

Motivation, Business Ecosystem and Driving Synergies: The Strategic Merger of Dianping and Meituan

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Abstract: The landscape of the Chinese service business has been drastically altered by the combination of Dianping and Meituan. This study investigates the research background, substance, goal, importance, and policy suggestions while exploring the key results and fundamental concepts associated with this merger. The background research focuses on the dynamics of competition and the reasons for the merger in the Chinese service sector. The research looks at how the merger will affect consumer satisfaction, service diversity, and market share. It also looks at how combining resources and knowledge may improve both operational effectiveness and competitiveness. The goal of the research is to make legislative suggestions to maximize the benefits of the merger while also delivering insights for investors and business executives. These suggestions place a strong emphasis on the value of innovation, customer-focused tactics, and fair competition. The research also recommends that investors keep a careful eye on market movements and adjust their strategy as necessary.

Keywords: merger motivation, strategic objectives, business ecosystem

1. Introduction

In Beijing, China, Dianping.com was founded in 2003. At first, it concentrated on offering user evaluations and rating services for the catering sector. Dianping has grown into China's largest catering review website as a result of the steady growth of its user base and impact. As of September 2020, the number of monthly unique visitors of Dianping has reached 330 million, and the average daily number of unique visitors has exceeded 100 million [1]. It offers customers comprehensive restaurant information, reviews and ratings, menus, coupons, and other services. User-generated material drives significant user traffic. The financing of Zhixin Capital, Sequoia Capital, Qiming Venture Capital, and Lightspeed Venture Capital was completed by Dianping in 2011, which considerably increased its market share and position. The largest financing in China's group buying sector, over \$100 million, was made jointly by four venture capital organizations [2]. Dianping then started to diversify into more everyday living services, like hotel bookings, travel, and cinema tickets. Dianping has steadily built up a complete Online to Offline service platform through acquisitions and partnerships.

Wang Xing established Meituan.com in 2010 with the primary goal of offering local residents group buying options. Meituan works with vendors to provide users group discounts on goods and services including catering, beauty, travel, etc. With its distinctive business strategy and substantial user base, Meituan has swiftly risen to the top of the Chinese group buying industry. Meituan began

a meal delivery business in 2013, using its own delivery staff to provide consumers food and beverage delivery services. By taking this action, Meituan's business is further expanded, and it gains significant market share in China's Online to Offline market. The coverage share of Meituan in the first- and second-tier markets is 33.22%.[3] After then, Meituan continued to grow its company, adding taxi services, hotel bookings, travel, and cinema tickets to create a full-service life platform.

Volkswagen Dianping and Meituan officially merged to establish the Volkswagen Dianping Meituan Group in February 2015. The combined business is positioned as China's largest online catering and lifestyle service platform, combining Meituan's expertise in group buying and takeout with Dianping's advantages in catering evaluations and ratings. With a funding sum of billions of dollars [4], Volkswagen Dianping Meituan Group concluded the E-round fundraising in April 2017. This gives the business additional financial backing for market rivalry and commercial development. One of the biggest online firms in the world, Dianping Meituan Group, successfully listed on the Hong Kong Stock Exchange in September 2018.

The purpose of this article is to analyze the merger cases of Dianping and Meituan from the perspective of M&A motives/strategic goals and business ecosystem and provide policy recommendations for investors. The following sections of this paper are organized as follows: Section 2 analyzes (strategic perspective or management perspective) Merger Motivation and Strategic Objectives; section 3 discusses the business ecosystem (ecological perspective or system perspective).

2. Merger Motivation and Strategic Objectives

2.1. Motivation

Meituan and Dianping both hold sizable market shares in the industry of online-to-offline services [5]. The company's market share in online catering, group buying, takeout, and other areas may be further increased by the merger, which will also strengthen its competitive edge. Regarding Dianping: Dianping has consistently held the top spot and a sizable market share in China's catering reviews industry. Dianping's advantage is its vast database of food and beverage reviews. On the site, customers can look for restaurants, read user reviews, and get recommendations to assist them choose what to eat and drink. Regarding Meituan, it is a vast online service platform that offers a variety of services, including food delivery, hotel bookings, taxi service, and travel. Meituan is one of the top platforms for meal delivery in China and has a sizable market share. A range of food delivery alternatives and effective delivery services are made possible by Meituan's robust delivery network and vast merchant connections.

