

Pinduoduo (2019, HBS)

- *Full Name of the Case:*
- *Teaching Note(s) Available?* No
- Case is available through Harvard Business Publishing (product #: 620040-PDF-ENG)

Pinduoduo (PDD) is a rapidly growing Chinese e-commerce platform founded in 2015 that has been described by its founder, Colin Huang, as a “combination of Costco and Disney.” It employs a social retailing model, whereby groups of users can obtain discounts by shopping together in teams; this model is heavily reliant on social sharing, such as via WeChat, which gives the platform a “viral” element. Pinduoduo has a “fun” business model. It has managed to grow at an explosive rate, even in the comparatively established Chinese e-commerce market, but it faces significant headwinds. Will its fast scale of expansion and innovative business model be enough?

The case provides background information on the Chinese e-commerce market, which is the most significant (and probably also the most innovative) in the world, and specifically on the two dominant incumbents in the space, e-commerce giants Alibaba and JD. It then goes over the history of PDD and how the founder spotted a market opportunity in an already crowded and competitive market with the shift to mobile e-commerce. PDD utilized a partnership with WeChat, the Tencent messaging app, to sell products and connect customers who could form shopping “teams.”

The case also goes over two templates for PDD, Costco and Disney (PDD combines bulk buying [like Costco] with a gamified and fun experience [that recalls Disney]). PDD also developed a niche selling to consumers in less developed areas, which was a growth opportunity, and direct selling of agricultural products and other manufactured goods, which were considered as unattractive (due to low margins) by the established incumbents.

The case ends by asking whether PDD has a sustainable business model amid strong competition from incumbent ecommerce platforms and, specifically, whether they should start to focus more on turning a profit. Finally, it asks whether PDD should pursue growth opportunities abroad.

The case focuses on the question of how value is created by the PDD business model for the various stakeholders (not just customers, but also suppliers like farmers or manufacturers), and whether it allows for sufficient value capture in the face of strong competition. Therefore, we recommend its use together with **Chapter 8** (value propositions and evaluating the value creation potential of the business model). The PDD case also nicely illustrates various DESIGN drivers (such as the shift to 3G mobile telephony, or the use of templates) of innovative business model design described in **Chapter 5**, which in our view presents an excellent secondary use scenario.