

Analysis of O2O E-commerce Models

- Taking Meituan and UberEats as Examples

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Abstract: With the advent of the commercial Internet came the birth of the e-commerce industry, and with the proliferation of mobile Internet came the rise of O2O e-commerce. Emerging and quickly entering a phase of vicious competition in terms of subsidies is China's O2O local lifestyle service industry. This thesis takes the O2O e-commerce model of the local life service industry as its research object, uses the revised O2O value system model to analyze the Meituan O2O e-commerce model in depth, and compares it to UberEats, a typical representative of the C2C business model, in order to identify the problems and put forward corresponding development suggestions, using the basic theories of marketing management, management, and e-commerce. Meituan's success can be attributed in large part to the company's innovative business model, which has given the company a leg up in the market and contributed to the company's distinctive core competitiveness. This paper's findings have important implications for the evolution of the e-commerce sector in the Internet age, the development of new business models for corporations, and the modernization of entire industries.

Keywords: core competency, Meituan, innovation, UberEATS, market conformity

1. Introduction

Meituan is a new economy e-commerce company providing services related to daily living. Meituan, originally a group buying company, launched an online service to buy movie tickets in 2012. Later, Meituan introduced hotel booking and food and drink takeaway services, focusing on the food, hotel, and entertainment modules that account for a sizable portion of local consumption. Meituan Travel launched in 2014, and in 2015 it strategically merged with Dianping to create a service for booking airline tickets. Meituan has spent the better part of a decade developing service scenarios and expanding its service categories. This has allowed it to become the market leader in many different segments, including the hotel booking and shared travel sectors.

While research on O2O platforms is common in both the domestic and international literature, the majority of this study has focused on the study of O2O market development history and trends, the study of O2O business models, and the analysis of a specific O2O platform stage; in the field of takeaway O2O, the majority of this study has focused on the analysis of takeaway O2O industry trends, market prospects, and the systematic study of a particular takeaway O2O, and the analysis of its marketing strategy. The study's primary objective is to examine the market and growth potential

of the food delivery O2O sector. Using domestic and international marketing expertise to develop appropriate marketing strategies and provide safeguards for their implementation [1], this paper analyzes the evolution of the Chinese O2O market, its various stages of development, and the marketing strategies adopted by Meituan from its inception to the present. By integrating cutting-edge marketing concepts like combination marketing theory, O2O business model theory, target market positioning theory, and internet marketing theory, and by comparing and contrasting the current state of O2O catering marketing in China with that of other O2O catering platforms in the industry, this paper aims to shed light on the external environment and internal constraints that affect the development of O2O catering platforms. In order to forecast the future growth of China's food and beverage takeaway O2O market, this research will analyze the marketing strategies best suited to the expansion of Meituan's takeaway.

2. SWOT Analysis

The use of the SWOT analysis in the context of business competition is on the rise. The SWOT analysis was developed by Wyrick, an American management professor at the University of San Francisco. Its four main components are the Strength, Weakness, Opportunity, and Threat. Our competitive edge comes from our strength. Meituan, China's first group-buying website, was an early adopter of this strategy in the realm of online commerce. When compared to other platforms that facilitate group purchases, Meituan stands head and shoulders above the competition.

From the point of view of the present state of the industry in China, Meituan is in a position of strength thanks to its large scale, extensive coverage area, and advanced technical capabilities. Third, the company's founder, Wang Xing, is an experienced and successful businessperson who gives the company a distinct leadership advantage. Plus, Meituan's local marketing resources are one of its most valuable assets. CatEye dominated the domestic ticketing market in 2014, with online movie ticket sales reaching RMB 5 billion, or almost 20% of the nation's total annual box office [2], thanks to the company's ingenious distribution strategy that helped pre-sell new movies across the country. When competitors like Wagela, Weipiaoe, Baidu Nuomi, and Taobao Movies began eating into Meituan.com's market share, Meituan.com responded by spinning off CatEye Movies as a wholly owned subsidiary in 2015, renaming it CatEye Culture and Media Co [3]. This gave CatEye Movies more freedom to operate independently from Meituan.com. CatEye dominated the Chinese online movie ticketing market in the fourth quarter of 2015, capturing 25.87% of the market share, followed by WeTicket (with 16.30%) and Baidu Nuomi (15.26%) [4].

Taking advantage of this in-house strength by implementing a growth-oriented strategy that emphasizes channel expansion, regional agent consolidation, and the formation of new group-buying advocates (relying on internal strengths and taking advantage of external opportunities), and promoting brands more to attract more reliable vendors and skilled employees (rely on internal strengths and avoid external threats), China's GDP reached a new high of 101,598.6 billion yuan in 2020 [5], an increase of 2.3% from 2019, and the country's per capita disposable income hit a new high of 32,189 yuan, an increase of 2.1% from the previous year. The economy should benefit from this [6].

iiMedia reports that nearly half (46.67%) of users regularly purchase fresh food, with a further 40% doing so monthly [6]. Meituan is late to the warehousing market, and as such, it must continue to invest to build up the infrastructure required for cross-city transportation and origin sourcing. Meituan has traditionally placed a higher value on the features associated with a marketplace and has had less practice running communities. Meituan's group-buying model may be appealing due to its discounted prices, but it is not particularly sticky because users' price sensitivity decreases as their income increases. A \$100 billion market for CPGs is expected in the future due to market growth and rising living standards. Recently, Meituan has expanded, creating a multi-line plan for first-, second-,

and third-tier cities as well as some rural areas. One of the biggest ways the takeout industry helps other businesses is by helping platform and catering companies increase their sales and profits. Consumers' reliance on online services that facilitate restaurant food orders has increased in recent years [7].

