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MEITUAN DIANPING: CHINA'S SUPER SERVICE APP

China's burgeoning middle class was increasingly going online for services ranging from food ordering to hotel booking. The company that was at the center of the shifting consumer behavior was Meituan Dianping (NMD). Incorporated in 2015, the company became the third-largest Chinese tech company by market capitalization in 2020, only trailing the giants Alibaba and Tencent. Best known for its food delivery service, NMD was well positioned to ride the fast-growth wave of China's service e-commerce. With complex transactions realized through a suite of smartphone apps, the company was changing the lives of hundreds of millions of consumers and millions of merchants.

Yet Xing Wang, the founder and CEO of NMD, had a lot to worry about. NMD's competition with Alibaba in service e-commerce was expected to escalate. In March 2020, Alibaba announced it would make Alipay (Alibaba's ubiquitous payment app)[1] the integral platform of Alibaba's local services, where merchants could market their services on Alipay's front page, which attracted hundreds of millions of users every day. At the same time, the Covid-19 pandemic had exacerbated the controversy about NMD increasing the commission rate it charged to merchants. In April 2020, restaurant companies in Guangdong Province sent a collective letter to NMD alleging that its commission rate was too high and demanded a reduction of five percentage points off the rate.

How should NMD react to increased competition and stakeholders' demands? Ultimately, what strategies should it develop to sustain long-term growth in the fast-evolving market? Xing Wang had to make some urgent decisions.

[1] Alipay was a third-party mobile and online payment platform established in 2004 by Alibaba and its founder Jack Ma. Alipay overtook PayPal as the world's largest mobile payment platform in 2013. According to iResearch, Alipay had over 1.2 billion transacting users globally for the year ending 31 December 2019.

Jienan Han prepared this case under the supervision of Jeroen van den Berg and Dr. Wen Zhou for class discussion. This case is not intended to show effective or ineffective handling of decision or business processes. The authors might have disguised certain information to protect confidentiality. Cases are written in the past tense, this is not meant to imply that all practices, organizations, people, places or fact mentioned in the case no longer occur, exist or apply.

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Overview of the Company

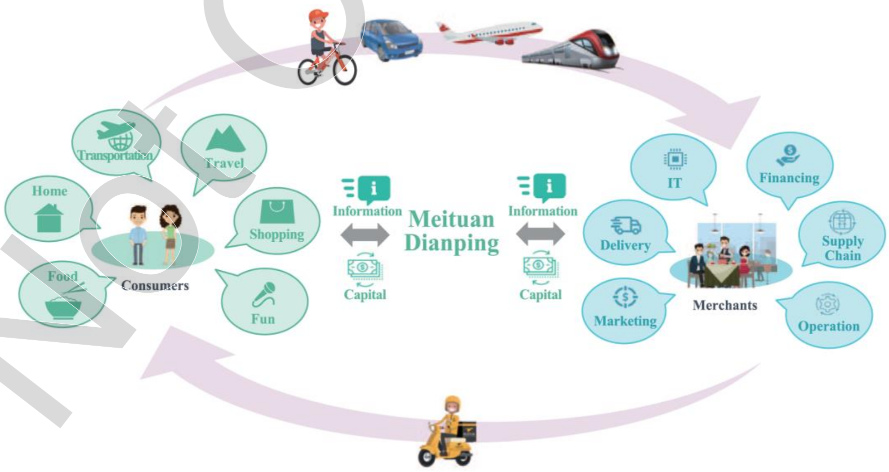
NMD was incorporated in October 2015 when two technology "unicorns," Meituan Corporation (Meituan) and Dianping Holdings (Dianping), merged to form the largest service e-commerce company in China at that time. The company aspired to be the "Amazon of services" to help people eat better and live better. [See **EXHIBIT 1** for historical milestones.]

NMD was listed on the Hong Kong Stock Exchange in September 2018. On 30 March 2020, NMD announced it first-ever annual profit for the year ending 31 December 2019. In 2019, NMD made CNY2.2bn in profits[2] on CNY682.1bn gross transaction volume (GTV), and served 450.5 million transacting users and 6.2 million active merchants in over 2,800 cities and counties across China.[3] [See **EXHIBIT 2** for the key highlights of financial results of 2019.]

The Major Business Lines

NMD had no single equivalent in the US market. It had multiple business lines, selling vouchers like Groupon Inc., providing restaurant reviews and listings like Yelp Inc., offering food delivery like Grubhub Inc., while giving trip recommendations and tendering trip booking services like Tripadvisor Inc. The company developed its business model around the "food + platform" strategy entailing two parts. First, the company focused on food consumption, which was the most essential and frequent purchase in a consumer's daily life. The company aimed to provide various services along the value chain of food consumption, from food review, online booking, price discounting, in-restaurant dining, to food takeout. Second, the company positioned itself as an online-to-offline platform that connected consumers and merchants through a wide range of digital solutions including online user-generated comments (UGC), digital payment services, and an order management system. [See **FIGURE 1** below for the key services and the associated core participants linked by the platform.]

Figure 1: Key Services and Core Participants

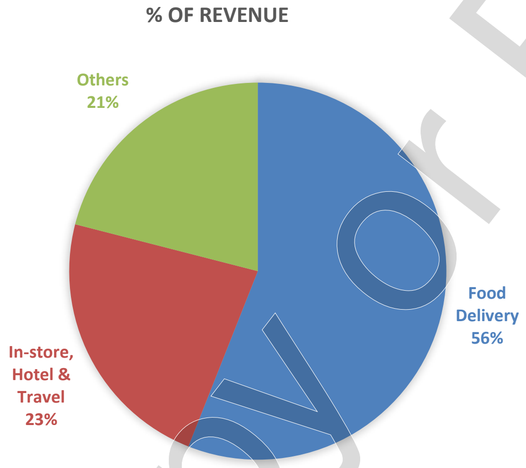


Source: HKEX, "Meituan Dianping Global Offering Prospectus," 7 September 2018, p. 185.

[2] Exchange rate 1 USD = CNY7.0 on 1 July 2020.
[3] HKEX, 2019 Annual Report, 17 April 2020.

Revenues had shown strong growth from 2017 to 2019. [See **EXHIBIT 3** for the revenue trend.] As of 2019, NMD structured its business into three major segments: the food delivery service; the in-store, hotel, and travel service; and other new and small-scale services. [See **FIGURE 2.**]

Figure 2: The Composition of 2019 Revenue



REVENUE (in billions of CNY)	Q12019	Q22019	Q32019	Q42019
Food Delivery	10.7	12.8	15.6	15.7
y-o-y Growth	50.7%	43.8%	39.3%	42.8%
In-store, Hotel & Travel	4.5	5.2	6.2	6.4
y-o-y Growth	45.2%	40.5%	40.9%	38.4%
Others	4.0	4.6	5.7	6.1
y-o-y Growth	263.6%	84.0%	62.9%	44.8%

Source: HKEX, "Announcements of Three Months Results," 2018–2020.

Food delivery was the company's core business, accounting for CNY54.8bn or 56% of the company's total revenue as of the end of 2019. The company built the largest intracity on-demand delivery network, with a fleet of uniformed couriers on motorbikes ferrying noodles, fried rice, and milk tea from restaurants to customers. In 2019, over 8.7 billion food orders were processed, a 36.4% increase compared to the previous year. Total GTV was CNY392.7bn. The company charged commissions on sales going through its apps. Total commissions received from food delivery were CNY49.6bn, accounting for 90.5% of the revenue of the business segment. The commission rates in NMD-dominated markets were estimated in the range of 18%–26%.

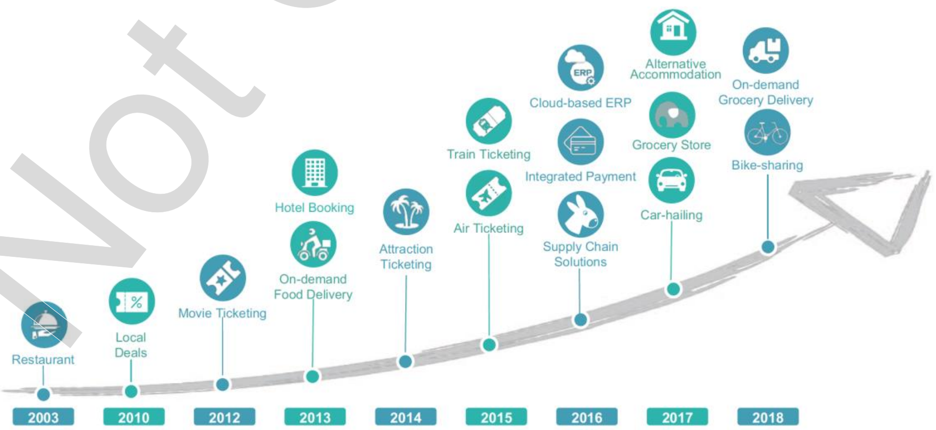
In-store, hotel, and travel services were the second major business segment. In-store encompassed services that helped consumers to search for local services such as restaurants, spas, and so on. The major revenue source of the in-store services segment was sales of marketing and promotion services to merchants. Basically, merchants that paid for these services got higher placements on the Meituan app. The company also sold consumers in-store discounted e-vouchers when they paid with the app, taking commissions from these sales. Another revenue source was fees for helping merchants to digitalize their operations, such as helping them set up the mobile payment system and the order management system. Hotel and travel services grew to be an important part of the segment. Hotel booking continued to grow rapidly. The number of hotel nights booked on the platform reached 110 million per annum. This segment had become the key revenue driver for the company, accounting for 23% of total revenue as of 2019.

