

Lecture 12

# Social + Mobile E-Commerce

社交+移动电商

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# Learning objects

- Understand the concept, characteristics, and operational fundamentals of social e-commerce
- Gain an understanding of Pinduoduo's product and user targeting, as well as its operational model.



# Concept of Social E-Commerce

The concept of social e-commerce refers to a derivative model of e-commerce that operates within the context of social media.

It is a combination of social media and e-commerce. In specific terms, social e-commerce utilizes platforms like WeChat, Weibo, and other social media platforms, leveraging social interactions and user-generated content to facilitate the sale of products.

It integrates social elements such as engagement, sharing, communication, and discussions into the e-commerce transaction process.

In simple terms, social e-commerce involves using the prevalent social media platforms and the social interactions between followers to drive product sales.

# Characteristics of Social E-Commerce



## Lower Cost of Acquiring Traffic

In social e-commerce, the acquisition of traffic relies heavily on the sharing and dissemination between individuals, resulting in a lower cost for obtaining traffic.



## Emphasis on Trust Relationships Between Individuals

In traditional e-commerce, platforms and reputation are key factors. In contrast, social e-commerce places greater emphasis on trust relationships between individuals. This provides more opportunities for new brands in the realm of social e-commerce.



## Higher User Loyalty

Social e-commerce establishes trust relationships with users through interactions, leading to higher user engagement and loyalty, which naturally results in increased retention rates.

# Characteristics of Social E-Commerce



## Human-Centric Approach

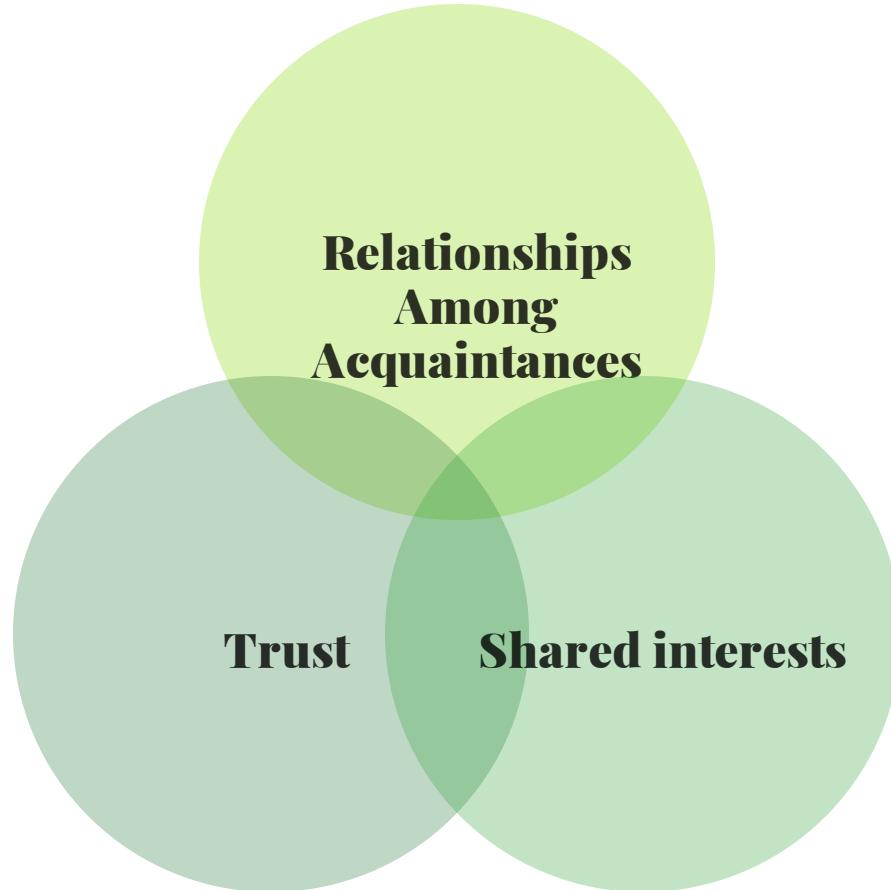
Social e-commerce places humans at the center, beginning with the establishment of connections between individuals before proceeding with product sales



## Divergent or Expansive Model

Traditional e-commerce relies on a funnel-shaped user resource model. For instance, you might attract 1000 visitors, market to them, and ultimately convert 50 transactions. In contrast, social e-commerce follows a divergent model. With the involvement of 10 users in sharing and spreading, if each of them leads to 5 transactions, you can achieve the same 50 transactions.

# Operational Foundation of Social E-Commerce



# Mobile E-commerce



Mobile e-commerce, often termed as m-commerce, refers to the buying and selling of goods and services through mobile devices such as smartphones and tablets.

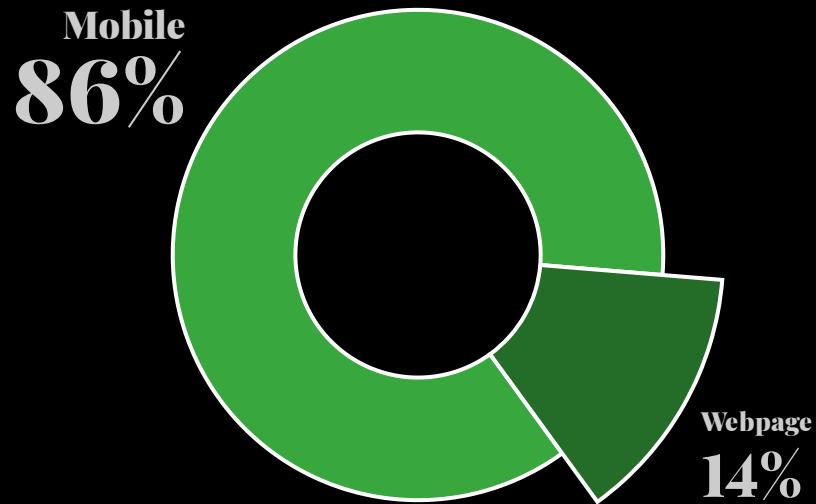
- online shopping
- mobile payments
- online communication

M-commerce leverages the convenience and accessibility of mobile devices, allowing users to browse, shop, and conduct transactions anytime and anywhere with an internet connection.

