

# Analysis of Pinduoduo's Successful Market Positioning and Marketing Strategy

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## Abstract:

The essay analyzes several strategies of Pinduoduo which is a popular shopping platform in China. Initially, the background information is illustrated with data, involving the changing of the market share, and the cost in advertisement, and its annual revenue in the past three years. Second, a STP analysis introduced the type of consumers and suppliers that Pinduoduo targets and focuses on. In the next part, three aspects of the market strategies are explained. As one of the main features of its strategy, Pinduoduo has a deep understanding of the psychology of consumers, leading to the high royalty from its buyers. Then, the result of huge spending in the advertisement significantly influenced the choices from consumers, leaving them with deep memories. Moreover, the price setting was also important in impressing the consumers, not only the low price, but also the way of Pinduoduo to present the prices. However, as the development of Pinduoduo, two problems for consumers were explored and two suggestions that related to the shortage of the product number and product reviews came up.

**Keywords:** market strategy, STP, price setting, online advertisement.

## 1. Introduction

The time period between 2014 and 2017 is a peak for Chinese E-commercial companies entering the market. Based on the research, there is a short time for the business to develop because it is difficult for the time series data to be obtained by the limited database [1]. As presenting a group of unique market strategies, the company, which published the Pinduoduo shopping app, successfully impressed the consumers that the amount of the users increased to 200 million in two years [2]. In addition, Pinduoduo

challenged the e-commerce market share from 7.2% in 2019 to 19% in mid-2023 in China [3]. After the success, the company continuously launched a similar app overseas in 2022, called Temu and spent universal exposure on it. Based on the data, 505 million dollars were invested into the advertisement of Temu [4]. For instance, in 2024, Temu spent 15 millions in the advertisement for the Super Bowl [5]. As a result, Temu ranked at the first in the number of app downloads [4]. Based on the annual report of the company, the revenue of Pinduoduo had a considerable increase from RMB 93949.9 million in 2021 to RMB

247639.2 million in 2023 [6]. Although the COVID-19 led to a stagnation of the economy around the world, the revenue had few negative influences, which illustrates the strong ability of dominating the purchasing power of consumers.

Therefore, the reasons for the success are discussed among researchers. Pinduoduo became distinguished from its competitors not only based on the basic shopping functions including lower cost for suppliers and convenience for consumers, but also filled with the innovations and building a stronger connection between the platform and consumers. Before Pinduoduo entered the market, consumers were led by the traditional shopping apps, such as Taobao and Jingdong. The synonym of the traditional apps is convenience, but the appearance of the Pinduoduo enhanced the savor of consumers while browsing the shopping page. Pinduoduo stimulates the numbers of shopping, thereby, consumers not only click into the app when they require a product, but in terms of meeting their demands [7]. Then, the number of places an order increases dramatically. Therefore, the strategies and reasons for the success are going to be discussed with detailed examples.

## 2. STP

### 2.1 Segmentation

Compared with Taobao or Jingdong, Pinduoduo attracts the greatest number of older aged consumers. Based on the research, sixty-eight percent of users are over 50 years old, and the majority of users are men [8]. However, young adults under thirty years old consume the most money on Pinduoduo, especially the females. Third tier and fourth-tier cities make up the main group of the consumers [9].

### 2.2 Target

Pinduoduo chooses to enter the downstream market. The low-price traffic successfully attracts the over 50-year-old consumers [8]. Because this age group responds more to the pressure of unemployment, mortgage repayment, and raising children. They are more rational with their money distribution and less intended to satisfy the demands. As a result, they are intended to compare a similar product among different shopping platforms about the prices and can accept a lower quality of life standard compared with the younger generation. Pinduoduo which always sells products with the lowest among all kinds of shopping apps becomes their first choice. The reasons for young female adults to become the main consumers are also obvious. This group of people have the strongest purchasing power

not only in Pinduoduo, but also in other shopping platforms. Since the females under thirty years old are willing to spend most of their salary in online shopping and the products in Pinduoduo are more cost-effective for them. Compared with cities with developed economies, such as Beijing and Shanghai, Pinduoduo is more welcomed in the countryside or cities with poor economic strength.