The remaining 21% revenue came from the "new initiatives and other" segment, including services that the company was incubating to supplement its core offerings. For instance, the company acquired the leading bike-sharing app Mobike in 2018, and it also owned car-hailing services in several cities. Both business units served as a traffic inlet for the platform. [See **EXHIBIT 3** for the list of major apps.]

Synergies, Network Effect, and Innovation

Through a wide range of businesses, the company hoped to realize the synergies among them. [See **FIGURE 3** for the expansion of the service offerings.] For instance, consumers who frequently ordered food through the app might be converted to purchase less-frequent services such as hotel booking. More merchants of various services on the platform provided more options to consumers, and more consumer traffic increased the potential transaction volume for merchants. It became a virtuous cycle.[4]

Figure 3: The Expansion of the Service Offerings



Source: HKEX, "Meituan Dianping Global Offering Prospectus", 7 September 2018, p. 195.

[4] HKEX, "Meituan Dianping Global Offering Prospectus," 7 September 2018.

Innovation was another important factor driving the positive network effect. For instance, the company developed a smart order-dispatching system, using central computers to guide routes for its fleet of 4 million motorbike riders. The system calculated the optimal job allocation and route plans for riders to deliver the largest number of pickups and drop-offs in the shortest time. It lowered the average cost per order and led to greater economies of scale. In addition, large quantities of transactions generated a massive amount of data, which in turn enabled the company to develop algorithms that helped consumers to make better purchase decisions and merchants to provide better services.

History Before the Merger (2003–2015)

Both Meituan's CEO Xing Wang and Dianping's CEO Tao Zhang started their first new venture around 2003, participating in the emerging internet revolution in China. Xing had tried a dozen projects before he started Meituan in 2010, while Tao had patiently grown Dianping during the same period. Both companies survived fierce competition after they started the group purchase business around 2010. Although the two companies adopted quite different strategies, they eventually came together to form the largest platform in China's local service segment.

Xing Wang Before Meituan

Xing was born in 1979, right after China's announcement of the economic reform. His father, Miao Wang, was himself a successful entrepreneur who always supported Xing in starting his own company. After graduating from Tsinghua University, Xing went on to study for a PhD in computer science at the University of Delaware. In the early 2000s, the internet industry in the US started to recover from the earlier big expansion, whereas in China, the industry was just starting to emerge. In 2003, Xing decided to quit the PhD program and return to China to start his own tech venture. He failed at a dozen initial projects during the next 18 months. But support from his father allowed him to continue his dream to be a successful entrepreneur.

In the fall of 2005, Xing launched the website Xiaonei.com (which in Chinese means "on campus"), a campus social media knockoff of Facebook. The website soon attracted thousands of users. But Xing failed to sell the idea to major venture capitalists, including Sequoia Capital China. Sequoia instead invested in Xiaonei's direct competitor Zhanzuo.com. A year later, Yizhou Chen, a local competitor and a veteran entrepreneur, acquired Xiaonei. In 2011, the website, which was renamed Renren.com, was successfully listed on the Nasdaq.

By selling Xiaonei, Xing received his first significant income, USD2mn. His team soon started a new venture, Fanfou.com, the first copycat of Twitter in China. The website ran well initially until June 2009, when a few users posted photos on the website to commemorate the 20th anniversary of the Tiananmen Square Protest in 1989. The government immediately shut down the website. When it finally resumed operation a year and a half later, the website had long been surpassed by competing sites such as Weibo.com. Xing remained idle for the rest of 2009. He understood that it would be hard for Fanfou to continue to compete in social media, and he needed a new idea to restart. He soon decided that the growing e-commerce service sector was a promising business to enter.

Meituan Before the Merger

In March 2010, Xing, Rongjun Mu, and Huiwen Wang cofounded Meituan.com to offer local deals for restaurants, theaters, spas, and other local services. The name "Meituan," meaning "beautiful and together" in Chinese, reflected Xing's aspiration to make life better for everyone. He received a seed investment of USD12mn from Sequoia Capital China, an investor he had unsuccessfully pitched to several times before.

Groupon, the US company that Meituan decided to copy, had initially been a huge success. The site advertised deals each day from selected local merchants such as restaurants, nail salons, and gyms. The deals offered hefty discounts that could reach 50% or higher, but enough customers had to opt into the deal in order for any of them to get it. Groupon took a cut of the earnings if the deal hit the target and the transaction was carried out. Otherwise, the featured merchants did not have to pay. The company managed to turn a profit within seven months after its inception in November 2008.[5]

Meituan was not the first or only company that decided to copy Groupon in China. The whole internet industry in China in 2010 was eager to see the Groupon myth replicated there. By August 2011, China had over 5,000 Groupon-like websites,[6] with new companies starting up every day. At that time, when Chinese consumers went out to restaurants, they were bombarded with promotions and discounts from all these companies trying to grab their attention. This brutal competition between 2009 and 2014 was dubbed the "Thousand Groupon War" in China. The thousands of companies involved in the war went through approximately USD1bn in total, and most of them failed after exhausting their capital. Even the official China site of Groupon failed.

After a promising start, Groupon also began to struggle in its home market. Groupon's market value decreased from a high of USD13bn at its initial public offering (IPO) in November 2011 to USD3bn[7] in August 2012.

Meituan won a "remarkable victory" in the ferocious Thousand Groupon War in China.[8] By the end of 2013, with less than three years in operation, Meituan had already established operation in over 200 cities and became profitable when most of its competitors were still operating at a loss. It ranked number one in terms of GTV, followed by Dianping and Nuomi. According to Jiawei Gan, the former COO of Meituan, the following strategies set Meituan apart from its competitors:[9]

I. Meituan focused on tier-2 and tier-3 cities and quickly built economies of scale there.

   In 2011, when most companies were using money to fight for market share in tier-1 cities, Meituan instead focused on penetrating low-tier cities. Meituan divided the markets (with over 350 cities and more than 2,800 counties) into five grades, SABCD. S referred to the four mega-cities: Beijing, Shanghai, Guangzhou, and Shenzhen. A/B referred to tier-2 and tier-3 cities such as provincial capital cities or regional economic hubs like Suzhou. C/D referred to lower-tier cities and small counties. Meituan spent less on the highly sought-after S markets and the less-educated C/D markets. It strategically focused on the A/B markets. When Dianping and Nuomi decided to enter lower-tier markets in 2013, Meituan had already established a significant first-mover advantage in a broad range of cities such as Xi'an, Chengdu, and Chongqing.

II. Meituan carefully managed cash flows and built strong ground sales teams.

[5] CNET, "Groupon: We're profitable and we just raised $30 million," 2009, www.cnet.com/news/groupon-were-profitable-and-we-just-raised-30-million/, accessed 20 May 2020.

[6] Analysis International, "中国团购行业白皮书 2012". ［"2012 China Group Purchase Industry White Paper"］.

[7] "Groupon posts mixed results and stock falls," *New York Times*, 14 August 2012, https://www.nytimes.com/2012/08/14/business/groupon-posts-mixed-results-and-stock-falls.html, accessed 20 May 2020.

[8] Jiemian, "美团简史：八年与八个关键词", ["A brief history of Meituan: eight years and eight key words"], September 2018, http://finance.sina.com.cn/chanjing/gsnews/2018-09-20/doc-ihkhfqnt1492625.shtml, accessed 20 May 2020.

[9] Jiawei Gan, "美团，科学运营杀出团购红海", ["Meituan, scientific operation to fight the way out of the group purchase red sea"], 2017.

When most companies spent aggressively on advertisements and brand promotion, Meituan carefully budgeted its marketing expenses. It bet on the emerging online and mobile channels that were less costly. In addition, it focused on building local in-house offline sales teams. The sales teams were effective in helping merchants to bring their conventional businesses online and to connect with consumers. For instance, Duck Blood Vermicelli Soup was one of the favorite treats for local Nanjing consumers. Meituan first selected the best restaurants offering the soup, then guaranteed them high sales in exchange for exclusive rights to sell their soup online. Meituan then featured the soup on its platform with deep discounts. Meituan took a cut of the earnings if the deal hit the sales target. From 2010 to 2014, the number of merchants on Meituan grew from 2,400 to 900,000.