# Key aspects of M-commerce

- **Mobile Shopping Apps**
- **Mobile-Optimized Websites**
- **Mobile Payments**
- **Mini-program**
- **Mobile Marketing**
- **Location-Based Services**

# China online shopping market in 2020



**Why? How do mobile technologies contribute to e-commerce?**

”社交+电商“模式开创者-拼多多

# Innovator of "Social+E-Commerce" Model- Pinduoduo

FOCUS WITH LOGO



Week #24

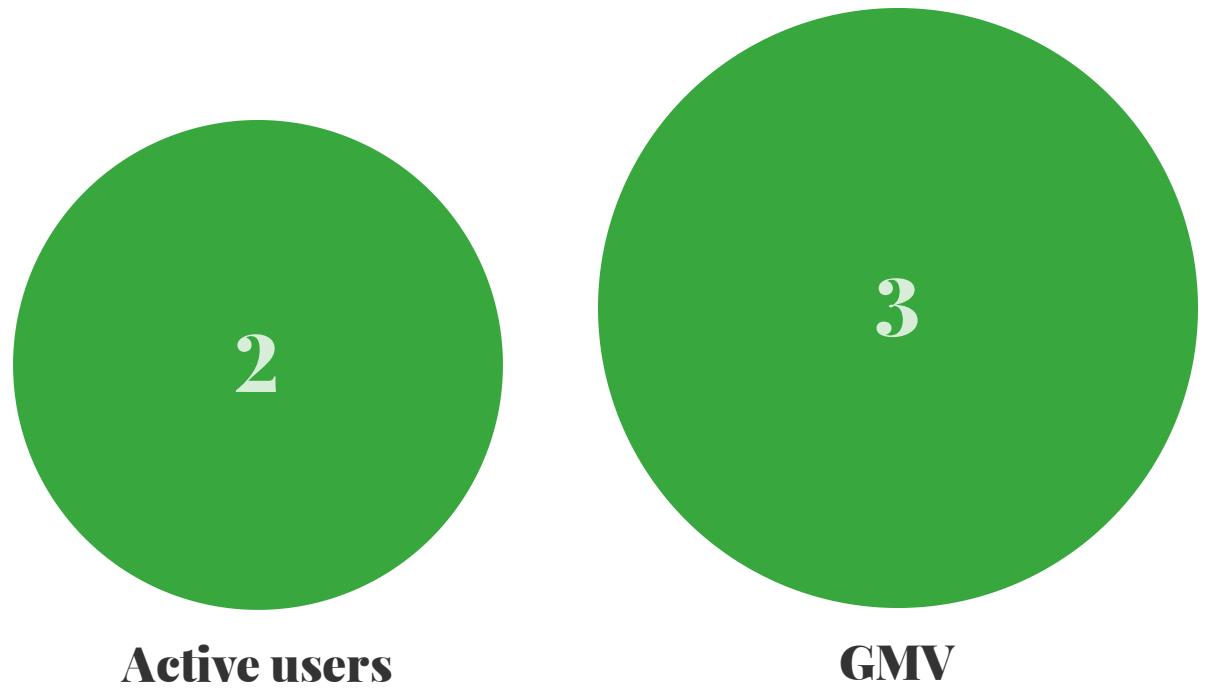
Pinduoduo

Pinduoduo is changing the future of global retail

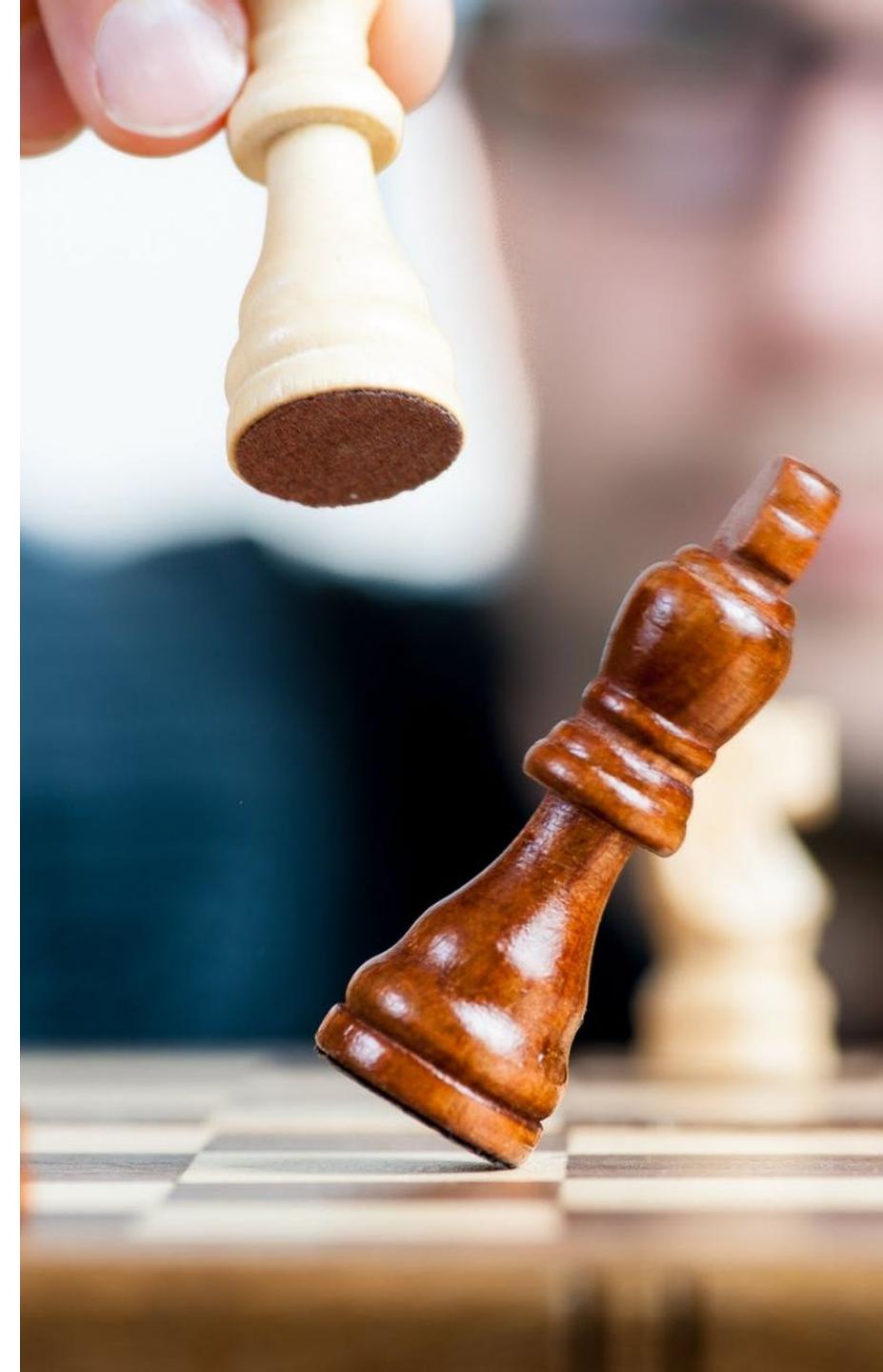
