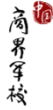




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Group 7

How did **Temu** take off?

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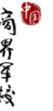




How did Temu take off?

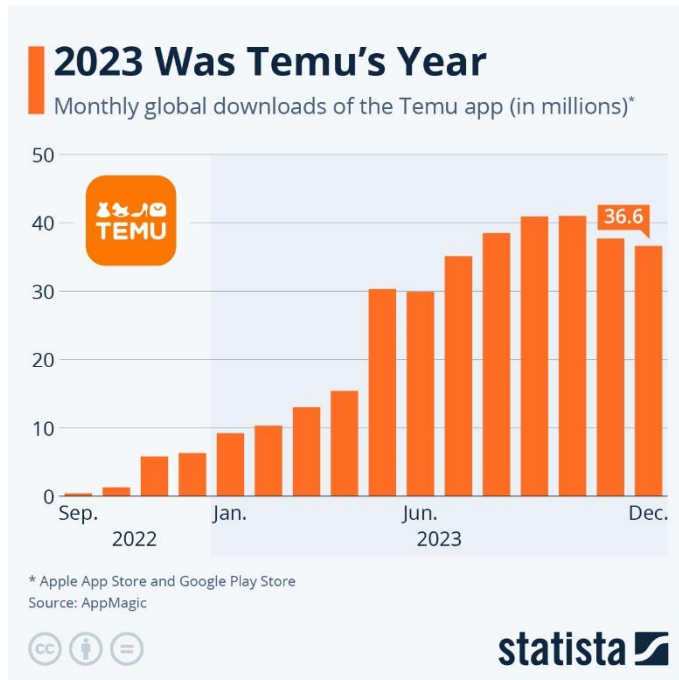
1. Introduction

Temu: from \$0 to \$3 billion in 10 months



Temu's rapid rise

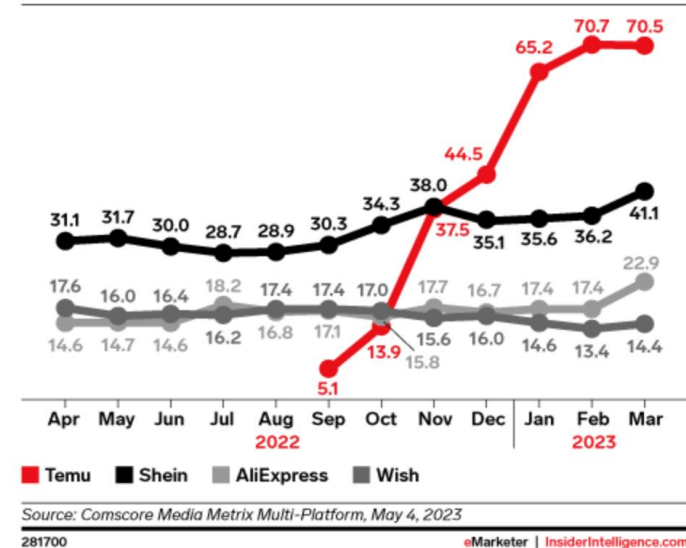
- Temu is a cross-border e-commerce online marketplace operated by the parent firm of China's e-commerce giant Pinduoduo.
 - Since its U.S. launch in September 2022, Temu has expanded to around 20 countries. Temu was the most downloaded free application on Apple devices in 2023.
 - Temu's jump in traffic shakes up Chinese retail rivalry in the US. Temu had 44.5 million US unique visitors in December 2022. On this metric, it had overtaken Shein, which had 35.1 million in the U.S. in the same period.



Monthly global downloads of the Temu app (in millions)