When it comes to customers, retailers, and delivery, the two businesses have enormous resources. Through the merger, resources like technology, data, and personnel may be shared, improving operational efficiency.

2.2. Search and Display of Information

Dianping and Meituan gather and organize offline business information, including as shop addresses, contact details, service offerings, pricing, etc., and display and search it on the platform. Through the platform's search feature, users may easily identify the products and companies they're looking for, increasing the effectiveness of information acquisition.

2.3. User Assessment and Word-of-mouth Advertising

On the Dianping and Meituan platforms, users may rate and review the merchants they use. Other customers can utilize these reviews and word-of-mouth as essential resources and decision-making

aids. Additionally, favorable customer ratings and word-of-mouth may help merchants become more well-known and credible while also boosting their ability to close deals and expand their business.

2.4. Online Payments

Online payments and reservations are supported via the Dianping and Meituan platforms, and customers can use these services to pay and book directly on the website. As a result, the user's consuming process is made easier, and payment security and convenience are improved. The functions of online payment and reservation can also increase sales effectiveness and order management convenience for retailers.

2.5. Offers and Promotions

Dianping and Meituan platforms frequently provide a range of offers and promotions, including discount coupons, discounts for group purchases, exclusive offers, etc. These deals and specials can encourage more people to spend money, which will increase sales and foot traffic for brick-and-mortar stores.

By merging (like Market competitive advantage; resource integration and efficiency improvement), Dianping and Meituan will be able to integrate a variety of life service sectors, such as catering, group buying, food delivery, hotel reservations, tourism, etc., to create a complete and more diverse Online To Offline service platform and offer users more one-stop and multi-stop service options. One-stop shopping.

3. Business Ecosystem

3.1. The Competitive Landscape of Group Buying and Commenting Apps Before the Merger

The largest food and beverage review site in China, Dianping, has amassed a significant amount of customer feedback and rating information. His APP offers a variety of services, including menus, coupons, user reviews, and information on restaurants. Meituan attracts a sizable user base through group buying and takeout services, and it also holds a significant market share in the area of food and beverage reviews.

Meituan, which offers reduced group-purchasing goods and services through partnerships with merchants, is the market leader in China for group buying. Users of his APP have access to a variety of group purchasing discount details and purchase options. Dianping has a certain market share in the area of group buying and uses user evaluations and ratings to provide more advantageous group buying choices to consumers.

Meituan offers food delivery services with its own delivery crew and collaboration with merchants in the industry. His software offers delivery services and enables customers to place online meal orders. Prior to the merger, Dianping also joined the food delivery sector, although its market share is modest when compared to Meituan's size and influence.

3.1.1. Competitors

Before to the acquisition, Dianping.com's two primary rivals were Baidu Nuomi and Alibaba Nuomi. These three companies are devoted to offering group purchasing and review services, and they are all vying for market share and user resources. In June 2010, Nuomi.com, a group-buying website run by Renren, was formally launched. This came only three months after Meituan-Dianping. Online group buying was going through a boom in the market at the time. Data show that domestic internet group purchasing sales in December 2010 topped 400 million yuan, and overall sales from June to December totaled 1.5 billion yuan with an 18% monthly compound growth rate. Sales of group purchases

amounted to over RMB 2 billion in 2019. It is tied to up to 1,700 group-buying websites, and on average, 5.7 new group-buying websites are created daily. And in this year, Meituan, which has a market worth of \$100 billion, was founded. Baidu invested hundreds of millions of dollars as soon as it took control of Baidu Nuomi, which finished the transaction. Additionally, Nuomi has the prefix "Baidu" and has increased its treasury in addition to growing its sales staff from 2,000 to 10,000 people. The data on the business side also started to increase at the same time, with Baidu acting as a significant supporter behind it. For instance, Nuomi established a "Girls' Day" in 2014. The number of daily active users doubled as a result of Baidu's distraction, and the server went offline briefly. Nuomi's single-day turnover at the "Summer Carnival Party" event in July 2015 hit 350 million, which was 15 times more than it was the previous year.