# Development History of Pinduoduo

<b>2015</b> Founded by Colin Huang (黄 峥)	<b>2018</b> IPO and Expansion 300 million active users	<b>2020</b> Live-streaming: 多多直播 拼小圈
<b>Start</b>		
<b>2016-2017</b> Initial Growth 200 million active users 2017 Annual GMV : One hundred billion	<b>2019</b> Strategic Partnerships 500 million active users 2019 Annual GMV : one trillion 百亿补贴	<b>2021-</b> 800 million active users 多多买菜

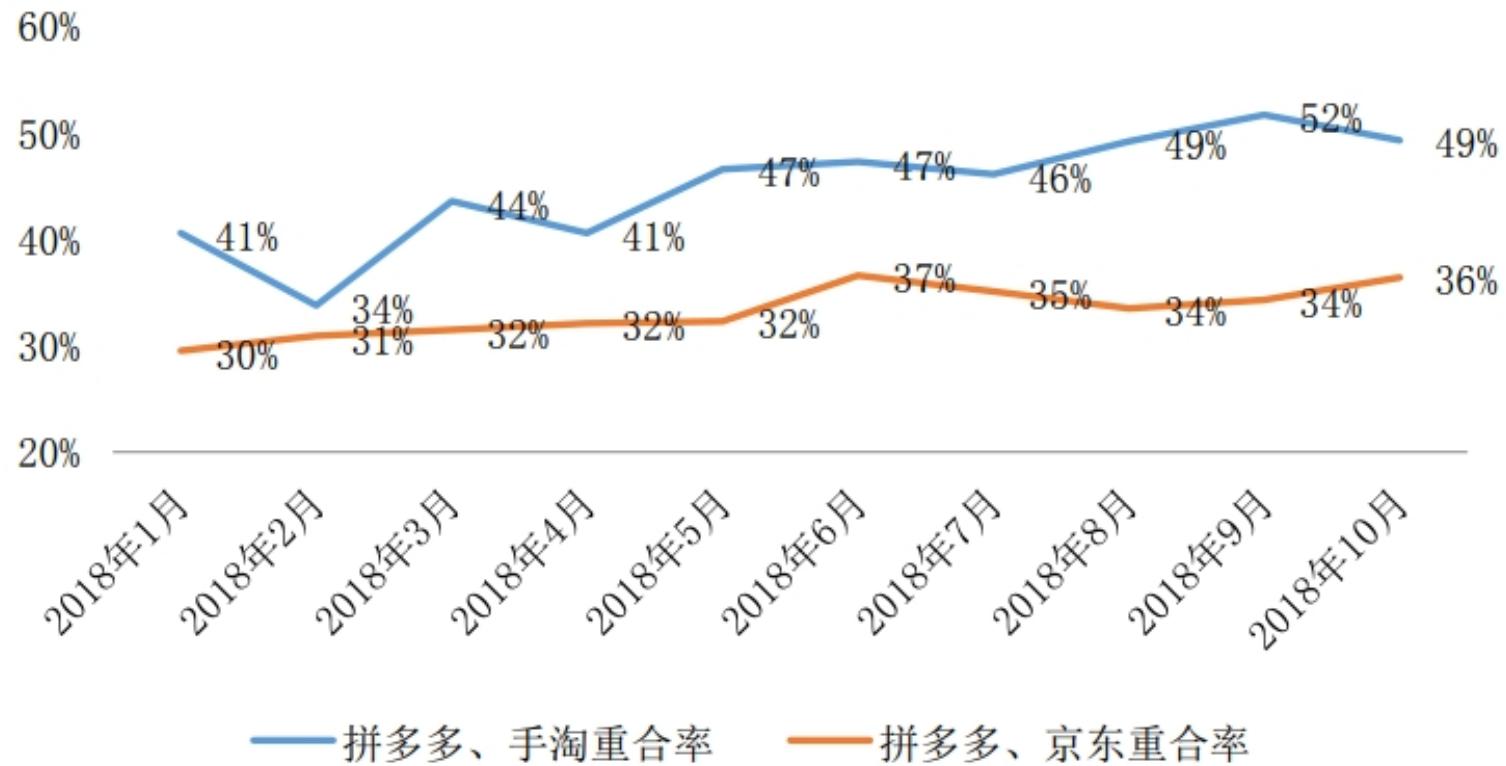
# Position in the Market



ARPU (Average revenue per user, 每用户平均收入)