US Unique Visitors to AliExpress, Shein, Temu, and Wish, April 2022-March 2023

millions

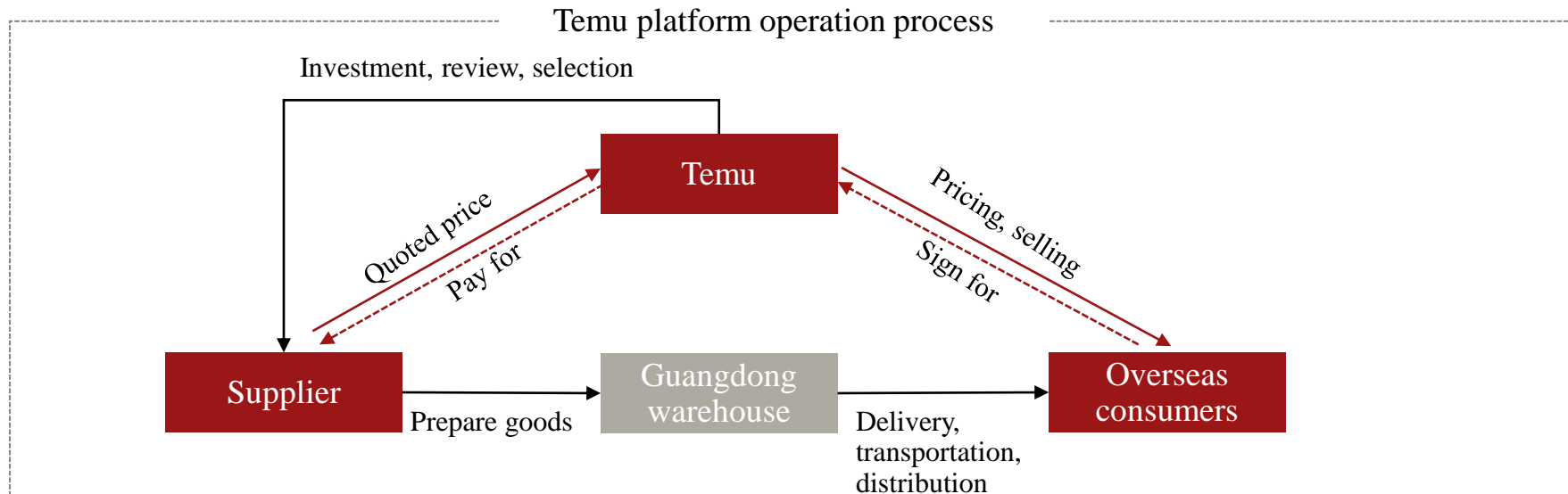


US Unique Visitors to Temu, Shein, AliExpress, and Wish, April 2022-March 2023 (in millions)

Temu's business model: seller supply, platform pricing



- **Profit model:** Obtain self-operated spread income.
 - Temu recruits merchants with 0 commission and 0 deposit, but merchants have no pricing power
 - The platform sets prices uniformly, and then settles with the merchants based on the supply price
- **Seller's quotation:** Offer the base / bottom price of the product to Temu
- **Sample review:** Send samples to Guangdong warehouse for quality monitoring
- **Seller supply:** After the selection is approved, provide 20-50 pieces of goods to Guangdong warehouse
- **Platform sales:** Temu completes the ordering, shipping and distribution, etc., from the domestic warehouse to overseas, and the goods without sales within 15 days will be returned to the merchant.
- **Sign for payment:** The arrival time is estimated to be about 7-9 days, and the seller will settle the payment after signing.



Low price mode

- Subsidies buyers and provides low price to grab market shares
- About 50% to 80% lower than Amazon, eBay and offline retail in the United States.

Social media fission strategy

- Apply the domestic PDD tricks, such as "Spend \$0.01 on an item", "New registration coupon"
- American version of "cut a knife",
- User will get a 30% discount coupon after inviting one user.

Full-managed mode

- Suppliers side: only need to send goods to the domestic warehouse
- Platform side: responsible for selection, pricing, sales, operation, performance, etc.

Supply chain advantage

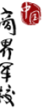
- Adopt the mode of domestic warehouse delivery
- Rely on the strong domestic supply chain integration to achieve efficient supply



How did Temu take off?

2. Network Effect of Temu

Multiple network effects for Temu



		Network effect intended	Actions taken
Intra-platform Network Externality	Direct network effect	<ul style="list-style-type: none"> ❑ Market penetration: with a focus on price-sensitive customer group <ul style="list-style-type: none"> • fastest-growing demographic was the 55 to 64 set ❑ Strengthen positive direct network effect <ul style="list-style-type: none"> • Form stronger ties within the group 	<p>Social media plus e-commerce</p> <ul style="list-style-type: none"> ✓ Group buying: prices drop as more customers “team up” to buy the same product ✓ Gamification: increase interaction to enhance customer retention such as Daily Gift Boxes, Lucky Flip, Fishland ✓ Reward system: the app gives credit to users who open Temu often, leave reviews or refer friends
	Indirect network effect	<p>Two-way indirect network effects</p> <ul style="list-style-type: none"> ❑ Suppliers Buyers <ul style="list-style-type: none"> • Ultra-low price strategy • Wide product range ❑ Buyers Suppliers <ul style="list-style-type: none"> • Precise match with demand • Lower production & storage cost 	<ul style="list-style-type: none"> ✓ No middleman model: full-hosting model <ul style="list-style-type: none"> – Lower threshold for manufacturers to go overseas – Enlarge the supplier base & lower purchase price ✓ Reverse manufacturing <ul style="list-style-type: none"> – Deliver customer feedback directly to manufacturers – Reorder products in high demand and replace those that are not popular
Inter-platform Network Externality	Network effect across platforms	<ul style="list-style-type: none"> ❑ Built upon the success of PDD & Duoduo grocery ❑ Open up new platform for the network of domestic producers ❑ Multiply scale of network effect by interconnection 	<ul style="list-style-type: none"> ✓ A natural extension to global markets for the supply chain with ultimate cost performance ratio ✓ “Gather” existing supplier network of manufacturers and wholesalers with low costs ✓ Temu employs PDD’s mature data analytics to comprehend consumer behavior and preferences