### 2.3 Position

Pinduoduo selects the suppliers which differ from Taobao or Jingdong. The appearance of Pinduoduo provides more opportunities for the small firms and the weak industries. They can switch the cost of renting physical stores into the cost of operating the online shops which are much cheaper. Low qualified products are able to be sold from the small firms. This means that firms do not require strong abilities in producing products, such as precise equipment, and well-educated workers and the standard of defective products can also be lower because more consumers demand them.

## 3. Market Strategy

### 3.1 Understanding of Consumer Psychology

Pinduoduo uses unique target strategies not only inside the app, but also in digital advertisements strategies which strongly grabs the psychology of consumers. Since the consumers open the app, a turntable with full screen size and shining text attracts the sight of consumers. After spinning, consumers receive a valuable price discount. For instance, the price of a watch changes from 70 dollars to 9.9 dollars with that discount. However, in order to receive that discount, consumers need to share the link with 5 different friends and ask them to give a hand in a limited time period. Pushed by the cheap price, consumers are willing to follow the step. Therefore, although Pinduoduo sells the watch with little profit, new consumers are impressed. The shared links are always able to target the potential consumers from the previous consumers.

Moreover, the video presents a deep understanding of the mentality of consumers. Some believe that although they can guess the quality is not as good as the video described, they are persuaded by the cheap price. The others truly demand the product, but they cannot afford it with good quality in the other shopping apps.

### 3.2 Digital Advertising Strategy

Additionally, digital strategies play a significant role in advertising the goods. The eye-catching short videos attract the consumers when they view the social media, especial-

ly the TikTok. Arguments that are applied into the videos allow the people to complete watching the ads videos. When an entrepreneur is angry that few people consume the cheapest goods, such as a branded headphone charged 1.8\$, an employee answers that consumers are concerned about the quality. Then, the entrepreneur straightly tests the products to show the advantages such as the great quality of the sound from the headphone. In the whole video, the actor or actress speaks with a high pitch and a rapid pace. Therefore, the viewers are impressed by the words, while most of them cannot distinguish the reliability of the information.

Moreover, another trend of advertisement becomes popular. When people enter whatever apps, an open-screened advertisement pops up. If people slightly shake or move the smartphone, it will automatically jump into another app which shows the advertisement, especially the Pinduoduo. After entering the app by the advertisement, consumers will view that the products in their shopping cart are at a discount. Therefore, if consumers use phones aimlessly, they are easily attracted and keep enjoying the shopping.

### 3.3 Price Setting Strategy

The price setting strategy of Pinduoduo is quite straight forward. Compared with Taobao, the price of all types of products are cheaper. Usually, after searching a specific product, consumers compare the prices at the main page. One of the most common situations is that the platform system automatically chooses the lowest price among the list of products to show on the main page. Therefore, practically consumers are attracted and enter the detailed page by a lower price of an irrelevant and lower qualified product instead of the price of the product that consumers expected to view. Because attracting a large number of viewers to click into, suppliers are able to receive the flow and the orders.

Another advantage of its pricing is that suppliers are able to capture the goods from the latest popular trend and sell them with much lower prices. For example, at the most popular life and idea sharing platform, Little Red Book, some jewelry shop owners like to post pictures of their works. But mostly they do not sell the work or set the prices which are hard for common people to afford. Under this situation, the suppliers at Pinduoduo try to produce the work in massive numbers and lower prices. Therefore, for a part of the common people, they are able to improve their quality of life by buying those lower priced jewelry or house decorations, even including the furniture.