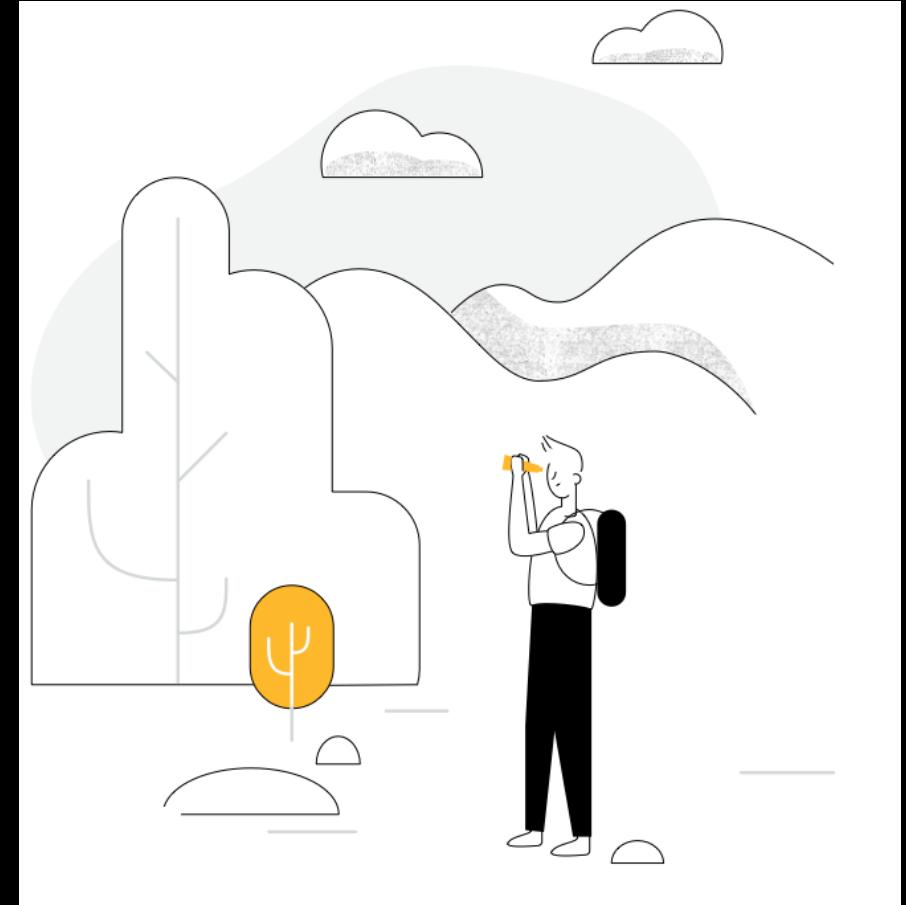
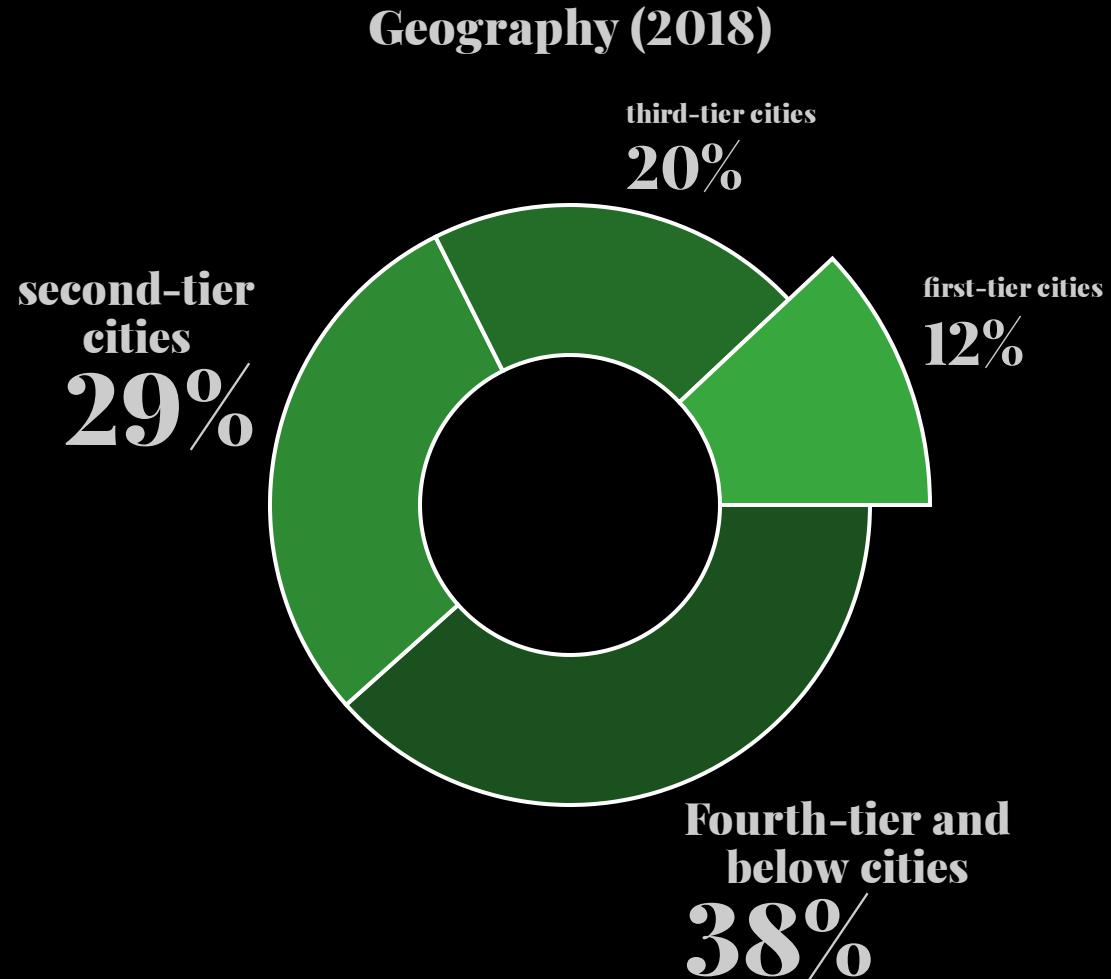