Competition from similar services is Meituan's biggest challenge right now [5]. Supply chain management difficulties, such as slow warehouse improvement and a lengthy construction cycle for basic storage and distribution, require greater investment costs, which in turn increases distribution pressure as new businesses are constantly entering the market. Based on the constraints of selection and the dynamism of operation, Meituan's product selection can be broken down into two broad categories: targeted product recruitment and operational product selection. When in operational product selection mode, operators select goods in accordance with category planning requirements; this mode is more autonomous but is easily constrained by limitations in front- and back-end data processing and response. In order to guarantee the highest possible standard of quality, products undergo extensive testing before being put on the market. In order to guarantee the highest possible standard of quality, products undergo extensive testing before being put on the market. Product quality and customer satisfaction improve under the Meituan model, but so do labor costs [8].

3. Meituan Takeaway in the Chinese Market

To facilitate the ordering of takeout, Meituan launched Meituan Takeaway in November 2013. By providing a central online hub for food delivery, payment, and ordering, Meituan Takeaway facilitates commerce between eateries and their customers, thereby facilitating the former's ability to expand their customer base and the latter's ability to increase their revenue. Takeout-related topics, such as the industry's expansion and the pay of delivery drivers, have recently dominated China's market. By examining the current state of the Chinese takeout industry in the third quarter of 2019, it is possible to see that the sector is still experiencing rapid growth, with both the number of users and the frequency with which they use takeout services continuing to rise. According to this report, the Chinese takeout market served over 400 million people in the third quarter of 2019 [9]. The majority of China's takeout customers are women (49.7%), while men (50.3% of the market) make up the other half. Even though consumers over the age of 30 make up a sizable portion of the market, those between the ages of 25 and 29 continue to hold a disproportionate share of the takeout sector. The majority of takeout customers and transactions (47.7% and 52.1%, respectively, up 7.6% annually) are located in second-tier cities with high employment demands [2].

3.1. Meituan's Business Model

Meituan classifies service scenarios, invites corresponding merchants to join, and then displays the classified interface to demand users, allowing the supply side and demand side to connect efficiently, partially resolving the issue of information asymmetry and transmission efficiency between consumers and merchants, and increasing the likelihood and frequency of transactions. Meituan's bottom line is bolstered by the commission it collects from successful transactions. Meituan may also provide supply chain and marketing services to retailers in exchange for additional services using its formidable big data and algorithm skills. To put it simply, Meituan is improving upon preexisting channels so that its users can establish new routines and conduct business on the platform, such as, taking a look at the restaurant scene in Meituan [4]. The consumption model, which was previously customer demand payment merchants supplying services collection of fees, has not changed as a result of Meituan's purchases and takeaway companies in the food and beverage industry. Meituan's role as an intermediary connecting customers (the supply side) and providers (the demand side) while also taking a cut of the transaction has not changed.

3.2. Marketing Approach of Meituan Takeaway

O2O, or "online to offline," refers to a type of e-commerce in which a customer places an order for a product or service online and then picks it up at a physical retail location. Online-to-offline (O2O) services have emerged in a wide range of markets, facilitating the acquisition of everything from food to hotel rooms to real estate to transportation. Online FD describes the process by which food ordered online is prepared and delivered to the customer. The expansion of online FD is aided by all-in-one platforms offering the service, such as Uber Eats, Deliveroo, and Meituan. Online delivery platforms offer a wide selection of food items to customers, as well as take orders, forward them to the relevant food manufacturers, process payments, organize deliveries, and provide tracking information [3]. Apps on a user's smartphone can be used to place an order for food delivery (FDA) in the context of food delivery online (FD).

3.3. Takeaway Delivery Staff

In terms of the economy, the availability of online meal delivery creates a great deal of new opportunities for people. Bicycling's ability to quickly mobilize a pool of cheap labor for multinational capital and provide jobs that are accessible to nearly anybody who understands how to use it has been crucial to the growth of these platforms. When first expanding into a new market, platforms focused on major cities, where they could pay more and attract a larger pool of potential workers [10]. When the platform matures and adapts to a given metropolitan setting, businesses may implement algorithms to regulate delivery distances, rewarding those who use motorized vehicles to cover greater distances in the same amount of time. This creates inequalities in the workplace and puts people at a disadvantage who can't afford personal automobiles. In an effort to capitalize on the uptick in the job market caused by the pandemic, neoliberal platform companies have been slashing salaries and laying off employees for no apparent reason [8]. There are approximately 10 million registered takeout riders on the Meituan platform; however, the vast majority of these riders are independent contractors and not employees of Meituan, and as such, they are not covered by a standard employment contract or a 5% insurance policy. Their only option for daily insurance is a 3 yuan business insurance that is deducted from the takeout rider's earnings and is not reimbursed by Meituan. There is a cap of 3% on overtime pay for new hires [13].