III. Meituan regarded customer satisfaction as its top priority.

Meituan built a sophisticated customer satisfaction guarantee program including free return policies for purchases within seven days and for unsatisfactory purchases. Meituan was also the first to offer a free return policy on expired coupons. In March 2011, Meituan reimbursed consumers a total of CNY10mn for unused vouchers accumulated previously. The reimbursement not only stabilized existing customers, but also won the trust of new customers.

IV. Meituan targeted local services and took a lead in using mobile apps.

Meituan avoided selling products such as electronics and household goods, which were dominated by Alibaba. Instead it focused on the food and other local life services, which were less penetrated by the established players. In addition, Meituan led the trend of moving transaction services from web-based to mobile-based, a deciding factor for it to stand out. By the end of 2014, 90% of the transactions on Meituan were through mobile apps, way ahead of its competitors.[10]

Business was growing both horizontally and vertically. Horizontally Meituan expanded to more local life services. In 2012, it launched Maoyan, a movie-ticketing service, enabling consumers to reserve seats online. In 2013, it started to sell discounted hotel nights at multiple locations. Vertically Meituan moved along the value chain of food business, looking for new opportunities to digitalize conventional restaurants. It started to test the food delivery service in 2013, which later became the core business of NMD. In the first half of 2015, Meituan generated transactions worth CNY47bn, already surpassing its full-year GTV for 2014.[11]

Dianping Before the Merger

Tao Zhang, an internet industry veteran with an MBA from the Wharton School of the University of Pennsylvania, launched Dianping.com in 2003. Tao grew up in Shanghai and went to the US for college. He worked and studied in the US for 10 years before returning to China to start Dazhong Dianping, meant "people's reviews." Although Dianping was often regarded as "the Yelp of China," it was established one year before Yelp. It was one of the earliest internet platforms that put UGC about restaurants online.

When Tao started in 2003, the internet was still in a primitive stage in China. As a foodie inspired by the US *Zagat's Guide*, Tao decided to create an online version of the paper-based food guide in China. The initial years were challenging, as most Chinese venture capitalists were reluctant to invest in a Chinese internet firm without any counterpart example in the US.

[10] Ibid.
[11] "A brief history of Meituan: eight years and eight key words," *Jiemian News*, September 2018.

Things quickly changed after Yelp gained traction in the US market. In 2006 Dianping received a seed investment from Sequoia Capital China, marking Sequoia's first deal in China.

During the next few years, Dianping gradually grew its consumer base in a few tier-1 and tier-2 cities. Dianping differed from its American counterpart Yelp in many ways. For instance, Yelp only collected a single general rating value for restaurants, while Dianping asked its users to rate in much more detail, including service quality, restaurant decor, average expenditure per head, and most importantly, food quality. Tao believed that even though detailed input required more customer effort, the data collected would benefit the platform and its users in the long run. The website also gave users recommendations on featured dishes in each restaurant, a unique feature that aligned well with the Chinese market, as restaurants in China tended to have a much longer menu compared to those in the US. Based on the number of UGCs, Dianping was regarded as the best restaurant review platform in China.

Like Meituan, Dianping was also among the earliest e-commerce companies that captured the web-to-mobile trend in the early 2010s. By the end of 2013, the Dianping app already offered many in-store services on smartphones. For instance, it launched a table booking service on the app similar to what OpenTable did in the US. To further acquire mobile-based traffic, in February 2014, Tao agreed to accept a USD400mn strategic investment from Tencent in return for a 20% equity share in Dianping.

Dianping entered the group purchase business in mid-2010. As a rare internet company with extensive experience in working with offline merchants, Dianping was believed to be the strongest candidate in the Thousand Groupon War. The new initiative received USD100mn from a conglomerate of high-profile investors in April 2011. However, Tao was criticized for being slow in execution compared to Meituan. Meituan established operations in 160 cities within two years, while Dianping expanded to only 30 cities during the same period. Nonetheless, Dianping had steady growth. In the second quarter of 2015, Dianping had more than 200 million monthly active users, with over 14 million merchants listed on its platform.[12]

The Merger of Meituan and Dianping

By 2015, Meituan, Dianping, and Nuomi ranked as the top three in the group purchase business, and they were sponsored by Alibaba, Tencent, and Baidu, respectively. The support of the technology giants gave the three companies an edge over others. These three competing platforms continued to spend aggressively in order to attract users. Over time, both Meituan and Dianping became concerned. A next round of fund-raising looked inevitable, but a higher valuation was out of reach due to the climate change in the market. The Chinese stock market fell sharply in the summer of 2015. In September, Meituan sounded out investors on fund-raising at a valuation as high as USD11bn, but investors forced the company to lower its asking price and encouraged its merger with the rival Dianping in order to end the cash-burning competition.

Tao had tendered a merger invitation to Xing earlier that year but had not received any response. Now, its mutual investor, Sequoia Capital China, tried to push the deal forward. Neal Shen, funding partner of Sequoia Capital China, started to worry that both companies' values could drop significantly if they ran out of cash before securing the next round of funding. A strategic merger seemed the best solution. The combined firm would easily defeat Nuomi and end the price war.

[12] "Chinese Tech Startups Close in on Deal," *Wall Street Journal*, 7 October 2015, https://www.wsj.com/articles/chinese-startups-meituan-com-and-dianping-near-multibillion-dollar-merger-1444188561, accessed 20 May 2020.

The idea was also supported by Tencent, a significant shareholder in Dianping. Since 2015, Alibaba and Tencent had formed two competing camps in the Chinese internet industry. Both giants envisioned building a sustainable business ecosystem with enormous scale. Both competed to invest in startups in various sectors by providing capital and helping internet traffic. Venture capitalists soon referred to them as the last mile of capital. When investors looked at a potential deal, they wanted to know if Alibaba or Tencent had committed to it. Many small startups needed to choose sides from day one, either Alibaba or Tencent.

Unlike Alibaba, which usually preferred to take a controlling interest in its investment, Tencent was more willing to take minority stakes in the target firms. It would form an alliance with its portfolio firms. The alliance offered a wider range of services on Tencent's messaging and social-networking application, WeChat, which had several hundred million users. A locked interest in the combined NMD was in line with such a strategy. Tencent offered to put in an additional USD1bn in the postmerger fund-raising to boost its ownership in NMD.

Alibaba, on the other hand, was against the merger. Although Alibaba had a minor stake in Meituan, it owned Koubei, an app competing with Meituan and Dianping in the online-to-offline services market. Alibaba had already signaled its desire to refocus on Koubei. Alibaba believed that it could direct user traffic from its shopping app, Taobao, and affiliated payments business, Alipay, to its own local life service apps such as Koubei. When Xing asked Alibaba to support Meituan's merger with Dianping, Jack Ma, the well-known founder and chairman of Alibaba, firmly rejected it. Alibaba left Xing with two options: staying with Alibaba or leaving the Alibaba camp. [13]

Xing chose to leave the Alibaba camp and ally with Tencent. On 7 October 2015, the *Wall Street Journal* announced the merger of Meituan and Dianping,[14] marking the inception of the biggest online-to-offline provider of local services in China. The merger diluted the ownership stake of Alibaba to about 7% of the new company.

The new company, NMD, adopted a co-CEO system, under which Xing and Tao were co-CEOs and co-Chairmen. A new board would make the big decisions. An integration committee was set up to manage the postmerger integration. Many investors viewed the merger agreement as financially favorable to Dianping's existing shareholders, according to people familiar with the situation. The merger was believed to have created a new platform with mutual complementarity, strategic synergy, and momentum for further growth.

The postmerger integration progressed faster than anticipated. A month later, in November, Tao resigned from the co-CEO post, together with several of his founding team members. Xing became the CEO of NMD, overseeing management and operation. Xing expedited the restructuring and consolidated duplicate business lines and teams. These changes were well received in the capital market. In January 2016, NMD raised USD3.3bn at an increased valuation of USD18bn. While Tencent invested about USD1bn in this round, Alibaba instead sold most of its stake at a discount for roughly USD900mn, because its shares had fewer downside protection rights[15] than the new shares.

[13] "对话王兴：太多人关注边界，而不关注核心"，["Conversation with Xing: Too many people pay attention to the boundary, only a few are able to see the core"], *Caijing*, 21 June, 2017, https://www.huxiu.com/article/200899.html, accessed 27 April, 2020.

[14] "Chinese Tech Startups Close in on Deal," *Wall Street Journal*, 7 October 2015.

[15] New shares were entitled with a ratchet clause and would be reimbursed with additional shares should the company's future valuation go down.

