Post*. 2020. Retrieved from: <https://www.scmp.com/economy/china-economy/article/3078581/coronavirus-nearly-half-million-chinese-companies-close-first>.
- [10] China population (live). Worldometer. 2024. Retrieved from: <https://www.worldometers.info/world-population/china-population/>.
- [11] Perera, R. The PESTLE analysis. *Nerdynaut*, 2017.
- [12] Bruijl, D. G. H. T. The relevance of Porter's five forces in today's innovative and changing business environment. *SSRN*, 2018: 3192207.
- [13] Dälken, F. Are porter's five competitive forces still applicable? a critical examination concerning the relevance for today's business (Bachelor's thesis, University of Twente), 2014.
- [14] Chinafy. What is Meituan and how to get started. Retrieved from: <https://www.chinafy.com/china-tech/what-is-meituan-and-how-to-get-started>.
- [15] Dragnić, D. Impact of internal and external factors on the performance of fast-growing small and medium businesses. *Management-Journal of Contemporary Management Issues*, 2014, 19 (1): 119 - 159.