Although Pinduoduo sells the products with almost the lowest price and faces the low-income people, it launched

a new area in June in 2019, called One-Billion Subsidies. In this area, consumers are able to receive better services, including stricter standards of the quality control, faster and better qualified delivery, and better after-sales services. The algorithms of the platform will more specifically recommend the goods that consumers may be interested in based on the browsing history. The One-Billion Subsidies offer the coupons for the agriculture products, involving fruits, eggs, and meats, leading the consumers to directly trade with the farmers [10]. Therefore, consumers are able to enjoy a cheaper price, and farmers can earn more revenue. Consumers can also receive subsidies when buying the expensive digital devices, such as the smartphone, headphone, and computer games. As a result, Pinduoduo allows the common people to afford them.

## 4. Suggestions

As Pinduoduo gradually promotes, several problems are explored. First of all, when suppliers sell a larger number of products, consumers find that the real number of products that they received are less than the numbers that suppliers claimed. For instance, a consumer brought a large package of tissue. The supplier claims on the detailed page that each package has two hundred pieces of tissue, while the consumer counts the number that there are only one hundred and sixty pieces of tissue. However, after consumers complain about this situation, suppliers only compensate the corresponding money without having any changes or receive fines from the platform. More and more people are treated that they pay same money but receive products that are not up to the standard. As a result, negative feelings and dissatisfaction of consumers increases. Even though some consumers are still willing to shop on Pinduoduo because of the low price, untrustworthy suppliers lead to the outflow of the consumers. One of the suggestions is that Pinduoduo should force the suppliers to change the labeled number of the products that they sell into the actual number on the main page. Then, if the suppliers refuse to follow the adjustment or keep receiving the complaints from buyers, the platform punishes the suppliers by limiting their flow and notify the consumers. Another suggestion is that for the management from Pinduoduo, the barriers for suppliers to entry should be rose so that the suppliers with low integrity and safety disuse. A clear set of rules and regulations is also required to restrict the behaviors of suppliers [11].

The second shortcoming is related to the feedback from the people that already consumed the products. It is popular and common that suppliers put special cards into each delivery. The card aims to ask consumers to give positive feedback at the product review. After that, suppliers will

return a little money as a reward of positive evaluation. Since the main targeted consumers are disadvantaged in their income, they would like to type the positive feedback and ignore the defect of the product. Meanwhile, suppliers are encouraged by the card because they can gain higher scores in order to receive more flow and explore from the platform. As this behavior becomes universal, other consumers are not able to distinguish the true feedback or even see any negative evaluations, leading to a negative cycle among consumers, suppliers, and platforms. As a result, consumers are blinded and cheated by the reviews, while suppliers trap into vicious competition which means each shop owner focuses not only on low prices, but also on returning the money for good evaluations. Finally, shop owners will earn little and cause a large number of collapses. Therefore, the solution is that Pinduoduo should change the system of marking the shops. The proportion of product reviews should be reduced. The platform is supposed to guide the idea that shops do not need to strive for the perfection, especially the one hundred percent of the good comments.

## 5. Conclusion

In conclusion, the outcome of the standout of Pinduoduo is not out of thin air. The Pinduoduo is the only company with clear targeted consumers who demand low-price goods, so the advertising strategy is able to straightly please them in order to build a strong connection between the platform and consumers. The innovation of its price setting is another impressive point for the public. Aimed at the problems of Pinduoduo, the management of the suppliers also needs to enhance in order to provide a well-rounded and responsible after-sales service. Although Pinduoduo provides the low-price goods, the qualities of the suppliers and the platform still need to be focused. The launching of Pinduoduo filled the gap in the downstream market providing a number of opportunities for both the buyers and the suppliers who are extremely benefited. The living pressure reduces with cheaper necessities, while the living standard improved because more money is saved for education and healthcare. Based on the success of Pinduoduo, more trends are offered and keep driving the promotions for the new or existing shopping platforms.

This essay also offers information for future research in the commercial strategies, including the marketing, and advertising. Researchers are able to receive some detailed information based on the examples about how the company works on the interest of consumer grabbing, the digital advertising targeting, the low-price setting. A deep study relating to the profit-making is supposed to discuss, since the essay describes the operational model universally but superficially.

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