Major Development After the Merger (2015–2019)

With the merger and the fund-raising, NMD had a fresh start. However, investors in the latest fund-raising round had included a "ratchet" clause in the investment agreement, which would give the investors additional shares if the company's future IPO price was below the valuation they paid in this round. Pressured to grow NMD's GTV and revenue, Xing expanded a number of businesses in the next two years, from food delivery to hotel booking, from car hailing to bike sharing.

In 2017, NMD generated an estimated USD5.4bn in annual revenue, more than Groupon and Yelp combined. In October the same year, Xing pulled off another round of fund-raising and received USD4bn from Tencent, Priceline, and other investors. [See **EXHIBIT 5**.]

Xing's Conviction

> *Too many people pay attention to the boundary, only a few are able to see the core.*
>
> \- Xing Wang, Founder and CEO of NMD

Some CEOs believed it a good idea to keep their companies nimble and focused. Xing believed otherwise. He never stopped looking for a new opportunity. He was not afraid of fierce competition and regarded it as the norm in the internet industry. He said in a public speech, "Only the dead have seen the end of war," quoting Plato. Xing believed that the management team had to have long-term vision, superior execution capabilities, and the commitment to drive growth.

Xing led Meituan to win many tough battles in different fields. The Thousand Groupon War was his first victory. The young CEO remained patient and prudent until most of his competitors burned through capital. Meituan then aggressively provided subsidies to take over the market shares from its cash-deprived competitors. He adopted similar strategies later in the competition of the food delivery business. Meituan was not the first to launch these businesses but remained the most successful. Xing owed his success partly to others' failures. During an interview by *Caijin* magazine,[16] Xing quoted the ancient Chinese strategist Sun Tzu: "It is you who determine your own invincibility, but whether the enemy can be conquered or not rests with him."[17]

Xing also believed in investing in people. He believed that a strong team would constitute a sustainable competitive edge, while heavy subsidies only had a short-term effect. When he tried to enter the Groupon business, he spared no effort to recruit Jiawei Gan, who was famous for building the Alibaba-tobusiness sales force. The recruitment paid off. Jiawei helped Meituan build the strongest sales team, a key factor leading to Meituan's fast nationwide expansion and the final victory in the Groupon war.

Over time, Xing's view on business had gradually shifted from product-centric to consumer-centric. He believed that no single product could win the market forever, as demand of consumers would always evolve. Whenever penetrating a new market, he focused on two essential questions: Was there real demand? And was Meituan able to meet such demand?

[16] "对话王兴：太多人关注边界，而不关注核心", ["Conversation with Xing: Too many people pay attention to the boundary, only a few are able to see the core"], *Caijing*, 21 June 2017, https://www.huxiu.com/article/200899.html, accessed 27 April 2020.

[17] Translation was quoted from "The art of war Sun Tzu, a new translation by Michael Nylan."

Under Xing's leadership, NMD had become the third-largest tech company in China. The company had evolved from a service provider for group purchases to a one-stop platform providing consumers with all-encompassing offerings and enabling merchants with a wide range of solutions. However, just as Xing had expected, the company still faced fierce competition in all of its business segments, from its core food delivery service to the fast-growing hotel booking service, and to new initiatives such as the bike-sharing service.

Food Delivery and Beyond: A Rising Opponent of Alibaba

When Meituan was still involved in the Thousand Groupon War in 2012, Huiwen Wang, Meituan's second in command, started to notice the fast-growing food delivery business. The high-frequency consumption scenario with enormous potential market size fitted well with Meituan's service strategy. And Meituan's strong local sales force nationwide made it well positioned to win in this booming business.

By 2014, the surge in delivery firms was evident from the proliferation of uniformed couriers zipping around major cities on motorbikes with insulated bags. Food sales on digital platforms reached CNY97.5bn in 2014, up 54% from 2013, according to research firm iResearch.[18] The market soon consolidated to three dominant players: Meituan Waimai (at the time still supported by Alibaba), the Tencent-backed Ele.me, and the Baidu-backed Baidu Waimai.

Alibaba had long demonstrated its desire to dominate the growing local service e-commerce market. It owned a local service app Koubei and a food delivery app called Taodiandian. Tencent's approach for its involvement in local service was light-touched instead, and it backed Dianping as a minority shareholder. In mid-2014, Dianping invested USD80mn in Ele.me and also persuaded Tencent to invest in the food delivery startup, in an effort to form an alliance to fight Meituan. Before that, Ele.me had only been a small startup operating in a dozen of cities. With capital and internet traffic support from Dianping, Ele.me quickly expanded to 200 cities. Ele.me and Meituan Waimai were fighting on the streets in numerous cities for dominance in food delivery, with couriers easily recognized by their uniforms: Meituan Waimai in yellow, and Ele.me in blue. As of 2015, their market shares were on par, totaling nearly 70%.

To compete against Tencent's alliance, Alibaba and its financial affiliate Ant Financial (Alipay's holding company) jointly invested nearly USD1bn in its own brand Koubei in June 2015, to position Koubei as the central platform for local services. Taodiandian was also consolidated into Koubei. Overall, Alibaba marginally led over Tencent through Meituan and Koubei. However, Meituan's merger with Dianping disrupted Alibaba's plan. And the merger also broke Ele.me's alliance with Dianping. Meituan, in a dramatic reversal, joined the Tencent alliance. Sequoia China, which was also an investor in Ele.me, proposed that Ele.me sell itself to the merged NMD. Ele.me counter-proposed that Meituan spin off its food delivery business and merge with Ele.me. Neither Xing nor Sequoia agreed to Ele.me's proposal, as they both understood the importance of food delivery as a core business for NMD.

China's mobile internet population reached 753 million by 2017, and the penetration rate of mobile internet was higher than anywhere else in the world. This accelerated the adoption of mobile payments and the growth of e-commerce. Technology firms had a huge market in which to digitize the offline businesses and move transactions online, without the constraint of physical stores and distance. The opportunity was expected to grow to a CNY33tn (USD4.7tn) market in China by 2023.[19] Among people's demand for daily services, food-related service was the most essential segment, as food consumption was the most frequent purchase in daily life. With the increasing ease and convenience of food delivery, more consumers were choosing

[18] "Meituan Dianping Global Offering Prospectus," HKEX, 7 September 2018.
[19] Ibid.

to order food online and receive delivery offline. The segment was expected to grow 30% annually for the next couple of years.[20] The high-frequency nature made food delivery the best traffic inlet for an online service platform.

Alibaba was unwilling to see Tencent lead the competition in food delivery. As it lost control of Meituan after the merger, Alibaba reached out to Ele.me. In April 2016, after it sold most of its stake in NMD, Alibaba, joined by Ant Financial, invested USD1.25bn in Ele.me. Alibaba also signed a cooperation agreement with Ele.me, under which Koubei would partner with Ele.me to form an alliance. In addition, in August 2017, Alibaba helped Ele.me to acquire Baidu Waimai, the third-largest food delivery player. The combined firm owned roughly 45% market share in food delivery, compared to NMD's 40% at the time. Finally, in April 2018, Alibaba bought all the outstanding shares of Ele.me from the rest of the shareholders, at an implied valuation of USD9.5bn. A few months later, Alibaba merged Ele.me and Koubei into the Alibaba-Local-Life Company (thereafter ALLC) and raised over USD3bn from the market for the new company. Daniel Zhang, Jack Ma's successor, regarded the consolidation as a significant milestone for Alibaba to execute its new retail strategy.

While Alibaba reorganized its local service businesses internally in 2016–2018, Meituan was busy building its "food + platform" strategy, as described in the company overview. Food delivery had become the most important business unit of NMD, accounting for over half of its revenue. The total market size of food consumption through e-commerce, based on GTV, had grown fourfold during the period, increasing to nearly CNY1,700bn (USD243bn) by the end of 2018. And Meituan Waimai had gained clear dominance in the competition, which saw its market share increase from 31.7% in 2015 to 59.1% in 1Q 2018, according to iResearch. [See the competitive landscape of China food delivery in **EXHIBIT 6**.]

A month before Alibaba secured funding for ALLC, NMD filed for a listing in Hong Kong, and eventually it raised USD4.2bn through an IPO in September 2018. ALLC and NMD competed head-to-head on every aspect of local services. In addition to food delivery, both heavily invested to help restaurants digitalize their in-store dining services. The Dianping app, with its long-trusted UGCs, offered a variety of in-store dining services, including reserving tables online, lining up and placing orders virtually, mobile payment services, e-vouchers, and many others. Dianping also launched the Black Pearl Restaurant Guide in January 2018, a food guide promoting premium restaurants in China. Koubei focused more on the merchant side. For instance, it introduced a pilot program called Smart Restaurants, which used artificial intelligence to help merchants offer customized services and discounts to different customer groups and help merchants to manage real-time inventory and procurement.