# Competition in the market



资料来源：Questmobile，东吴证券研究所

# User profile



# 百亿补贴

1 Expand users

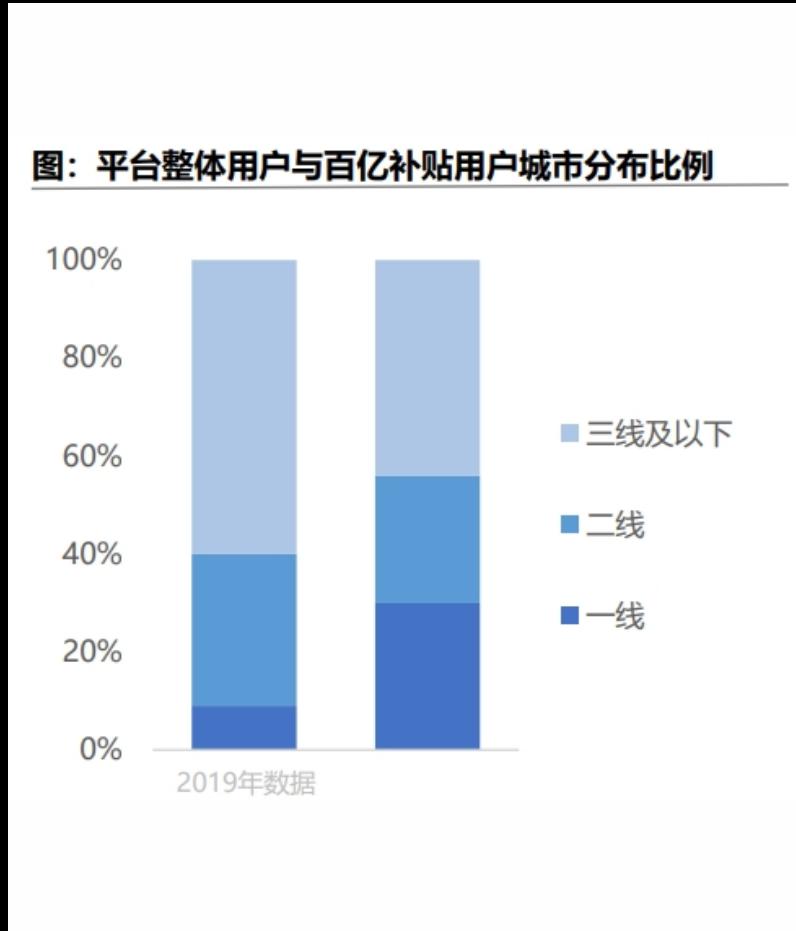
2 Establish a high-quality brand image

3 Increase the proportion of mid-to high-end products



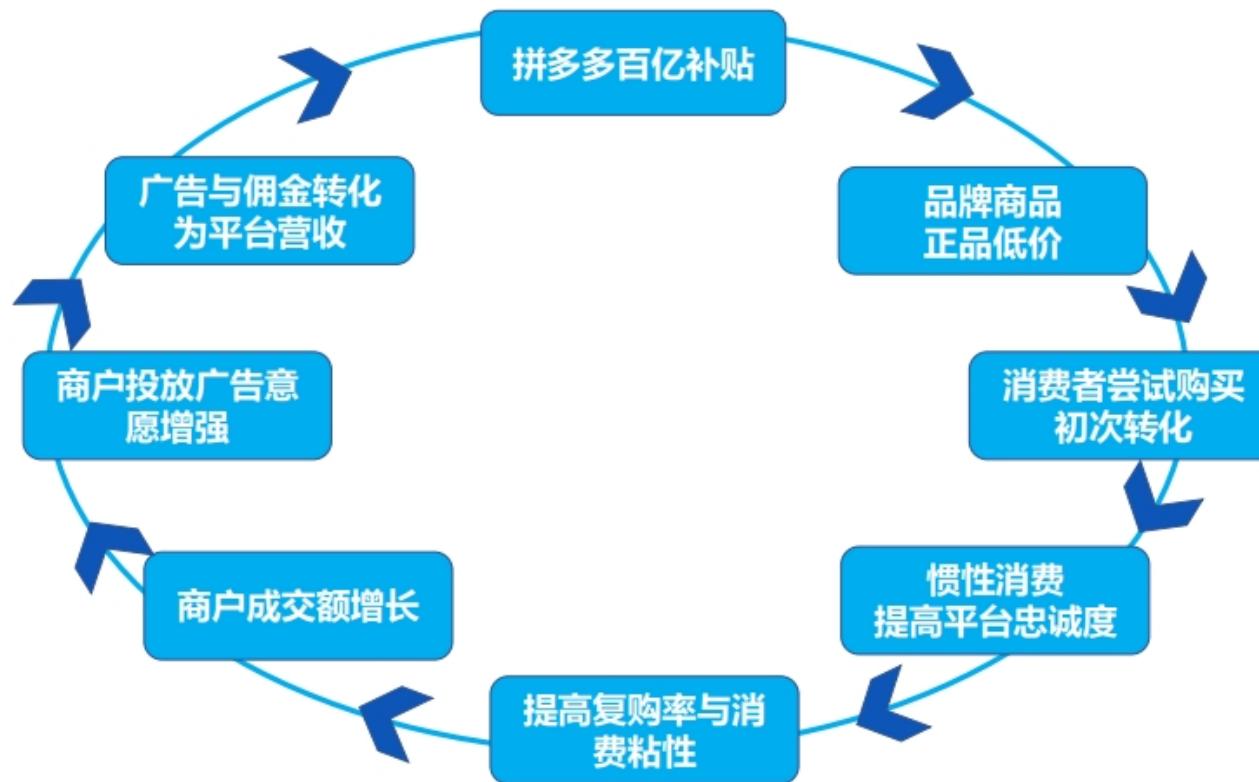
# 百亿补贴

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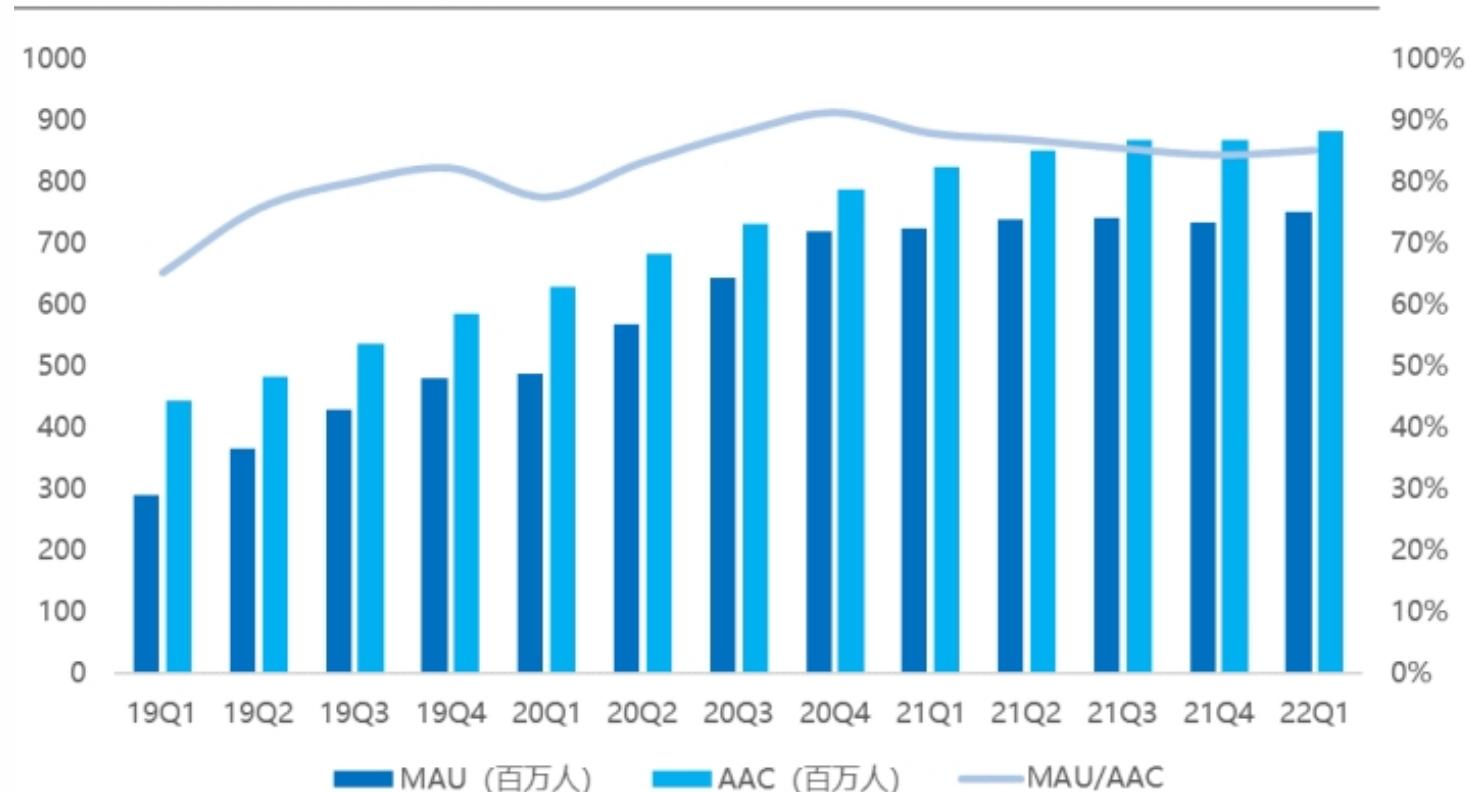
# 百亿补贴