Koubei's "resurrection" was proclaimed by Alibaba. Ant Financial's offline operations in supermarkets, healthcare facilities, vending machines, and other industries will also be progressively incorporated into the "Koubei" platform. The "Koubei" strategy begins with catering services. Targeting Meituan and Dianping, which are popular in the O2O area of catering, Ali was able to reclaim its "word of mouth" this time. Meituan and Dianping are competing against New Koubei and Baidu Nuomi in first-tier cities, while Baidu Nuomi and Dianping are entering third- and fourth-tier cities where Meituan once existed. As a result, the competition in the local life service market is getting more intense [6].

3.1.2. Market Share

In the first half of 2015, the turnover of China's group buying market reached 77.01 billion yuan. Prior to their merger, Dianping and Meituan had a comparatively equal amount of the market for group buying in China. Dianping and Meituan occupy the main market. Of course, there are others such as: Alibaba's "resurrected" Koubei and Nuomi. They all have sizable merchant and user bases and employ marketing and brand building to get new users and merchants to join the network (Figure 1).

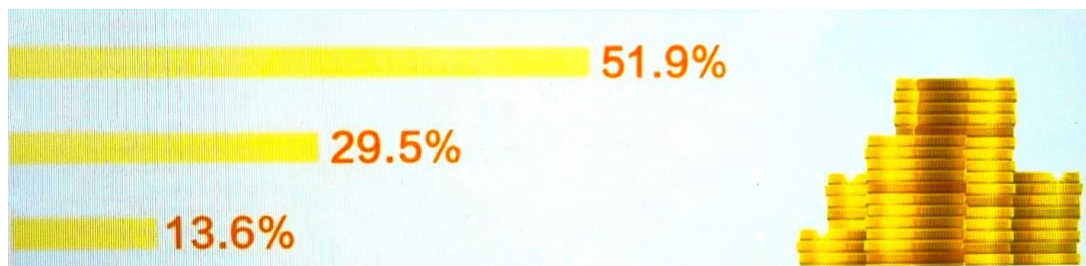


Figure 1: Market share in 2015 (The turnover of the three major group buying markets in China).

Data source: <http://it.people.com.cn/n/2015/0718/c1009-27324338.html>

Photo credit: Original

3.1.3. Purpose

Before the merger, Dianping app and Dianping app offered comparable service content, including as user evaluations and group buying discounts in the catering, travel, leisure, and entertainment, beauty, and other industries. Their objective is to give people a comfortable and preferred online consuming experience while assisting businesses in growing their exposure and revenues.

3.1.4. User Demand

Prior to mergers and acquisitions, Dianping APP and Meituan APP focused on delivering a positive user experience and a wealth of functionality. Through features like user reviews and rating systems, tailored suggestions, and online payments, they improve the user experience. They also often roll out new features and services to cater to user demands.

3.1.5. Brand Recognition

Prior to the merger, Dianping APP and Meituan APP both enjoyed significant brand recognition. Through advertising, teamwork promotions, offline events, etc., they increase brand awareness and market recognition while aggressively growing their market share [7]. Consumer perception of Dianping and Meituan was mainly positive before to their merger. These two platforms offer efficient services and a positive user experience, which have helped them build a significant user and merchant base in their respective industries. As a result, they have developed a particular reputation among customers.

Dianping, a significant site for food and beverage reviews, is well-known and influential among Chinese customers [8]. Through Dianping, users may look for restaurants, check user reviews, and get recommendations to assist with their eating choices. In addition to offering authentic user ratings, Dianping has developed a solid reputation for assisting consumers in finding high-quality eateries. Meituan offers a wide range of online services, including food delivery, cab ordering, hotel booking, travel, and many more. Meituan's meal delivery service is usually well-liked by Chinese customers, who praise its wide range of food delivery options and effective delivery services. Additionally, Meituan has a sizable user base and a solid reputation in other industries like taxi hailing and hotel bookings.

Prior to the merger, both Dianping and Meituan had established a certain level of user familiarity and market position in their respective industries, and they were generally well-liked by customers. Following the merger, the two businesses have combined their resources and offerings to boost their already robust online service capabilities.

3.2. Competitive Prospects After Mergers and Acquisitions

In order to give more individualized and precise service suggestions and enhance customer experience, the combined Dianping Meituan Group may integrate user evaluations and rating data, order records, and other information.

Meituan and Dianping will use their combined resources and data advantages to identify customers and tap user wants, as well as make targeted enhancements to each other's beneficial business sectors [9] more precisely. Only by increasing the product and user experience through the following activities can competitiveness be raised:

The combined firm may combine merchant resources, offer more marketing services and exposure chances, and assist merchants in growing their businesses and raising their income.