The competition extended far beyond food services. Alibaba envisioned a new retail strategy, entailing a seamless merger of offline, online, and logistics for a dynamic new model of retailing. Divergent approaches included cashier-less supermarket, grocery, and seafood delivery, and extensive cloud service for merchants, similar to what Amazon had done in the US. Enabled by cutting-edge big data analytic tools coupled with a large amount of data collected from Taobao, Alibaba had an edge in adding value to the traditional retail merchants. Its deep pockets and established logistic capabilities further empowered it to implement the new retail strategy. For example, Alibaba launched a new supermarket called Hema, a grocery chain to blend online grocery shopping with bricks-and-mortar stores. Hema was well received by the market and expanded to more than 150 stores across China, offering consumers the option to shop in-store, savor freshly cooked food on its premises, or use an app to order groceries to be delivered at home.

[20] Ibid.

NMD was also trying hard to extend its service offerings and take new initiatives. Acquiring more transaction data was key to secure its leadership in the local service e-commerce industry, as well as validate the positive network effect. NMD made substantial progress in many local services such as hotel and trip booking, car hailing, and bike sharing. However, even with the support from Tencent, NMD was more constrained compared to Alibaba in terms of capital and consumer traffic. Many of its attempts seemed lackluster. For instance, Ella Supermarket, a grocery operation similar to Hema, did not get much scale compared to Hema. Especially after its IPO, NMD had to cut spending on a number of new initiatives, including the car-hailing service, as a way to strengthen its bottom line.

Alibaba was ready to escalate the war in food delivery and beyond. In March 2020, Alibaba announced a new plan to further consolidate and strengthen its local life platform. It upgraded the front page of Alipay, a major traffic inlet, to include entrances to Ele.me, Koubei, and trip booking app Fliggy among others. The app now looked similar to the Meituan app. It aimed to direct the stable consumer traffic from the core payment function to various local life services. At the same time, Alibaba adjusted its organizational structure, making ALLC parallel to its core Taobao and Tmall services. The operation was directly overseen by the top management. NMD's battle against Alibaba in the local life services had only started.

Online Travel Agency: A Challenger to Ctrip

Many doubted whether NMD's melange of businesses could eventually make a profitable company, despite its leading position in food services. Nonetheless, NMD's successful penetration into the hotel booking business helped to validate the platform's positive network effect—cross-sell low-frequency services at higher margins to users that it had acquired through high-frequency food services.

At the beginning, Meituan was only selling e-vouchers of hotel nights among other local life services on its platform. Not a conventional travel agent, the company did not have well-known hotel chains as its merchants and did not target highly sought-after business travelers as its clients. Instead, Meituan positioned the hotel booking service similar to the rest of its local services—to meet local demand. Consumers who booked hotels on Meituan were usually not frequent travelers. However, they represented a broad user base. For instance, many local residents often needed to book budget hotels near universities, hospitals, or their own home to accommodate visitors. But other major online travel agencies (OTAs) often overlooked such local demand. Meituan filled the market gap and became the biggest platform providing booking services for small budget hotels.

Encouraged by the initial success, Meituan decided to add nonlocal hotels to its product offering. A small digital-marketing team was assembled at the headquarters to lead the initiative. The team picked Lijiang, a popular tourism city, as its first pilot city. It marketed the Lijiang hotels on Meituan's site nationwide. Sales in two cities, Hohhot and Xi'an, were surprisingly strong. Many consumers in the two cities had previous experience in booking local hotels on Meituan, so they were naturally converted to book offsite hotels using the same app. This validated the hypothesis that hotel nights were complementary to Meituan's local life offerings. The team quickly signed up a large number of hotels nationwide. At its peak, it added over 6,000 hotels to its merchant list in a single month.[21]

As the hotel booking service was scaling up, e-vouchers became insufficient to meet the demand of Meituan's users. At the time, many hotels only considered Meituan as an alternative

[21] "5 年，3 亿间夜，深度揭秘美团酒店的蚁人成长史".["5 years, 300 millions hotel night, a review of Meituan Hotel's growth history"], *Landong Business Review*, 2019, https://new.qq.com/omn/20190708/20190708A0B8CU00.html, accessed 20 May 2020.

channel for absorbing undersold off-season nights; as a result, customers were often unable to book on-demand hotel nights using the vouchers. In 2015, the team developed an online booking system allowing its customers to prebook hotel nights on the platform. And after its merger with Dianping in 2015, NMD had become a significant player in the OTA business.

Before NMD scaled up in the sector, Ctrip had long been the number-one OTA in China. Founded in 1999, Ctrip provided a full suite of travel services including accommodation reservations, transportation ticketing, packaged tours, and corporate travel management. It was the first Chinese OTA to be listed on the Nasdaq, in 2003. However, from 2012 to 2015, Ctrip fought a fierce price war with the rising Yilong (the number-two player in the hotel booking business) and Qunar (the biggest mobile-based OTA in China). Ctrip acquired a 37.6% controlling share of Yilong and received a 45% share of Qunar through a stock swap with Qunar's controlling shareholder, Baidu. After the transactions, Ctrip for the second time secured its dominant position in OTA and controlled nearly 90% market share of the hotel booking market by end of 2015.[22]

In 2016, Ctrip was busy integrating Yilong and Qunar after the acquisitions and overlooked the threat from the growing unconventional player NMD. With enormous experience in price wars and offline new-market penetration, NMD copied its winning strategy in group purchasing and food delivery in the trip booking business. It started with hotel deals at below-market prices and charged commissions at below-market rates of 8–10%, compared to Ctrip's rates of 12–15%. In addition, NMD benefited from Ctrip's market consolidation by hiring many knowledgeable industry employees who had previously worked for Yilong and Qunar. With increased capability, NMD quickly grew market share due to its large number of portfolio cities.

NMD differentiated itself from the Ctrip. Consumers who chose to book hotels on Meituan were not the high-frequency travelers targeted by Ctrip. Seventy percent of them did not have a Ctrip app, but 80% had previously booked restaurants or movie tickets on Meituan. It was not easy for NMD to form partnerships with mainstream hotel chains, which were well covered by Ctrip. The company used a unique angle to market its booking service. It offered hotels synergistic package deals, including marketing service for onsite dining and spas, the local services that were also an important revenue source for hotels. And the hotels also welcomed additional sales channels with incremental consumer traffic. In late 2016, NMD succeeded in forming a strategic partnership with the Intercontinental Hotel chain, soon followed by other chains. The company further penetrated the segment that Ctrip previously dominated.

In 2019, NMD became China's second-largest hotel booking platform in terms of domestic room rights. [See the competitive landscape of China online hotel industry in **EXHIBIT 7.**] The hotel nights booked on the platform had reached 2 million per day on average. The company joined the "300 Million Nights Club," referring to the few global OTAs that were able to sell over 300 million hotel nights during a single year. It had taken NMD 6 years to achieve this goal, while it had taken overseas counterparts such as Booking.com 20 years. But it was too early to decide whether NMD could challenge Ctrip for the number-one ranking. The hotel industry in China was still undergoing significant growth. At the same time, the competition could only get fiercer as the veteran leader Ctrip and new players such as the Alibaba-backed Fliggy would continue to fight for the trillion-dollar market.

The New Business in Question: The Mobike Acquisition

The market was surprised when Meituan acquired the leading shared bike service Mobike in 2018. Shared bikes became popular in China in 2017. Many urban residents, frustrated with

[22] "携程战争史：击败艺龙，合并去哪儿".["Ctrip war history: defeat Yilong, merge Qunar"], *Lishi Business Review*, 2016, https://news.pedaily.cn/201611/20161101404865_all.shtml, accessed 20 May 2020.

traffic congestion, shifted to the two-wheelers to get around. The leading startups in the sector—which included Mobike with orange bikes, Ofo with yellow bikes, and Bluegogo, whose bikes were blue—accessed venture funding and heavily subsidized riders. However, fast expansion and cash burning, coupled with an economic slowdown, exacerbated cash-flow problems for these startups. Bluegogo collapsed in late 2017. Many speculated that Mobike would merge with Ofo to end the price war. To their surprise, NMD acquired Mobike in April 2018 at USD2.7bn, a reduction of Mobike's previous valuation at USD3.67bn.[23]

The acquisition was the biggest investment NMD had made since the 2015 merger. The motivations behind the two transactions were completely different. The merger with Dianping ended a lengthy price war and created a unicorn that dominated the local service market. The acquisition of Mobike was regarded as a way to increase the company's GTV. In addition, the bike services provided a wealth of data on users' locations and habits. Xing insisted on an acquisition instead of the contractual partnership Mobike proposed initially. "I don't want to repeat the mistake that DiDi has made with Ofo," he argued, referring to DiDi's troublesome investment in Ofo. At the time, Ofo was struggling to obtain new funding due to the conflicting interests of its shareholders, including Alibaba and Tencent. Xing again demonstrated his superior ability to balance the interests of different stakeholders. Tencent, a major shareholder of both Mobike and DiDi, supported Xing in the deal by turning down DiDi's proposal to place a strategic investment in Mobike at a much higher valuation.

