

# An Examination on the Development Strategy of ‘dianping.com’ Enterprise

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## Abstract

**Background:** With the gradual development of the economy, the number of smartphones has increased dramatically, developers and related enterprises have vigorously developed a large number of creative applications in response to that growth.

**Methods:** This study examines dianping.com as the research object, which is the first enterprise in China to combine an online service with a third-party review service. After introducing the development process of the enterprise, PEST analysis is used to analyze the external environment of the enterprise. Also, SWOT analysis is used to analyze the resources, external opportunities, and threats to the enterprise, so as to avoid risks and grasp opportunities.

**Findings:** Most of the research on the third-party review websites represented by dianping on cnki.com focuses on the business model, there are few studies on this aspect from international researchers, this study will contribute to the field. The research on the strategy and development of dianping.com—at present, China's main online platform for third-party reviews—is still at the theoretical level. There has been less overall systematic research on the literature, and some of which focus on the profit model, as well as the enterprise development history and business model. Another aspect analyzed in this research is enterprise's own advantages and disadvantages, as well as the external opportunities and threats of associative analysis.

**Applications:** By combining PEST and SWOT analysis, this research provides a detailed analysis using a matrix of public comments on the merits of the enterprise along with the external opportunities and threats to the enterprise's development strategy.

**Keywords:** multi-hopping, PEST analysis, operational model, O2O, SWOT analysis.

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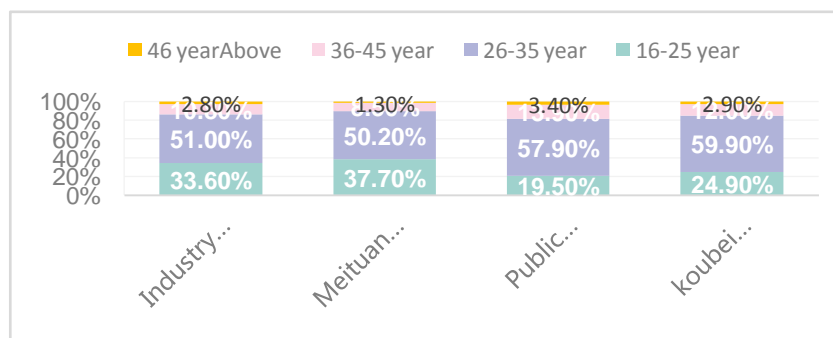
## 1. Introduction

### 1.1 Research Background

In the Internet age of the 21st century, search tools have become consumer inquiry tools and sharing content has shaped consumer behavior and habits. It has also become an important part of Online-to-Offline Commerce (O2O) and formed a virtuous circulation system, from sharing ideas to attracting people's attention. Thus, O2O can be understood as an encompassing circular system that integrates online with offline, and never performs a simple transition[1]. Alex Rampell (2010)[2] first mentioned the O2O concept when analyzing the commonalities of Groupon, OpenTable, Restaurant.com, and

SpaFinder business models. Rampell argued that the objective of O2O is to drive online users to offline stores to consume goods and services. For consumers, the O2O model is a discovery of offline services that utilizes efficient and instant search capabilities and resources online. For offline operators, the O2O model generates resources online, bringing potential customers easier livelihoods and completing payments over the Internet.

In terms of user age, the main users are young adults (who are mainly office workers) aged 26 to 35, followed by teenagers (who are mainly students). In terms of age distribution, Dianping has a much higher circulation than other companies in the same industry, spread across all age groups.



**Figure 1. User age distribution**

Source: jiguang:<https://www.jiguang.cn/reports> (Aug. 2018)

Multipacking is known as China's first dining O2O model. It was established in Shanghai in April 2003 by Jang Tao, who developed the first purely online business and harnessed user comment information. It had accumulated on the platform to enable user experience. Tao's site was developed a year before Yelp was launched. In Chinese scholars' research, there is minimal research related to multi-hopping and post-merger business models, and most of the existing

research is focused on an aspect of multi-hopping. One study on multi-hopping was carried out in countries outside of China. Considering the growth and impact of 'dianping.com' company, there is very little information about its progression. Therefore, we intend to conduct an overall study on multi-hopping and analyze it in terms of the development process and macro-micro environment implemented by the enterprise.

## 1.2 Research Objectives and Research Methods

This study utilizes the database of a dianping.com website and digital resources on the Internet to collect relevant data. We analyze the external macro environment of multi-hopping by the PEST analysis method and investigate and study various aspects, such as multi-hopping product service, positioning, profit model, and business model. We investigate the development process of multi-hopping and use the SWOT analysis method for systematic analysis and to analyze the superiority of current multi-hopping development and the threat elements. As a result of this research, I will suggest some implications for studying multi-hopping in China and other countries in the conclusion of this paper.