Expansion strategies to reach the critical mass



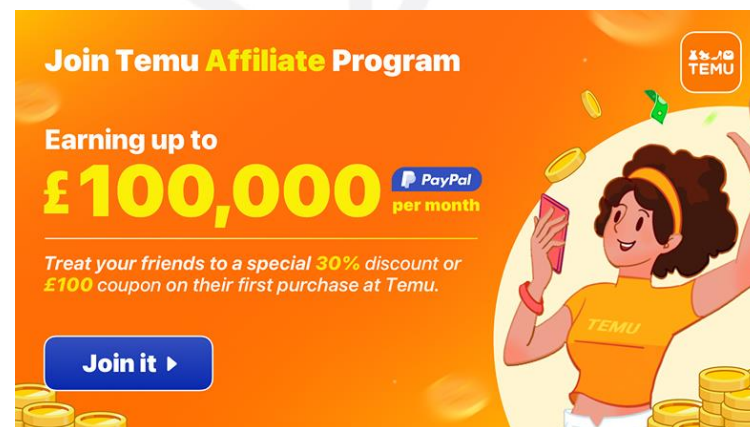
■ Lightning expansion strategy

- (1) Huge-scale marketing campaign
 - Heavy investment: by August 2023, the platform witnessed a substantial increase in its marketing budget, which reached about \$2 billion
 - Digital marketing everywhere
 - ✓ Search advertising: Temu allocated funds for over 900 app store searches to secure the highest ranking for their app
 - ✓ Social media advertising: Temu publishes humorous material on platforms such as Facebook, TikTok, and Snapchat (Super Bowl ads)
 - ✓ Affiliate marketing: Temu has established an "Affiliate program" that extends invitations to third-party entities, such as its customers, to engage in promotions to enhance platform influence
- (2) Full-hosting model to take advantage of supply chain efficiency
 - Rapid expansion is backed up by PDD holdings' deep pocket and resources **basis of reward system**
 - Temu has complete control over operation and strong integration of suppliers **basis of penetration pricing**



Temu is an amalgam of the slogan
"Team Up, Price Down"

- **No. 1 user time** spent on this app worldwide (64 minutes)
- **Temu's affordability:** Team purchasing and direct shipping from China, offering a wide range of items at ultra-low prices.
- **Social Commerce Strategy:** Temu incentivizes app promotion and referrals with free items, in addition to regular clearance sales and a broad product range.
- **Bulk Buying Advantage:** At Temu, prices drop as more customers "team up" to buy the same product, allowing for bulk orders from suppliers and simultaneous fulfillment.



How strong is the network effect?



Supply side is more important for Temu to sustain its ultra-low price strategy as well as its global marketplace position

Strength

- ❑ Temu's great strength is in cross-border logistics and supply chain efficiency
 - Core competence
 - Small white branded sellers rely on Temu's channel to acquire large, persistent traffic from overseas markets
 - Unparalleled advantage in logistic costs
 - ❑ High loyalty of target consumers
 - Ultra-low price + group buying
 - Full-range categories, including fashion, beauty, electronics, home goods, and more
- Retain cost-conscious customers

Threats

- ❑ Much criticism & controversy from both sides

Supply side

- Strict bidding mechanism may harm sellers' benefit
 - Generally Temu has set extremely low bidding price
 - Enhance the negative direct network externalities among sellers
 - High-quality sellers with high costs may switch elsewhere

Demand side

- Sustainability of massive subsidy and ads marketing
- Protectionism in cross-border e-commerce policy





How did Temu take off?

3. Platform Pricing

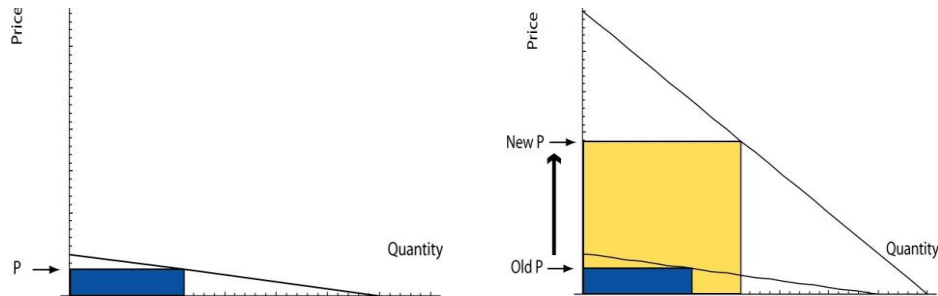
3. Platform Pricing: Divide-and-conquer strategy



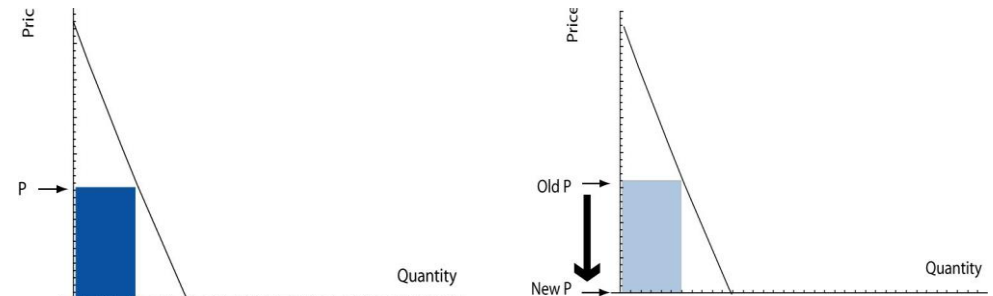
- ✓ divide group i : $r_i \leq 0$. (Subsidy side: attract users and grow network size)
- ✓ conquer group j : $r_j > 0, j \neq i$. (Money side: pay for the privilege of gaining access)

Platform	Profit making group	Subsidized group
Temu	Merchants	Consumers

Market One: Consumers



Market Two: Developers



- Like Pinduoduo, Temu focuses on sinking the market and focuses on providing extremely low prices to attract consumers. The reason for its rise is that it adopts the full custody and semi-custody mode, which greatly reduces the threshold for Chinese merchants to enter the overseas market and unleashes the cost-effective advantage of China's supply chain.