To Xing's dismay, two years after the acquisition, the market was still debating whether NMD had made a mistake in acquiring Mobike. But the situation of Mobike's old competitor Ofo was more disastrous. The once high-flying startup crashed in late 2018. Many of its users were waiting in line for deposit refunds. Ofo was blamed for having an unsustainable business model from the beginning. It was unclear whether NMD could eventually turn Mobike into a profitable business. It rebranded Mobike as Meituan Bike and consolidated the bike user data into those of the Meituan platform. The business unit was an important user-traffic inflow, contributing to the overall GTV, but still operated at a loss as of 2019. It remained unclear if demand would stay strong once user subsidies were removed. And it looked uncertain if NMD's old winning strategy of subsidizing services in a grab for dominant market share was sufficient to turn the business around.

Future Outlook (2020 and Beyond)

On 20 September 2018, Xing hit the gong of the Hong Kong Stock Exchange. A year and a half after the IPO, on 4 March 2020 at Meituan's 10th anniversary, NMD shares closed at a valuation of USD74.5bn, a 36% surge compared to the initial listing price. However, the company celebrated quietly amid many upcoming challenges. The economic outlook for 2020 was extremely uncertain due to the Covid-19 pandemic.[24]

The Controversy of High Commission Rates

During the epidemic, NMD quickly rolled out measures to help millions of quarantined consumers purchase cooked meals, grocery, and medicine online. The company installed a contactless delivery service, allowing users to have their food delivered to a designated area,

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[23] "美团收购摩拜的真实故事", ["The true story of Meituan's acquisition of Mobike," *Caijing Magazine*, 16 April 2018, https://www.huxiu.com/article/240057.html, accessed 27 April 2020.

[24] The COVID-19 pandemic, also known as the coronavirus pandemic, is an ongoing pandemic of coronavirus disease 2019 (COVID-19), caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The outbreak was first identified in Wuhan, China, in December 2019. The World Health Organization declared the outbreak a Public Health Emergency of International Concern on 30 January 2020, and a pandemic on 11 March 2020. Sourced from Wikipedia, https://en.wikipedia.org/wiki/COVID-19_pandemic, accessed 27 April 2020.

where they could pick up their orders without interacting with the courier in person. NMD also reacted fast to help many merchants, including big chains, get their operations online with delivery services. It waived one-month commissions for merchants located in Wuhan where the pandemic had started, and soon extended the exemption to all merchants that subscribed to its in-store services.

Despite these efforts, tension mounted between NMD and its merchants. Many merchants were severely hit by the pandemic due to nationwide quarantine measures. Food takeout orders became the only cash flow that many restaurants could rely on. But as NMD was reluctant to reduce the commission rates and in some cases even threatened to raise the rates if merchants attempted to breach the exclusive cooperation terms by joining other food delivery platforms. After the commissions, many merchants operated at a loss, and some had to close their stores. On 10 April, Guangdong restaurant companies collectively sent a letter to NMD, alleging that its commission rate was unreasonable, demanding that it remove the exclusivity clauses and reduce the amount paid to NMD for delivery service by more than 5%. Similar complaints also erupted in Sichuan, Henan, and other provinces. However, NMD was unwilling to give in, emphasizing that 80% of the commissions charged were used to cover the labor costs of rider couriers. The company claimed to have added 950,000 couriers on staff after the Covid-19 outbreak.[25]

Owning 450.5 million transaction users, NMD had strong bargaining power over its merchants due to its ability to allocate consumer traffic flows and control the transaction process. However, NMD had to resolve the conflicting interests with merchants. If the commission rates were too high, many merchants could not afford them. If too low, it would be hard for the platform to cover its operating costs. The company need to find a solution to tame the anger of the merchants and meanwhile maintain its market leadership.

Next Stage: Building an Ecosystem

Being a super app with robust transaction volume, NMD was expected to generate strong revenues in the years to come. Some people, however, doubted whether the growth would be sustainable in the long run. In fact, the growth of both the number of transacting users and the number of active merchants had slowed. In 2019, the growth rates of the two sides were 6.9% and 12.5%, respectively, compared to 31.4% and 29.4% in 2018. [See **EXHIBIT 8** for the growth trend of number of transacting users and active merchants.] To maintain its leading position in the competitive market, NMD need to build a sustainable business ecosystem on top of its super app.

The company explored beyond its boundary. Vertically, it took new initiatives such as supply chain management. It started a procurement service for the merchants called Fast Donkey. In addition, the company led the CNY600mn B round investment in a grocery supply chain company named Wangjiahuan in March 2020. Wangjiahuan adopted a strategy similar to the American counterpart Sysco, a B2B supply chain firm that sold, marketed, and distributed food and nonfood products to restaurants, health-care and educational facilities, lodging establishments, and other customers. These services would add value to NMD's merchants.

Horizontally the company took various new initiatives to expand its service offerings on the platform, with the objective of attracting more user traffic. For instance, it quickly expanded the grocery delivery service during the Covid-19 pandemic and attracted a new wave of users in their 40s and 50s who were previously not core users of cooked meal delivery.

[25] Meituan Dianping, "2019 年度企业社会责任报告". ["2019 Corporate Social Responsibility Report"], 2020.

Simultaneously, the company never stopped testing new projects in the sharing economy.[26] For instance, it expanded the bike-sharing service to include motorcycles. In another case, it started a new marketing campaign for a shared cellphone-charging service. The company offered to share profits with the merchants for the charging service. For a small fee, customers could recharge their cellphones in stores and restaurants.

Next Stage: Reshaping the Corporate Culture

Over the previous 10 years, the corporate organization of NMD had been restructured several times to fit its growth needs. The ever-changing business frontier made it hard for the company to have a coherent corporate culture. But it seemed a priority to reshape the corporate culture now,[27] as the listed company had grown into a big platform managing nearly 4 million rider couriers.

In January 2020, cofounder Huiwen Wang announced his retirement, signaling the end of an era. Previously, the company was best known for its powerful sales force and fast execution, which was a key factor underlying its victory in various price wars. Now these skills became less important, while the ability to collaborate internally and externally and to innovate and develop new technology became more essential.

At NMD's 10th anniversary, Xing elaborated the core value of the company as a consumer-centric, honest, and collaborative firm that pursued excellence. Four years earlier, Xing had founded the Meituan Internet+ University in July 2016, aiming to train and develop talent for the company and its partner companies. The company also aimed to build a talent echelon internally. For young starters, it launched multiple talent development programs to help them build a career path, such as talent acquisition, rotational training, leadership training, and so on. For middle management, the company started to adopt the objectives and key results (OKR) system[28] in 2018 to enhance performance. The company also changed the semiannual management meeting to quarterly in 2019, to encourage communication and collaboration across board.

The Future Outlook

NMD outlined its future plan in its 2018 IPO prospectus:

- Serve more consumers more frequently;
- Enable more merchants with more solutions;
- Continue technology innovations;
- Selectively pursue strategic alliances, investments, and acquisitions.

The company had faced many opportunities and challenges over the previous 10 years. Xing believed that competition would be an eternal theme in the internet industry. How would NMD and Alibaba compete in the local service sector? Where would new competitors emerge? What new opportunities should NMD pursue? And, ultimately, how should NMD survive and further its position as a leading player in China's e-commerce?[29]

[26] The sharing economy was an economic model defined as a peer-to-peer (P2P) based activity of acquiring, providing, or sharing access to goods and services that was often facilitated by a community-based on-line platform.

[27] "美团变阵幕后：功成身退、组织焦虑与人才刷新". ["Behind Meituan's Change: Retirement, Organization and Talent Recruiting"], Landong, 21 January 2020,https://www.huxiu.com/article/336955.html, accessed 27 April 2020.

[28] OKR (objectives and key results) was a goal system used by Google and others. It was a simple tool to create alignment and engagement around measurable goals.

[29] Please find a brief introduction of Internet companies referred to in the case in **EXHIBIT 9**.

EXHIBIT 1: HISTORICAL MILESTONES OF MEITUAN DIANPING

Year	Event
2003	Tao Zhang launched Dianping.com.
2005	Shuhong Ye joined Dianping.com.
2010	Xing Wang and Rongjun Mu launched Meituan.com.
2012	Maoyan, an online movie-ticketing service, was launched. (Maoyan was spun off in 2016, NMD held 8.27% equity as of 2019.)
2013	Started hotel booking and on-demand food delivery services.
2014	Expanded to travel-booking service.
Oct 2015	Meituan and Dianping merged.
2016	Started cloud-based ERP service, payment service, and supply chain management.
2017	Launched supermarket-Elle Supermarket.
April 2018	Acquired Mobike.