## 2. Theoretical background

### 2.1 Introduction to Multipacking

Established in April 2003 in Shanghai, Multipacking is China's leading domestic information and trading platform. It is also the largest urban life consumption guide website and the world's first independent third-party consumer review site. Multipacking not only focuses on the platform for reviewing and sharing information between Chinese consumers, it also provides details of local services such as dining, leisure, and entertainment. Furthermore, it offers objective and accurate localized consumption information guidelines to a wide range of potential consumers, and provides users with information services such as provider information, consumer reviews, and consumption benefits.

On October 8, 2015, Meituan and dianping jointly issued a statement, reaching a strategic cooperation with a 5:5 share exchange ratio, and the two sides jointly established a new company. On November 10, according to the news, the two sides have abandoned after a month in initial Co - system of chief executive of the vision, the public network CEO zhang comments will only as the new chairman of the board of directors of the company, the future will mainly focus on the long-term strategy of the new company, and network CEO of Meituan will become the new CEO, who is no longer co-chairman, is mainly responsible for the management and operation of the new company. Both sides are no longer independently operating business, the new company the consolidation of the latest strategy by integrating public comments on the resources of the network and the group network, set up a platform for enterprise group, to store catering business group, to store the comprehensive enterprise group, take-out distribution enterprise group, the hotel tourism group wholly owned subsidiary, cat's eye film, advertising platform seven business sectors, at the same time set up the platform of the service department, engineering and basic data platform strategy, technology and enterprise development platform, finance, human resources and service platform of six common support plate. The merger of Meituan and dianping seems sudden, but in fact, the market environment supporting the merger of Meituan and dianping is mature[3].

2015 was an important year for dianping.com. On October 8, 2015, Multipacking announced a strategic joint venture with Meituan to establish a new company: Meituan-Multi-hopping[4]. The new

company will implement co-CEO system. Meituan CEO Wang xing and Dianping CEO Zhang tao will both serve as co-CEO and co-Chairman. Major decisions will be made at the level of co-CEO and board of directors. The two companies will maintain the same personnel structure, and will keep their respective brands and businesses independently, including the high-frequency to store business with the group purchase and flash sale as the main body, while strengthening complementary advantages and promoting the upgrading of the industry. The co-CEOs are also particularly grateful to shareholders on both sides for their continued support for the new company's independent governance model. This transaction is supported by alibaba, tencent, sequoia and other shareholders of both parties. China Renaissance capital serves as the financial adviser of both parties in this transaction[5].

## 2.2 Multipacking Preliminary Study

Songchim (2010) examined the problems of Fengyoyo Chopping in depth from the perspective of the Copyright Act through the study of the Dispute Case on the Copyright of Multipacking. With regard to mass media economics, Ryeo Swimming (2011) analyzed multipacking; Duban and Wang—also from the perspective of mass media economics—concluded that problems such as legal disputes and operator manipulation could easily arise due to several factors, for example, if the user's loyalty to the site is low, substitution is strong, profit model is weak, and information resource control is low. Wuzhewen, Cong yilei, Luoyuhong(2014)[6] studied Meituan in detail regarding the social network characteristics of

Internet companies and their impact on them through a social network theory framework.

Zhang xiaozhou (2013)[7] studied Meituan's management strategy using SWOT analysis tools and the collection theorem of the joint purchase market data. Sun qingtao (2015)[8] analyzed the marketing environment of Meituan with the SWOT analysis method and proposed three marketing strategies: employ strategies to properly handle internal employee relations, persuade high quality monopolists to do business, and guarantee the quality of products and services. Zhu zhang, Zhou qin (2014)[9] analyzed the operation of Meituan with a fixed price model built on the basis of quantum market theory. Qi li(2014)[10] presented a management strategy for deepening the differentiated model in the new competitive environment and plans for longitudinal expansion of the O2O platform to Meituan.

## 3. Multipacking External Environment Analysis

Using PEST analysis is a relatively mature competitive strategy analysis tool that analyzes the competitiveness of enterprises in a comprehensive and systematic way based on the macro market environment. In the following descriptions, we will analyze the external environment of multi-hopping using the PEST method in sociology, based on the research situation of multi-hopping.

### 1. P (Politics)

The "Provisional Measures concerning the Management of Internet Commodities Transactions and Service Actions," which was enacted on July 1, 2010, is intended to protect the legitimate rights and interests of

consumers and executives, and promote sound commercial development of Internet commerce. October 29, 2010, the Department of Commerce at the China International Electronic Commerce Center announced China's first "e-commerce credit authorization rules." In 2012, the State Administration for Industry and Commerce Administration issued an opinion on "Enhancing Management of Internet Joint Purchasing Management Activities."