3. Platform Pricing: Divide-and-conquer strategy



Why do platforms have the ability to adopt this pricing strategy

Attract sellers

Temu has a large number of active users and rich traffic channels, and in the fully managed model, merchants can use the platform traffic to achieve rapid customer acquisition.

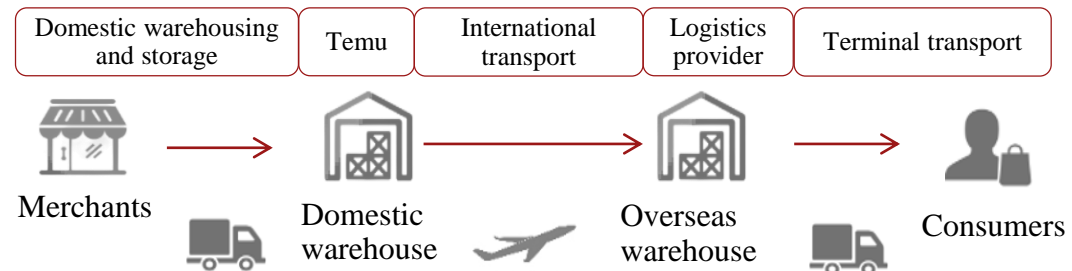
For merchants who are new to overseas business, the fully managed model can reduce the learning and execution costs of opening up new markets.

Customs declaration, cross-border logistics, tax payment

Reduce costs

Temu's full hosting model eliminates the middleman link in the traditional e-commerce chain, can eliminate the difference between intermediate links and channel providers, compress the cost, and obtain a lower price advantage.

Merchants can rely on the platform's overseas warehousing and logistics system to directly distribute goods to new countries and regions, without the need to build a new overseas team and operation system.



3. Platform Pricing: Divide-and-conquer strategy



Why do platforms have the ability to adopt this pricing strategy?

Squeeze upstream profits

Temu takes the lowest price among similar platforms as the core standard in supplier recruitment and product selection, strictly controls the price, and can lock in more profits in the procurement and sales of goods.

In this way, Temu reduces the seller's profit margin as much as possible, has obvious price advantages, and can attract more middle and low-end users who are sensitive to price and relatively insensitive to performance

Subsidize consumers

Low price is an important factor for Temu to attract consumers, Temu continues the domestic main station through the way of free commission and large subsidies, discounts of up to 90% for new users. In addition, Temu also launches limited-time ultra-low price promotions from time to time to strengthen user retention.

In some market segments, Temu platform can meet the needs of consumers through low-price strategies and gain market share.

1/6pcs Non-Scratch Dish Sponge, Dual Sided Kitchen Sponges For Dishes, Long Lasting Dishwashing Household Cleaning Sponges For Kitchen, Easy To Dry And Reusable

217 sold, by Cologoo(16K+ sold) ★★★★★ (1,203)

\$3.99 ~~\$8.49~~ -53%

Lightning deal Free shipping on all orders 17:28:10 left today

Quantity: 6 Pcs (Pack Of 1)

Qty: 1 Almost sold out

Add to cart

Hurry! Over 157 people have this in their carts

Free shipping On all orders 00:45:05 Free returns Within 90 days Get the Temu App

Best Sellers Opening Sale New Arrivals Categories With supplier

UNITED KINGDOM UP TO 90% OFF SHOP NOW

Safe payments Secure logistics Secure privacy Purchase protection Temu keeps you safe

Lightning deals Ends in 00:00:00

1. Socks: £1.39 (down from 3.54) -59% New in ★★★★★ (11)

2. Kettle: £1.27 (down from 1.26) -50% In demand ★★★★★ (1)

3. Toy: £1.52 (down from 2.07) -26% New in ★★★★★ (1)

4. Hairbrush: £1.79 (down from 5.51) -67% In demand ★★★★★ (21)

5. Bracelet: £0.87 (down from 1.81) -52% In demand ★★★★★ (3)

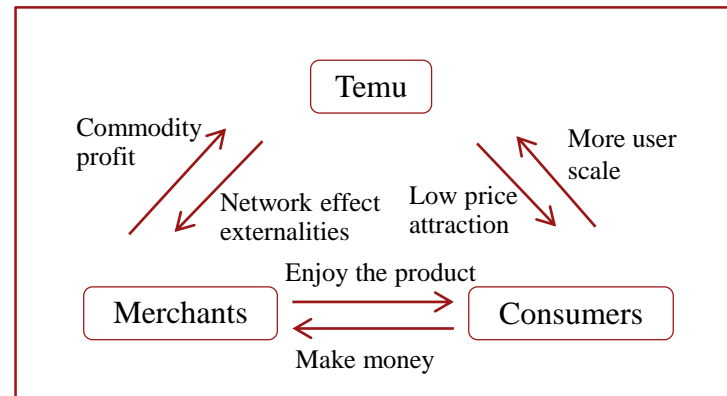
WEDDING SEASON UP TO 90% OFF SHOP NOW

SPRING CLEANING DOWN TO £0.15 SHOP NOW

LOVE YOUR PET UP TO 90% OFF SHOP NOW

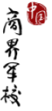
Messages Feedback

3. Platform Pricing: Divide-and-conquer strategy



On Temu, pricing depends not only on the demand and cost from marginal cost and elasticity of demand, but also on how their participation affects participation on the other side, and the profits associated with the other side.