图：百亿补贴平台、商家、消费者的共生关系

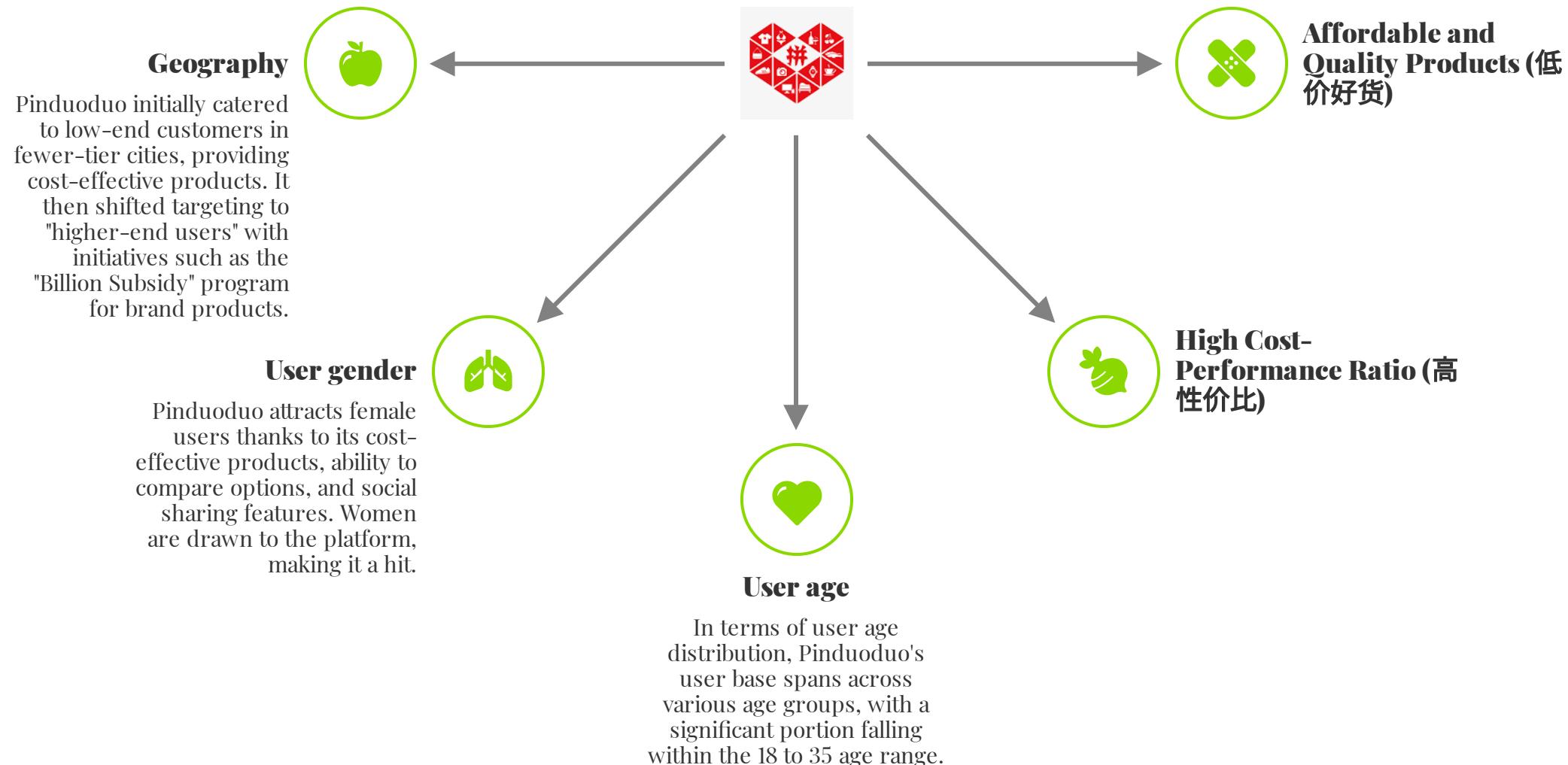


# 百亿补贴

图：拼多多用户粘性增强

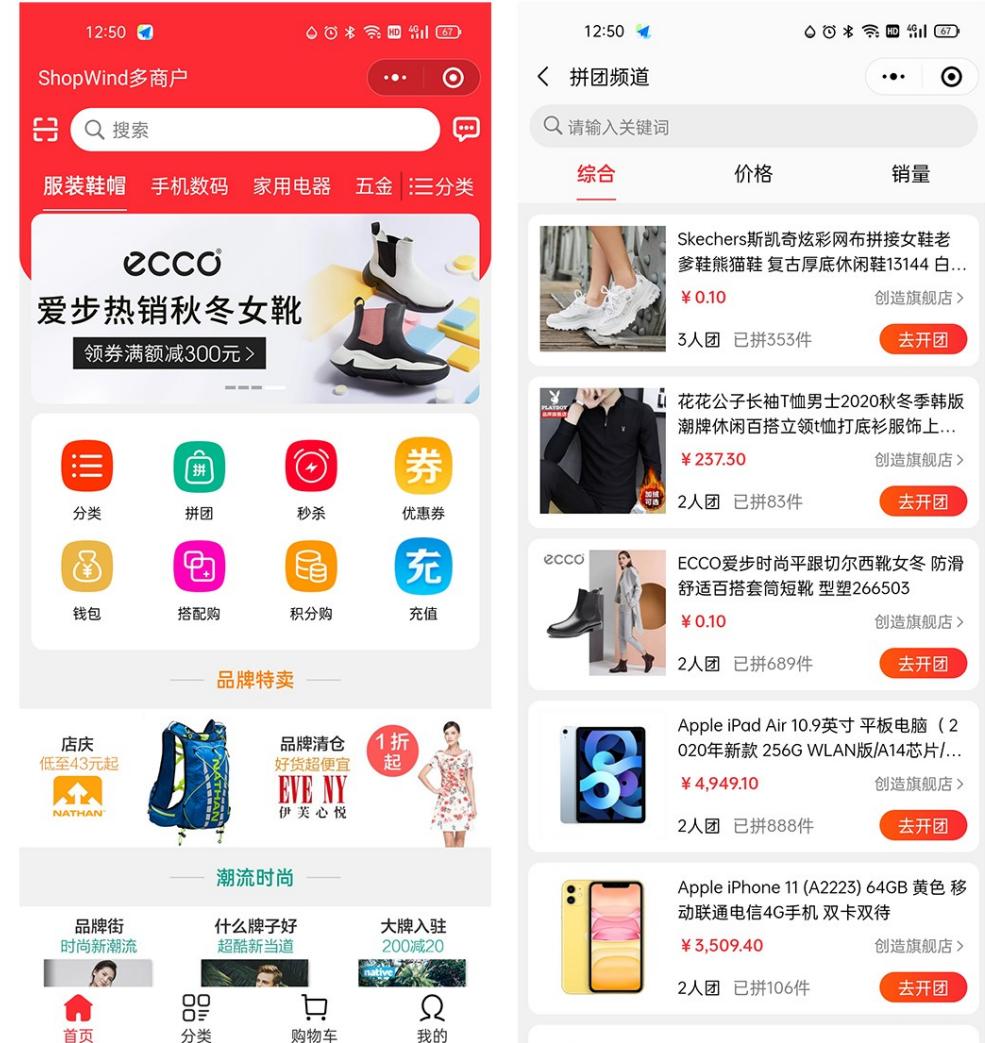


# Product and User Positioning of Pinduoduo



# Pinduoduo employs a group buying shopping model (拼团模式) to boost product sales.

In this model, users can form groups to purchase products at discounted prices. The concept is that when a certain number of users agree to buy the same product, they can collectively access a lower price than they would if they bought the product individually.



# 拼小圈



In March 2020, Pinduoduo launched the Pinxiaoquan social gameplay, which uses sharing and interaction functions similar to Moments to increase the frequency of users opening the APP and the length of time they are active in the APP.



Pinduoduo +  
Wechat

# Pinduoduo as content e-commerce

Live streaming

Short video



拼多多短视频带货

# Duoduo video (多多视频)

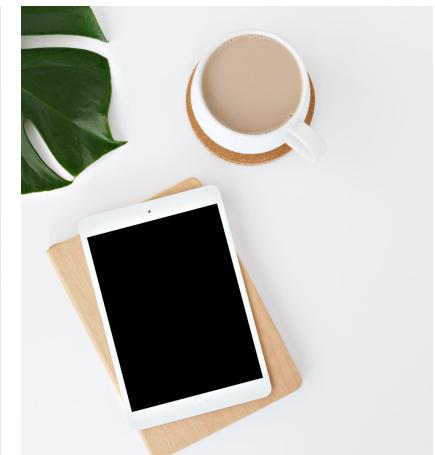


## 多多视频

- 下单返现
- 直播返现
- 看商品视频返现
- 邀请好友看视频返现
- 打卡返现

# Revenue model of Pinduoduo

- **Online marketing**  