## 2. E (Economical) Economy

First, the continuous improvement of the disposable income of people has solved the demand for improvement related to user experience. Secondly, as new generations started to generate economic power, "consumption economy" emerged and consumption style changed. As a result, a stable consumer was formed in O2O commerce. Third, as the effective implementation of industry regulations and orderly market surveillance is made, the development of the Internet joint purchasing industry will gradually mature. Multipacking is a leading company in this industry, and the space to expand this market is still very large.

## 3. S (Social) Society

Mobile facilities will make the user's O2O behavior more efficient and the mobile internet access barrier lower, allowing the O2O model to enter a larger offline area. The Chinese restaurant industry is growing rapidly, and third-party services have a very large market space, hence growth is not slowing down. People are increasingly recognizing third-party Internet catering and becoming more willing to use their services.

## 4. T (Technological) Technology

Based on the rapid diffusion of smartphones and the rapid development of mobile Internet technology, LBS fulfilled the conveniences required for living services by supplying accurate location, sales, and selection services based on the consumption process. Mobile payment systems have become more developed. Thus, many users have created online payment habits and online conditions for connecting life services offline.

## 4. SWOT analysis of Dianping

The SO strategy, the WO strategy, the ST strategy, and the WT strategy are separately shown by combining the four aspects of dianping.com. As shown in Table 1 below.

**Table 1:SWOT analysis of dianping.com**

chance	SO	WO
1.expand service items, expand business, advance into more cities, and gain advantage. 2. vast memberships, store information, and relatively good brand awareness; more and more people think positively about third-party Internet outfitting services.	1.advantages of strong data accumulation (consumption tendency, location information), large and loyal users 2.leading, location-based services, information and consumption platforms; bundant local life services are integrated into the consumption process,	1.Payment and socialization are dependent on other aspects because independent and complete one-stop service circulation is not formed. 2.Confidence crisis may occur as "double standard" due to insufficient channel information.



	making consumers have a good sense of consumption	
Threat	ST	WT
<p>1. Pressure from existing competitors, the constant appearance of new competitors.</p> <p>2. Positive impact of Web 2.0 and 4G and 5G on third-party reviews and wireless value-added services.</p>	<p>1. There is no significant difference from equivalent competition products, and there is space to develop new business in multi-package.</p> <p>2. Two local lifestyles in the field of integrated service platform construction and vertical segmentation; there is still a large space to explore the direction of O2O development and a development base is good.</p>	<p>1. Risks exist in the choice of concentration and expansion; conservative strategies can erode the market, and expansion can dilute value.</p> <p>2. Joint venture partners have not only had a homogeneous integrated services platform, but have also secured entry to expand their social platforms by collaborating with companies such as Tencent.</p>

## 5. Conclusion

The Dianping.com website has seized the long-term interests of the catering industry, expanded its influence in the catering industry through the Internet, and built a third-party comment service platform that integrates consumers' voices and objectively shares them. Through the accumulation of user evaluation data through the network, the company is able to objectively reflect on the opinions of a majority of users and to build their own competitive advantage by word of mouth; however, the core of the third-party comment service model remains popular. Despite that, with the increasing number of competitors and similar business models, the pressure and cost of maintaining the leading position of Dianping will inevitably increase. This phenomenon also disadvantages the industry. Therefore, enterprises can enrich their own resources, take preventive measures against fraudulent

attacks, protect the rights and interests of consumers, protect the rights and interests of users. They can also improve the flow of customers and active users, and increase the number of users through the function of user evaluation and high-quality user after-sales service.

With users of all ages, Dianping has an advantage in the number of users. The market is changing, new competitors are increasing, and the expansion of major regional markets is being overwhelmed by strong competition in existing regions. In this regard, it is necessary to harness advantages, retain users, and establish the advantages and characteristics of review sites. It is also important to avoid homogeneous competition, define regional characteristics, reveal local habits, classify the market, and adopt different marketing means according to different marketing strategies. As the base for operations, Shanghai must fully explore its absolute

market advantage, enrich flexible membership systems, let consumers experience unique consumption experiences, expand partners, enhance objectivity, and enrich brand influence and image.

Implications of this study: The core competitiveness of the public review networks are summarized as a user, database, core user evaluation, and an independent evaluation. Netizens' loyalty is the key to continued attention. The public comment network increases member loyalty through the BBS Forum, along with the management of members' personal information. It also provides convenient dissemination through the Internet. The forum has been gaining popularity for expressing the sentiments of the Internet community by setting "notifying" as the main objective. Data Contribution of Collaborative Websites: Review the Internet is a forum that is gaining huge popularity through collaboration with each existing site.

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