3. Platform Pricing: Two-sided Market Pricing



- (1) By introducing the linear Hotelling model, social e-commerce platforms A and B are respectively located at the two ends of the line segment $[0,1]$.
- (2) n_{si} n_{bi} ($i = A, B$): The number and scale of merchants and consumers in the two social e-commerce platforms.
- (3) U_{si} U_{bi} ($i = A, B$): Utility obtained by two-sided users on social e-commerce platforms.
- (4) λ : Strength of cross-network externalities between two-sided users on the social e-commerce platform.
- (5) P_{si} P_{bi} ($i = A, B$): Pricing of two-sided users by social e-commerce platform i .
- (6) e_i ($i = A, B$): Marketing service level of platform products.
- (7) t_i ($i = A, B$): Transfer costs of consumers and merchants to social e-commerce platforms A and B

3. Platform Pricing: Two-sided Market Pricing



Consumer utility function

$$U_{bi} = \lambda n_{si} + e_i \xi - \beta \theta - P_{bi} (i = A, B)$$

λn_{si} : Utility from cross network externalities between merchants and users

$e_i \xi$: Utility obtained from consumers' information production and information sharing under the marketing service of social e-commerce platform

$-\beta \theta$: Disutility from the social costs incurred by the recipient's rejection of the information to the consumer

$-P_{bi}$: Cost of membership fees paid by consumers to the platform

Merchant utility function

$$U_{si} = \lambda n_{bi} + e_i \xi - P_{si} (i = A, B)$$

λn_{bi} : Utility brought by cross-network externalities of consumers and users on social e-commerce platforms

$e_i \xi$: Utility brought by consumers' information production and information sharing to merchants under the marketing service of social e-commerce platform

$-P_{si}$: Disutility brought by merchants paying marketing service fees to social e-commerce platforms

Profit function of social e-commerce platform

$$\pi_A = P_{bA} n_{bA} + P_{sA} n_{sA} - \frac{1}{2} k e_A^2$$

$$\pi_B = P_{bB} n_{bB} + P_{sB} n_{sB} - \frac{1}{2} k e_B^2$$

$\pi_i (i = A, B)$: Profit of social e-commerce platform

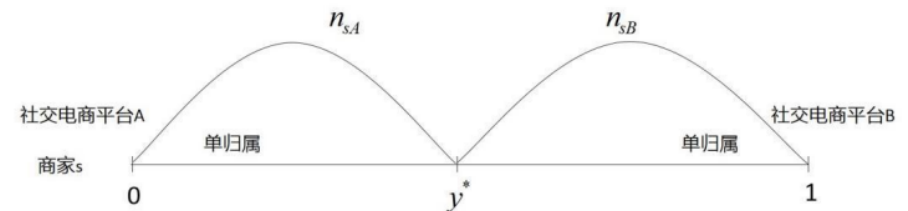
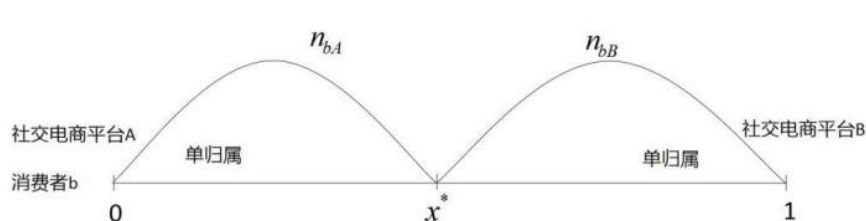
$\frac{1}{2} k e_i^2$: Marketing service cost of social e-commerce platform

3. Platform Pricing: Two-sided Market Pricing

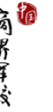


- $n_{bA} + n_{bB} = 1, n_{sA} + n_{sB} = 1$: Assumed that both consumers and merchants can only choose one of the social e-commerce platforms A and B to join.
- x : Distance between A consumer somewhere on $[0,1]$ and platform A; y : Distance between merchant somewhere on $[0,1]$ and platform B.
- $x^* y^*$: Indifference point of utility for consumers and merchants to join platforms A and B
- $n_{bA} = x^*, n_{bB} = 1 - x^*, n_{sA} = y^*, n_{sB} = 1 - y^*$

Fig. Platform competition model under single ownership of bilateral users



3. Platform Pricing: Two-sided Market Pricing



- Utility of consumers and merchants at x^* and y^* , respectively:

$$\lambda n_{sA} + e_A \xi - \beta \theta - P_{bA} - t_b x^* = \lambda n_{sB} + e_B \xi - \beta \theta - P_{bB} - t_b (1 - x^*)$$

$$\lambda n_{bA} + e_A \xi - P_{sA} - t_s y^* = \lambda n_{bB} + e_B \xi - P_{sB} - t_s (1 - y^*)$$

- Utility indifference points x^* and y^* for consumers and merchant users:

$$x^* = \frac{1}{2} + \frac{\lambda(n_{sA} - n_{sB}) + \xi(e_A - e_B) - (P_{bA} - P_{bB})}{2t_b}$$

$$y^* = \frac{1}{2} + \frac{\lambda(n_{bA} - n_{bB}) + \xi(e_A - e_B) - (P_{sA} - P_{sB})}{2t_s}$$