4. The Comparison of O2O (Meituan) and C2C (UberEATS)

When people talk about "O2O," they're referring to the website where they can order food to go from a catering business or other similar business. The expansion of the catering sector can be directly attributed to the rise of online booking platforms. Several factors, such as order taking processes and regional delivery capabilities, limit the potential size of China's conventional takeout market. The combination of food and beverage retailing with the Internet has given rise to a new sector [11] because domestic takeout's conventional forces are relatively weak, and because new forces for the growth of opposition experienced by tiny, large development potential, substantial upside. By expanding the traditional offline catering takeaway market, enhancing the takeaway ordering and delivery links efficiently, converting offline users to online users, and improving customer satisfaction and restaurant operational management effectiveness, the catering takeaway O2O platform hopes to meet the challenges of eating out and the demand for delivery to the mouth. With the advent of O2O platforms, the chasm that previously existed between caterers and customers has been bridged, and the takeout market has become a new inflection point in the catering industry. After raising over \$50 billion in a Series E funding round, and with a valuation of over \$50 billion, Uber launched its "Uber for everything" strategy in 2015. This strategy includes the taxi-inspired UberEATS.

Meituan's O2O model is different from UberEATS's. It is a typical C2C model for the sharing economy, or customer to customer, which is characterized by satisfying a wide range of long-tail demands. However, the system is not able to improve the quality of the manufactured goods or the quality of the manufacturing services. China's takeaway delivery system continues to be centered on cheap labour, using volume to turn a little profit [12]. Office employees and students are the key demographics for takeaways, with their obvious goals and minimal needs being to feed their bellies. Though Uber's UberEATS service almost always uses vehicles to transport meals, this may not always be beneficial for nearby restaurants [8]. However, the shipping cost is higher for orders that have to be sent a greater distance. The majority of citizens are unwilling to add the relatively expensive service and delivery costs into the overall cost of a meal, with the exception of first-tier cities like Beijing, Shanghai, Guangzhou, and Shenzhen. Because high-end deliveries will always be in great demand, northern cities with large populations may have an edge over smaller cities, which are virtually entirely ignored.

5. Solutions

We need to do a good job of market positioning, determine the target market, and develop a corresponding marketing plan based on the market positioning; we need to strictly check the local businesses, cooperate with more high-quality businesses, innovate the way of cooperation, improve the usability, and increase the number of satisfied customers in order to address the issues of inconsistent service levels and unreliable meal quality. Meituan's special delivery (self-operated + franchised) plus crowdsourcing model, building our own logistics and delivery team, creating logistics and delivery standards, providing different delivery solutions for different types of merchants, flexibly ensuring service quality and user experience, and making "fast" the key to our success are all necessary to solve the problem of late-arriving delivered meals. Meituan Takeaway should strictly require its resident merchants to continuously explore and form its own standard system in terms of meal quality standards, delivery process standards, and delivery personnel standards in order to address the problem of a lack of industry standards.

According to the aforementioned studies and analyses, in order to innovate business models, companies need to zero in on customer needs, choose capable strategic partners, pool resources for greater efficiency, restructure and improve supply chains, and hone in on and exploit their core competitive advantages. To determine how Meituan's business model innovation contributes to the enhancement of corporate value, we will analyze the company's business segments, profit models, prospects, and financial analysis. The only way for a company to capture value and grow sustainably is if it chooses and defines a strategy for development that is tailored to its specific characteristics. Meituan is always looking for ways to improve its business model, factoring in what it has learned and where it can make the most progress toward its goal of driving and supporting the company's growth sustainably.

Thus, Meituan's model innovation may be useful not just for other life services organizations seeking reform, but for businesses across all industries seeking to establish and innovate their own business models. Having a comprehensive business plan in place before launching a company is crucial, and it should be tweaked and improved as necessary to account for shifting market conditions and regulatory environments. The innovation in a company's own business model can be used to reshape the company, repair the business model's weak points, and open new points of innovation [13]. These firms can fortify their business models and address their weaknesses by focusing on strengthening their core competencies and establishing a solid footing in the industry.

6. Conclusion

This paper uses the SWOT analysis method to investigate the current state of Meituan takeaway marketing, the internal and external marketing environment, the competitive advantages and disadvantages of Meituan takeaway, and the opportunities and challenges faced by Meituan takeaway.

More research into the O2O local life services market is warranted due to its continued rapid growth. Due to resource constraints, the study and analysis of Meituan's O2O e-commerce model is incomplete. However, the following aspects of research can be done in the future. The first is to give readers more informative personal experiences. The second is a more in-depth look at Meituan's localized advertising for its various lifestyle services. In the third section, we analyze the growth of Meituan's internet finance business and its alternative product development in comparison to third-party payment platforms.

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