Advertisement
- **Commission**



## "Social+E-Commerce" Model-Pinduoduo

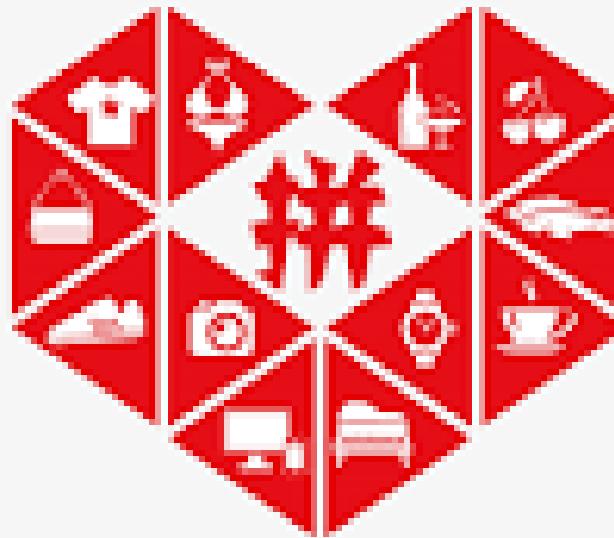
# Case study summary

### ✓ **Social**

Social Viral Expansion  
Based on WeChat  
Relationship Chains.

### ✓ **Cheaper**

Driven by the products of  
"good quality at low prices."



### ✓ **Group Buying**

Encouraging users to  
collaborate in order to  
access discounted prices.

### ✓ **Mobile-based**

Mobile-Based New  
Consumption Scenarios

### ✓ **High Cost- Performance Ratio**

Increased User Stickiness  
and Gradually Expanded  
User Base

# Community Group Buying - Meituan Youxuan

## *Community E-Commerce*

Community group buying is a shopping and consumption behavior that integrates online and offline activities within a local community.

It is a localized and networked form of group purchasing based on real communities.

In essence, it's a new retail model that leverages the social relationships within a community and its "group leaders" to facilitate the circulation of goods.