- Combined with $n_{bA} = x^*$, $n_{bB} = 1 - x^*$, $n_{sA} = y^*$, $n_{sB} = 1 - y^*$, We can obtain the equation of two-sided user scale on social e-commerce platform with respect to price as follows :

$$n_{bA} = \frac{\lambda(\lambda + P_{sA} - P_{sB}) - t_s(t_b + P_{bB} - P_{bA}) - (\xi e_A - \xi e_B)(\lambda + t_s)}{2(t_b t_s - \lambda^2)}$$

$$n_{bB} = \frac{t_s(t_b - P_{bB} + P_{bA}) + (\xi e_B - \xi e_A)(\lambda + t_s) - \lambda(\lambda - P_{sA} + P_{sB})}{2(t_b t_s - \lambda^2)}$$

$$n_{sA} = \frac{\xi(e_A - e_B)(\lambda + t_b) - \lambda(\lambda + P_{bA} - P_{bB}) - t_b(+P_{sA} - P_{sB} - t_s)}{2(t_b t_s - \lambda^2)}$$

$$n_{sB} = \frac{t_b(t_s - P_{sB} + P_{sA}) - \xi(e_A - e_B)(\lambda + t_b) - \lambda(\lambda - P_{bA} + P_{bB})}{2(t_b t_s - \lambda^2)}$$

3. Platform Pricing: Two-sided Market Pricing



- The profit functions of social e-commerce platform A and Platform B are:

$$\pi_A = \frac{P_{bA}[t_s(P_{bA} - P_{bB} - t_b) + \xi(e_B - e_A)(t_s + \lambda_b) - \lambda(\lambda + P_{sA} - P_{sB})]}{2(\lambda^2 - t_b t_s)} + \frac{ke_A^2}{2}$$

$$+ \frac{P_{sA}[t_b(P_{sA} - P_{sB} + t_s) - \xi(e_B - e_A)(\lambda + \lambda_b) + \lambda(\lambda + P_{bA} - P_{bB})]}{2t_b t_s - 2\lambda_b \lambda_s}$$

$$\pi_B = \frac{P_{sB}[\xi(e_A - e_B)(t_b + \lambda) + \lambda(\lambda + P_{bB} - P_{bA}) - t_s(P_{sA} - P_{sB} + t_s)]}{2(\lambda^2 - t_b t_s)} + \frac{ke_B^2}{2}$$

$$+ \frac{P_{bB}[\xi(e_A - e_B)(\lambda + \lambda_b) + \lambda(\lambda + P_{sB} - P_{sA}) - t_s(P_{bA} - P_{bB} + t_b)]}{2(\lambda^2 - t_b t_s)}$$

- Solve for the first partial derivative of $P_{sA}, P_{bA}, P_{sB}, P_{bB}$:

$$\frac{\partial \pi_A}{\partial P_{sA}} = \frac{\xi(e_A - e_B)(\lambda + t_b) - t_b(2P_{sA} - t_s - P_{sB}) - \lambda(\lambda + 2P_{bA} - P_{bB})}{2(t_b t_s - \lambda^2)}$$

$$\frac{\partial \pi_B}{\partial P_{bB}} = \frac{t_s(t_b + P_{bA} - 2P_{bB}) - \lambda(\lambda - P_{sA} + 2P_{sB}) - \xi(e_B - e_A)(\lambda + t_s)}{2(t_b t_s - \lambda^2)}$$

$$\frac{\partial \pi_A}{\partial P_{bA}} = \frac{t_s(t_b + P_{bB} - 2P_{bA} + \xi e_A - \xi e_B) + \lambda(\lambda - \xi e_A + \xi e_B + P_{sA} - P_{sB})}{2(t_b t_s - \lambda^2)}$$

$$\frac{\partial \pi_B}{\partial P_{sB}} = \frac{t_b(t_s + P_{sA} - 2P_{sB}) + \xi(e_A - e_B)(\lambda + t_b) - \lambda(\lambda + 2P_{bB} - P_{bA})}{2(t_b t_s - \lambda^2)}$$

- Let the first-order partial derivative of the above = 0, We can get that the optimal pricing of e-commerce platform A and B for consumer membership fee and merchant marketing service fee is:

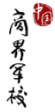
$$P_{bA}^* = \frac{\xi}{3}(e_A - e_B) + (t_b - \lambda) \quad P_{sA}^* = \frac{\xi}{3}(e_A - e_B) + (t_s - \lambda) \quad P_{bB}^* = \frac{\xi}{3}(e_B - e_A) + (t_b - \lambda) \quad P_{sB}^* = \frac{\xi}{3}(e_B - e_A) + (t_s - \lambda)$$

- Then, we can get the scale and profits of social e-commerce platforms A and B:

$$n_{bA}^*, n_{bB}^*, n_{sA}^*, n_{sB}^*; \pi_A^*, \pi_B^*$$



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How did Temu take off?

4. Platform Competition

4. Platform Competition:

Multi-Homing & Different Business Model



Online shopping platform: Multi-Homing

For Buyers:

- Online shopping platforms barely set barrier for their buyers. Most buyers can compare prices in different platform before decision making.
- Buyers tend to compare prices in different platform while buying expensive products.
- Some platforms may develop Membership system to keep their buyers to build single-homing situation.