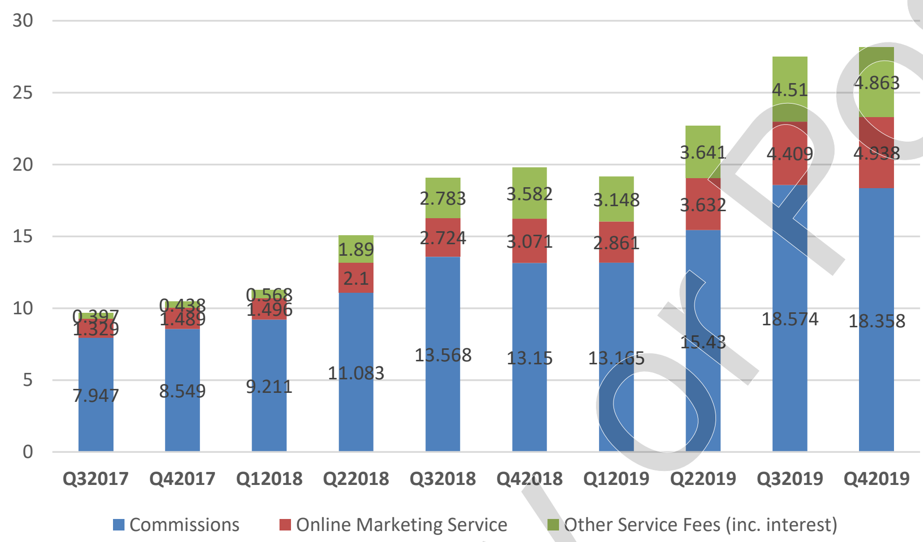
Source: Essence Securities, Analysis of Meituan Dianping's Business Model, 2 July 2018.

EXHIBIT 2: KEY HIGHLIGHTS OF FINANCIAL METRICS (2019)

	Year Ended		
	31-Dec-19	31-Dec-18	Y-o-y Change
Financial Summary	(RMB in billions, except for percentages)		
Revenue	97.5	65.2	**49.5%**
Gross profit	32.3	15.1	**114.0%**
Operating profit/loss	2.7	-11.1	**NA**
Profit/loss before income tax	2.8	-115.5	**NA**
Profit/loss for the year	2.2	-115.5	**NA**
Non-IFRS Measures:			
Adjusted EBITDA	7.3	-4.7	**NA**
Adjusted net profit/loss	4.7	-8.3	**NA**
Operating Metrics			
Gross transaction volume:	(RMB in billions, except for percentages)		
Food delivery	392.7	282.8	**38.9%**
In-store, hotel & travel	222.1	176.8	**25.6%**
New initiative and others	67.3	56.0	**20.3%**
Total	682.1	515.6	**32.3%**
	(in millions)		
Number of transacting users	450.2	400.4	**12.5%**
Number of active merchants	6.2	5.8	**7.1%**
	(units)		
Average number of transactions per annual transacting user	27.4	23.8	**15.4%**
	(in millions)		
Number of food delivery transactions	8,722.1	6,393.4	**36.40%**
Number of domestic hotel room nights	392.4	283.9	**38.20%**

Source: HKEX, 2019 Annual Report, 17 April 2020.

EXHIBIT 3: REVENUE COMPOSITION Q32017–Q42019 (IN BILLIONS OF CNY)



Source: Source: HKEX, Announcements of Three Months Results, 2018–2020.

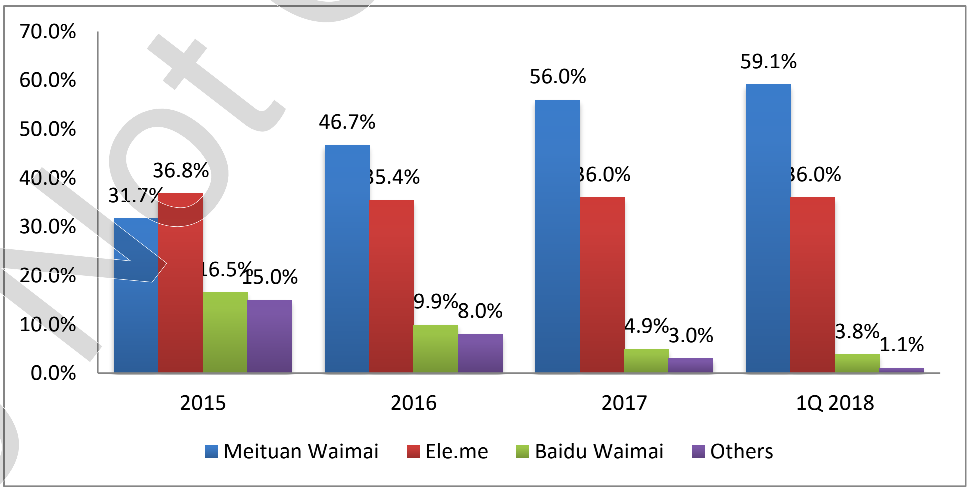
EXHIBIT 4: LIST OF MAJOR APPS OF MEITUAN DIANPING

EXHIBIT 5: FUND-RAISING OF MEITUAN DIANPING

Year	Event
Sep 2010	Received Series A investment of USD12mn from Sequoia Capital.
Jul 2011	Received Series B investment of USD50mn from Alibaba, Sequoia Capital, Northern Light, Huadeng International.
May 2014	Received Series C investment of USD250mn from General Atlantic, Sequoia Capital and Alibaba.
Jan 2015	Received Series D investment of USD700mn from Hillhouse Capital Group, Fidelity Management & Research Co.
Jan 2016	Received Series E investment of USD3.3bn from Sequoia Capital, DST, Tencent, Trust Bridge Partners, Hillhouse Capital, Capital Today.
Oct 2017	Received Series F investment of USD4bn from Tencent, Priceline Group, Sequoia Capital, GIC, CPPIB and others.
Sep 2018	Received pre-IPO investment of USD1.5bn from Tencent, China Chengtong, Sky Capital, Oppenheimer, Dasarna, Landsdowne.
Nov 2018	Listed on Hong Kong Stock Exchange.

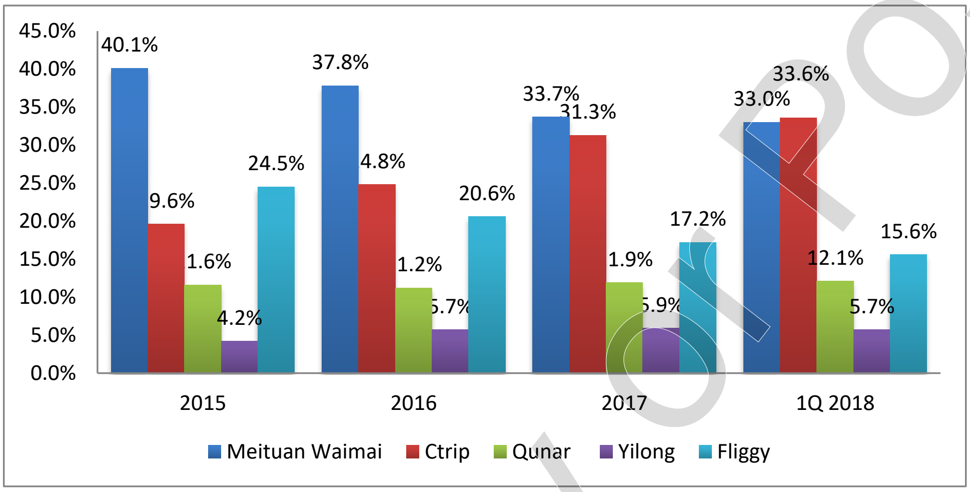
Source: HKEX, Meituan Dianping Global Offering Prospectus, 7 September 2018.

EXHIBIT 6: COMPETITIVE LANDSCAPE OF CHINA ONLINE ON-DEMAND DELIVERY INDUSTRY (BASED ON GTV)



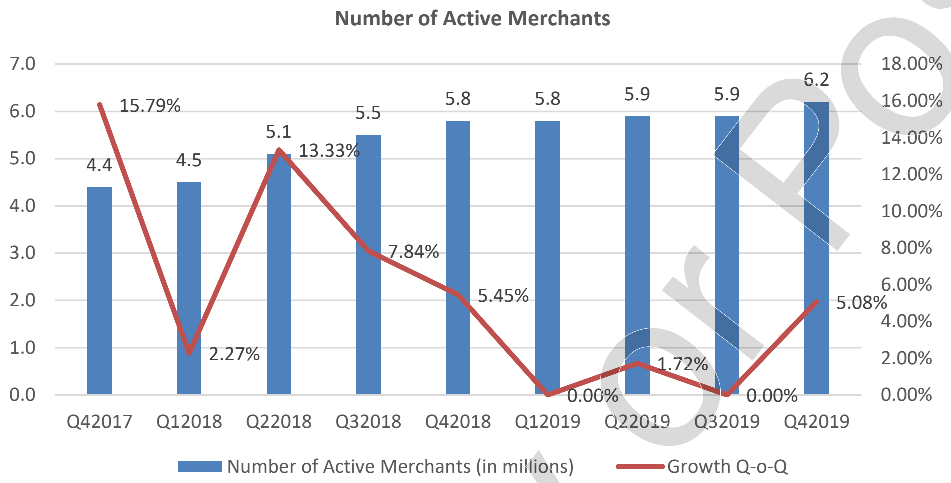
Source: HKEX, Meituan Dianping Global Offering Prospectus, 7 September 2018, p. 130.