The concept of community group buying started gaining momentum as early as 2016. With changing consumer habits, it experienced explosive growth in 2020.

In June 2020, Didi launched its community group buying brand "Chengxin Youxuan."

In July 2020, Meituan announced the establishment of its "优选事业部" to enter the community group buying market.

In August 2020, Pinduoduo launched its brand "Duoduo Maicai" in this field. In December 2020, JD.com announced a \$700 million investment in the community group buying platform Xingsheng Youxuan.



## *Community E-Commerce*

One major distinction of community group buying from other e-commerce models is the establishment of the "Group Leader" system. In community group buying, "Group Leaders" act as intermediaries between suppliers and users. They typically create WeChat groups on a neighborhood or local scale, where they daily share product information, guide users to place orders, and coordinate the pickup of goods at designated locations once the items arrive.

# The Development Overview of Meituan Youxuan

**2020.7**

Meituan announced the establishment of the "优选事业部" and launched the "Meituan Youxuan" community group-buying business. This initiative primarily targets lower-tier markets and adopts a "pre-order + self-pickup" model. By empowering community convenience stores, it offers selected, cost-effective categories of products like vegetables, fruits, meats, poultry, eggs, beverages, snacks, frozen foods, and cooking ingredients to meet the daily needs of community households. On July 12th, Meituan held a signing and first meeting event for community leaders in Jinan, Shandong Province, where over 300 local community convenience store owners officially became the first batch of "leaders."

**2020.9**

Meituan Youxuan launched the "Thousand Cities Plan," which aims to expand its presence to 20 provinces within the next 3 months and achieve coverage in a thousand cities by the end of the year. The plan also involves gradually extending its reach to county-level markets, in order to provide convenient and affordable products and services to a wider range of community households.

**2020.10**

Within just 5 days of launching the "Thousand Cities Plan" in Zhengzhou, the daily sales volume exceeded 100,000 items. By the end of October, the plan had expanded to cover 12 key provinces in the East, Central, South, Southwest, Northwest, and North China regions, including Huadong, Huazhong, Huanan, Xinan, Xibei, and Huabei.

**2021.5**

Meituan Yixuan has expanded its geographical coverage to 2,600 cities and counties, essentially achieving its goal of covering key regions nationwide. This expansion has led to user growth and a steady increase in transaction frequency. To support this, significant upfront investments were made, including strengthening the construction of warehousing and distribution networks, particularly in less-developed areas, to reach a wider user base. The commission mechanism for community leaders was improved, and differentiated operations were designed. In terms of supply chain management, efforts were made to enrich product categories and enhance quality management capabilities.

# The business model of Meituan Youxuan

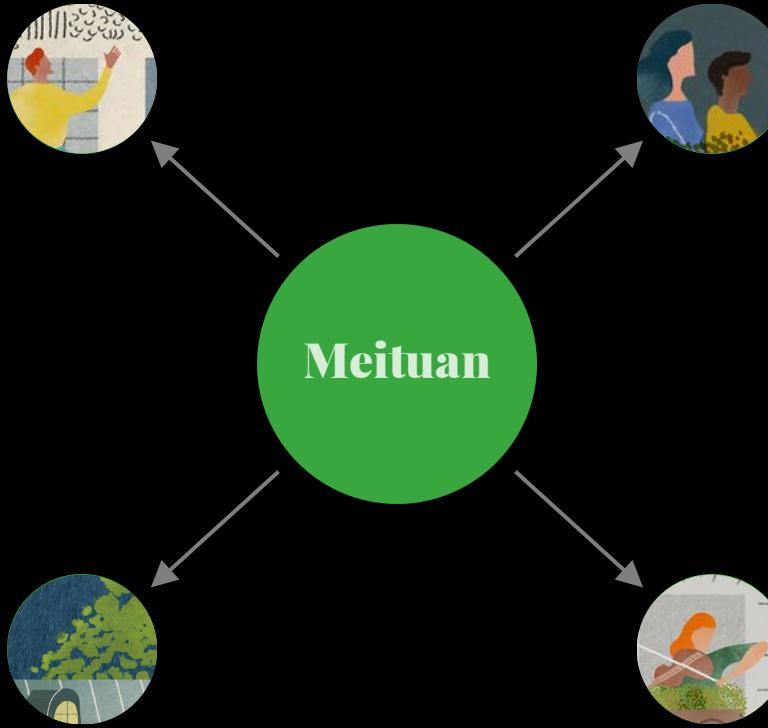


The business model adopted by Meituan Youxuan is "pre-purchase + self-pickup". Users can place orders through the Meituan Youxuan app or WeChat mini program, and pick up their orders at designated stores or from community leaders the next day, with the possibility of receiving goods as early as before noon. The Meituan Youxuan app also features entertainment sections like "Invite to Earn Money," "Daily Egg Earnings," "Check-in Rewards," and "Earn While Having Fun," catering to users' shopping, social, and entertainment needs.

# Advantages of Meituan Youxuan

## Platform Advantages

Meituan has accumulated rich experience in local retail and fresh supply chain, which contributes to the development of Meituan Youxuan's community group buying business.



## Competitive Product Pricing

On Meituan Youxuan, users place pre-orders, and the platform aggregates data before sending the products to the community pickup points selected by users. This streamlines the sales process and reduces operational costs.

## User Base Advantage

On one hand, Meituan has a strong brand influence and a large user base, which provides substantial support. On the other hand, users are more likely to accept the purchasing methods offered by Meituan Youxuan.

## Product Quality Advantage

As a large-scale lifestyle service platform, Meituan has a vast network of merchants, which enables Meituan Youxuan to select high-quality vendors, ensuring better product quality.

# Case Study Summary

Meituan's extensive experience in local retail and fresh supply chain has facilitated a smooth start for its community group buying business. Its strong execution capabilities allowed Meituan Youxuan to rapidly expand its coverage across key provinces nationwide, driven by its brand appeal and rapid user growth.

In community group buying, "团长" (community leaders) serve as the pivotal link between demand and supply. Despite the similarity in operating models among various e-commerce platforms in this field, the "团长" community has become a crucial factor for the success of community group buying businesses.

Additionally, community group buying involves various aspects such as setting up community hubs, establishing warehouse and distribution networks, and managing the supply chain, which poses a significant challenge and test for Meituan Youxuan.



多多买菜



# Other examples of social e-commerce?