For Sellers:

- Most sellers prefer to set up stores on multiple different platforms.
- Sellers need to choose between simple supplier role with less trouble or self operated sales model with potential higher profit .
- Some online shopping platforms sign Exclusive Agreement with sellers to construct single-homing situation.

What kind of model Temu want?

For Buyers:

Multi-homing Accepted

But choose products type which gives buyers least motivation to spend time comparing prices among different platform

For Sellers:

Single-homing constructed

Be the only and the best worry free means for Chinese producers who want to sell oversea

How this model make profit?

- ❑ *Buyers has much more flexibility than sellers in Temu.*
- ❑ *make profit through buying in a pretty low price from the producers in China.*
- ❑ *In the start-up period, they sell goods in a low price as we mentioned before to attract more buyers.*

4. Platform Competition: Platforms



Amazon

- #monthly active Buyers
25.2 M
- Actual Buying rate
56%
- Pure platform
- *Hard to directly connect suppliers and producers in China.*
- *Using membership to create single-homing on buyer side.*
- *Higher loyalty may lead to higher buying rate.*

SHEIN

- #monthly active Buyers
7.3 M
- Actual Buying rate
4.1%
- Self-owned DTC brand and platform
- *Selling the atmosphere while shopping*
- *Exquisite website and fashionable seller shows*



Temu

- #monthly active Buyers
15.2 M
- Actual Buying rate
4.5%
- Full custody mode for White Brand Merchant in China
- *May be repeat easily by another Chinese company*
- *Supplier bidding model may take too much from sellers to support the other side.*


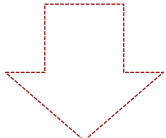

Cross border logistics system



How did Temu take off?

5. Online Reputation

■ Procedure of the online reputation system

Buyer	Seller	Platform
<ul style="list-style-type: none">Customers purchase items on Temu.Customers will be able to leave a review directly from the order details page shortly after shipment.Temu only displays reviews from customers who have purchased the item. <p>2,002 reviews 4.7 ★★★★★</p> <p>All reviews are from verified purchases</p> <p>Item reviews (2,002) Provider reviews (9,352)</p> <p>(1,743) Cool Looking(112) Worth The Price(58)</p> <p>Maria Guild ★★★★★ in  on Aug 29, 2023 This sunglasses are awesome. I love them but they are for a gift for Christmas so hopefully my son will love them as much as I do.</p> <p>Review guidelines</p> <p>We encourage high quality reviews like:</p> <ul style="list-style-type: none">More than 30 charactersWith pictures or videosReal feedback experience <p>Guidelines for rating</p> <p>Customer reviews, including star ratings, help customers to learn more about the item to decide whether it is the right item for them.</p> <p>Temu calculates a star rating using machine-learned models instead of a simple average. They use multiple criteria that establish the authenticity and trustworthiness of the review. The system continues to learn and improve over time.</p>	<ul style="list-style-type: none">Sellers view reviews from Temu front end.Choose whether or not to report some reviews that maybe fraudulent.  <ul style="list-style-type: none">Sellers can only report fraudulent reviews instead of replying to it. (Official robotic answers)Successful reporting will not change the star rating. <p>@Temu 客服小助手: 您好, 感谢您使用 Temu。抱歉给您带来了不好的购物体验, 能否将您的订单号和相关信息发送至邮箱 chuck.yang@temu.com, 会有专人进一步核实跟进您的问题。</p>	<ul style="list-style-type: none">Shoppers (买手) will check buyers' reviews and exhibit them.If the seller has a claim, shoppers decide whether to withdraw the fraudulent reviews. <div><p>■ Low-rating governance</p><ul style="list-style-type: none">Number of product reviews ≥ 6Star rating ≤ 4.2<p>The platform forces the product to be taken down until the product rating is restored to 4.2 or higher.</p></div>  <div><p>■ Strict fines mechanism</p><p>Grim trigger strategy: quality scores are highly dependent on star ratings.</p>$indemnity = \begin{cases} 0 \text{ times, if } 90 \leq \text{quality scores} \leq 100 \\ 1.5 \text{ times, if } 70 \leq \text{quality scores} \leq 90 \\ 2.5 \text{ times, if } 60 \leq \text{quality scores} \leq 70 \\ 5 \text{ times, if } 0 \leq \text{quality scores} \leq 60 \end{cases}$</div>

■ Design of the online reputation system

Common problems:

- Not enough reviews ----->
- Selection bias ----->
- Whitewashing ----->
- Fraudulent reviews ----->
- Reciprocity ----->

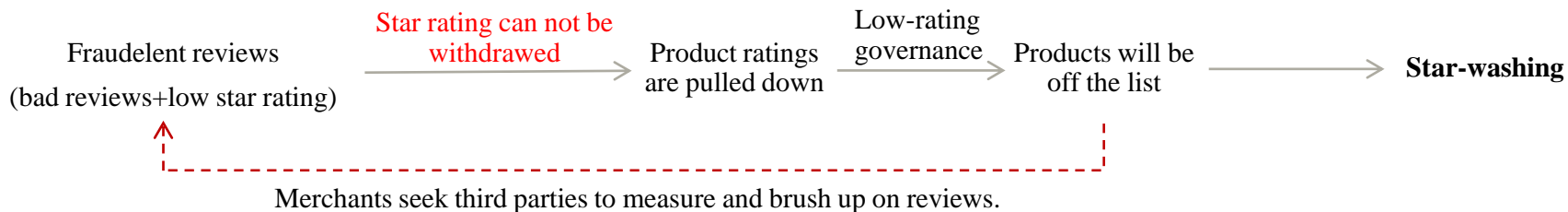
Solutions on Temu:

- No incentive or compulsion measures.
- Temu simply displays all approved comments.
- Anti-Money Laundering Registration + Request to upload brand qualification.
- Sellers can report false or malicious reviews and then platform will withdraw them.
- Not exist, there are only robotic feedbacks from Temu.