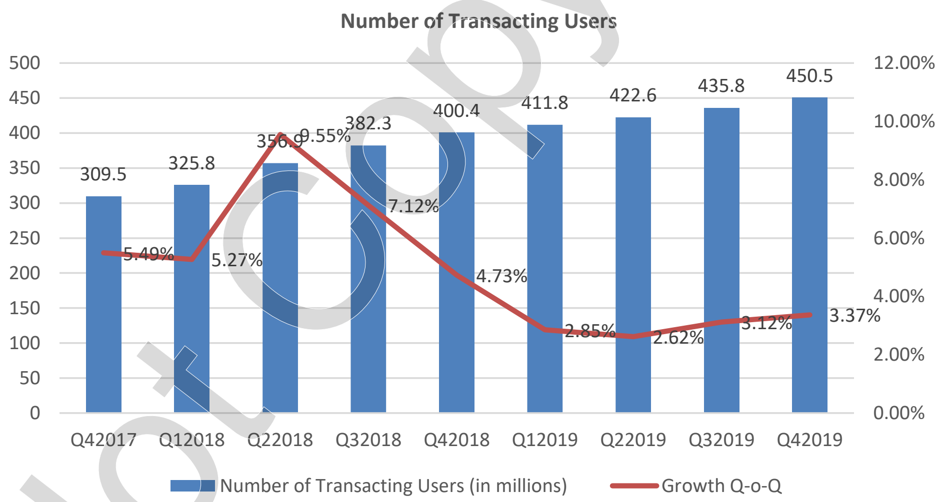
EXHIBIT 7: COMPETITIVE LANDSCAPE OF CHINA ONLINE HOTEL INDUSTRY (BASED ON NUMBER OF DOMESTIC ROOM NIGHTS)



Source: HKEX, Meituan Dianping Global Offering Prospectus, 7 September 2018, p. 131.

EXHIBIT 8: GROWTH TREND OF USERS





Source: Huxiu, "美团没有生态", ["Meituan does not have an ecosystem"], 13 April 2020.

EXHIBIT 9: INTRODUCTION OF E-COMMERCE COMPANIES REFERRED

ALIBABA
Alibaba Group Holding Limited, through its subsidiaries, provided online and mobile commerce businesses in China and internationally. It operated in four segments: Core Commerce, Cloud Computing, Digital Media and Entertainment, and Innovation Initiatives and Others. The company operated Taobao Marketplace, a mobile commerce destination; Tmall, a third-party platform; Alibaba Health pharmaceutical e-commerce and consumer health-care platforms; Alimama, a monetization platform; 1688.com, an online wholesale marketplace; Alibaba.com, an online wholesale marketplace; AliExpress, a retail marketplace; Lazada, an e-commerce platform; and Tmall Global, an import e-commerce platform. It also operated Lingshoutong, a digital sourcing platform; Cainiao Network logistic services platform; Ele.me, a delivery and local services platform; Koubei, a restaurant and local services guide platform; and Fliggy, an online travel platform. The company was founded in 1999 and was based in Hangzhou, China.

TENCENT
Tencent Holdings Limited, an investment holding company, provided value-added services (VAS) and internet advertising services in mainland China, the United States, Europe, and internationally. The company operated through VAS, FinTech and Business Services, Online Advertising, and Other segments. It offered online games and social network services; FinTech and cloud services; and online advertising services, such as media, social, and others advertisement services. The company was also involved in production, investment, and distribution of films and television programs for third parties, as well as copyright licensing, merchandise sales, and other activities. In addition, it developed software; developed and operated online games; and provided information technology, information system integration, asset management, online literature, and online music entertainment services. The company was founded in 1998 and was headquartered in Shenzhen, China.

DIDI CHUXING
DiDi Chuxing was a mobile transportation platform that offered app-based transportation services. The company offered a mobile tech-based mobility option for users, including taxi hailing, private car-hailing, Hitch (social ride-sharing), DiDi Chauffeur, DiDi Bus, DiDi Test Drive, DiDi Car Rental, and DiDi Enterprise Solutions. As a practitioner in the sharing economy initiative, DiDi was committed to working with communities and partners to solve transportation, environmental challenges, and employment problems using big data–driven deep-learning algorithms that optimize resource allocation.

GROUPON
Groupon, Inc., operated online local commerce marketplaces that connected merchants to consumers by offering goods and services at a discount in North America and internationally. The company provided deals in various categories, including events and activities; health, beauty, and wellness; food and drink; home and garden; automotive; discounted and market rates for hotel, airfare, and package deals, as well as deals on various product lines, such as electronics, sporting goods, jewelery, toys, household items, and apparel. It offered its deal offerings to customers through websites; search engines; mobile applications and mobile. Groupon, Inc., was founded in 2008 and was headquartered in Chicago, Illinois.

GRUBHUB
Grubhub Inc., together with its subsidiaries, provided an online and mobile platform for restaurant pick-up and delivery orders in the United States. The company connected approximately 300,000 local restaurants with diners in various cities. It offered Grubhub and seamless mobile applications and mobile websites; and operated websites through grubhub.com,

seamless.com, and menupages.com. The company also provided corporate programs that offered employees various food and ordering options. In addition, it offered Allmenus.com, which provided an aggregated database of approximately 595,000 menus from restaurants in 50 US states; and Grubhub for Restaurants, a responsive web application that could be accessed from computers and mobile devices. Grubhub Inc. was founded in 1999 and was headquartered in Chicago, Illinois.

YELP

Yelp Inc. operated a platform that connected consumers with local businesses in the United States, Canada, and internationally. The company's platform covered various local business categories, including restaurants, shopping, home and local services, beauty and fitness, health, and other categories. It provided free and paid advertising products to businesses, as well as enabled businesses to deliver targeted search advertising to local audiences and business listing products. The company's Yelp platform enabled consumers to order flowers, purchase event tickets, and book spa and salon appointments. In addition, it offered Yelp Deals that allowed local business owners to create promotional discounted deals and gift certificates. Further, the company provided other services comprising Yelp Reservations that provided restaurants, nightlife, and other venues with the ability to offer online reservations; Yelp Waitlist, a subscription-based waitlist management solution that allowed consumers to check wait times and join waitlists remotely, as well as businesses to manage seating and server rotation; and Yelp Knowledge program that offered business owners local analytics and insights through access to its historical data and other proprietary content. Yelp Inc. was founded in 2004 and was headquartered in San Francisco, California.

TRIPADVISOR

Tripadvisor, Inc., operated as an online travel company. It operated in two segments, Hotels, Media & Platform; and Experiences & Dining. The company operated Tripadvisor-branded websites, including tripadvisor.com in the United States; and localized versions of the website in 48 markets and 28 languages. It also managed and operated other travel media brands that provided users the comprehensive travel-planning and trip-taking resources in the travel industry, such as bokun.io, bookingbuddy.com, cruisecritic.com, familyvacationcritic.com, flipkey.com, thefork.com, holidaylettings.co.uk, holidaywatchdog.com, housetrip.com, jetsetter.com, niumba.com, onetime.com, oyster.com, seatguru.com, singleplatform.com, smartertravel.com, vacationhomerentals.com, and viator.com. In addition, the company provided information and services for consumers to research and book restaurants in travel destinations and vacation and short-term rental properties. Tripadvisor, Inc. was founded in 2000 and was headquartered in Needham, Massachusetts.

SYSCO

Sysco Corporation, through its subsidiaries, marketed and distributed a range of food and related products primarily to the food service or food-away-from-home industry in the United States, Canada, the United Kingdom, France, and internationally. It operated through three segments: US Foodservice Operations, International Foodservice Operations, and SYGMA. The company distributed a line of frozen foods, such as meats, seafood, fully prepared entrees, fruits, vegetables, and desserts; a line of canned and dry foods; fresh meats and seafood; dairy products; beverage products; imported specialties; and fresh produce. It also supplied various nonfood items, including paper products comprising disposable napkins, plates, and cups; tableware; cookware; and cleaning supplies. The company served restaurants, hospitals and nursing homes, schools and colleges, hotels and motels, industrial caterers, and other food service venues. Sysco Corporation was founded in 1969 and was headquartered in Houston, Texas.

Source: Yahoo Finance Stock website, www.finance.yahoo.com.