By joining forces, Dianping and Meituan may share resources, cooperate on technology and innovation, increase operational effectiveness, and cost management, and foster the growth of new enterprises.

In order to give customers a more easy and effective transaction experience, the merged firm may integrate payment, order management, and delivery services. Through the APP, users can complete purchase payments and monitor delivery status, increasing consumer happiness and convenience.

3.2.1. Create a Comprehensive Online to Offline Platform

By combining resources and services from both companies, Dianping and Meituan hope to create a comprehensive Online to Offline platform that will offer a wider and more varied selection of online consumption options and offline services. Their objective is to establish themselves as a platform that people can't live without, offering a variety of services in industries including catering, travel, and life services.

3.2.2. Increase Market Share and Competitiveness

To attract more users and merchants and keep a lead in the harsh market rivalry, they will leverage the user bases and merchant resources of both sides to offer better services and more competitive goods. User databases, merchant partnerships, technological platforms, etc. are examples of integrated resources. By pooling resources, it is possible to gain market share, maximize user experience, and boost operational efficiency.

The combined firm may be able to boost brand marketing by increasing efforts, raising brand recognition, and expanding brand impact. Increase brand recognition and consumer promotion through advertising, marketing initiatives, etc., to draw more users and merchants to their platform.

Additionally, it can make merchant partnerships stronger since the combined firm will be able to work with more merchants, offer more discounts and promotions, entice more merchants to join the platform, and offer a wider range of goods and services. As a result, the platform may provide a wider variety of goods and services and draw more users.

3.2.3. Fostering Technical Development and Innovation

Meituan and Dianping will collaborate to foster technological development and innovation. They will combine R&D resources, boost technology advancement, and enhance platform usability and experience. They will continually adjust to market demands and keep one step ahead of their rivals by launching new technology and business concepts [10].

Data analysis and intelligent technology: The combined firm will increase investment in intelligent technology and use big data analysis and artificial intelligence technology to offer more accurate tailored suggestions and customized services. They will anticipate and satisfy the user's demands, enhance user experience, and increase user happiness using the user's previous consumption data and behavior patterns.

User experience optimization: The amalgamated firm will put its attention on enhancing user experience, as well as the platform's interface design and interaction techniques. To make it simpler for people to explore and choose different services, they will keep upgrading the user interface. This will increase user comfort and pleasure.

User Engagement and Social Interaction: The newly formed firm will put special emphasis on fostering user social interaction. To entice people to join and share their experiences, they will provide user ratings, comments, sharing, and other features. Increase user engagement, user loyalty, and platform stickiness through the creation of user communities and interactive platforms.

3.2.4. Economies of Scale Will be Attained by the Merged Firm Through Resource Integration and Synergies

In order to improve operational and managerial procedures, save costs, and boost efficiency, they will exchange resources, expertise, and best practices. This will provide the business more financial stability and a base for long-term growth.

4. Conclusion

The combination of Dianping and Meituan will have a significant impact on both businesses as well as the Online To Offline services industry as a whole. This merger creates a complete Online To Offline service platform by combining two Internet platforms with substantial user bases and market share, giving customers access to a wider range of online and offline services. Through resource integration and synergies, the combined firm may gain economies of scale. It can also increase technical innovation and commercial expansion to maintain a competitive advantage in the market. Stronger market impact and competitive benefits will result from the merger of Dianping and Meituan. They can provide greater options and convenience to fulfill the varied demands of users by pooling user and company resources. In addition, the combined firm may enhance its capacity for innovation, support technological advancement, and provide people better products and services. A more full and powerful ecosystem of Online To Offline services is also being developed thanks to the merger. The combined Dianping and Meituan may increase the range of collaboration, enhance engagement and interaction between users and merchants, and integrate the platform features and services of both organizations. They may work together to support the expansion and progress of the whole Online to Offline service industry by developing a deeper working connection. In conclusion, the combination of Dianping and Meituan is a calculated decision. It will improve the consumer experience for consumers, open up new business prospects for merchants, and strengthen the company's platform for long-term growth. This combination will encourage additional innovation and business growth by opening up new development options for the whole online-to-offline service sector.

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