Another possible problem:

- Reputation system on Temu may lead to **star-washing**.

➡ The comment section is less credible and the products that remain on the platform are highly starred.





How did Temu take off?

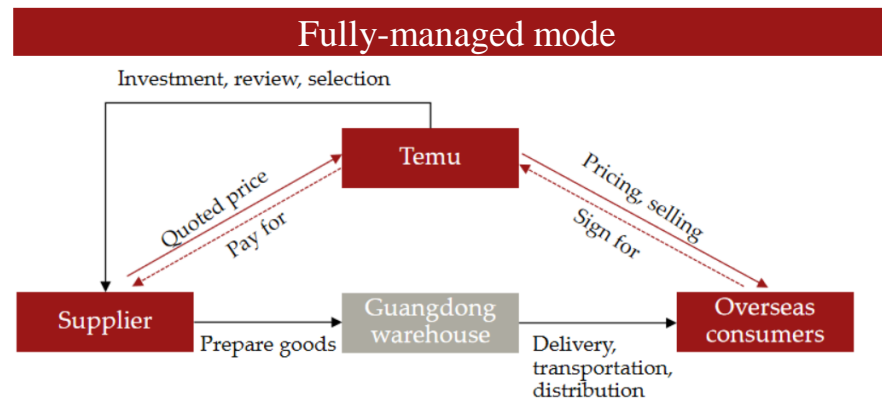
6. Summary

- **Temu offers goods at lower prices than other platforms.**
 - Temu has **reduced the price of hot products through tens of billions of sales volume.**
 - Temu offers more **unbranded goods (white branded goods)**, which carry a very low brand premium and are more affordable.
 - Temu parent company Pinduoduo **provided a lot of financial support** for subsidies.
 - Temu provides more choices in the low price zone to meet the needs of low-income groups
- **Temu Create a social e-commerce method, effectively utilizing the network effect**
 - Temu extends the **group buying mode** in China to overseas markets, and encourages consumers to enhance their bargaining power by sharing bulk discounts in groups.
 - Temu **introduces games into the shopping process**, such as Fishland, Coin Spin, Card Flip, etc., which eventually improves user stickiness.
 - Temu **uses social media to mobilize emotional value**, on the one hand to form users' "low price memory" about Temu, on the other hand to use consumer psychology through the "mass bargain" ("砍一刀").



Average time spent by American users using shopping apps every day in 2023

- **Fully-managed mode: More convenient, more controllable and cheaper.**
 - **The fully-managed model reduces the difficulty for suppliers to participate in cross-border trade**, where sellers were tasked with shipping products to Temu's domestic warehouses and declaring supply prices. The rest of the process, including order fulfillment, was handled by Temu.
 - Temu **controls the price of products** through full custody mode, selects the most cost-effective products, and enhances its market competitiveness.
 - Temu can **eliminate the difference between intermediate links and channels**, compress the cost, and obtain a lower price advantage.
- Temu made full use of China's supply chain advantages, especially by **introducing a large number of suppliers from Pinduoduo**. So it can **get a lot of reliable product supply at an early stage**.
- Temu offers more low-end brand goods with higher cost performance, which **attract a larger user base and can differentiate competition**.



How did Temu take off?

- To reach the critical mass

Kick-off

- Subsidize users
- Invite suppliers from PDD
- Advertising

Buyer side

- Low price
 - Economies of scale & reducing costs
 - Unbranded goods
- Social e-commerce method
 - Group buying mode
 - Game mechanism
 - Social media ("mass bargain")

Network effect (Indirect)

Seller Side

- Fully-managed mode
 - Make cross-border trade easier
 - Controls the price
 - Eliminate channel costs
- Suppliers from PDD
- More users attract more suppliers

Organizational efficiency

Financial support

Logistics

Operation & Service

Foundations

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2. Temu平台：深度解析低价王者的商业模式和数据分析 <https://zhuanlan.zhihu.com/p/644088852>
3. 拼多多Temu要将低价贯彻到底 <https://column.iresearch.cn/b/202311/970179.shtml>
4. 从商业模式看Temu为何能风靡全球？ <https://zhuanlan.zhihu.com/p/685112975>
5. Temu狂飙的2023年：冲向世界，掀起全球“价格战” <https://wallstreetcn.com/articles/3708332>
6. Temu商业战略分析：成功之道与竞争对手比较 <https://kaidiango.com/Temu-business-strategy-analysis/>
7. 低价再“卷”！Temu推出海运物流，月GMV已超10亿美元 https://www.sohu.com/a/736948070_121123831
8. Temu被扒出“亏损账单”：每单亏30美元，一年亏百亿 <https://new.qq.com/rain/a/20230605A08RMN00>
9. 高盛上调Temu今年预期：每份订单亏损收窄至4美元 <https://new.qq.com/rain/a/20240220A04LX200>