

Analyze the Development of Meituan and Fantuan to Promote the Culture of Food Delivery Platforms in the US

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Abstract. In recent years, the food delivery industry has had significant growth. In 2020, COVID-19 pushes this industry to be general for society. The food delivery industry helps customers' lives be convenient. In China, Meituan is at the leading position in the food delivery market. Their business model has a huge effect on other food delivery companies. Fantuan is a food delivery company in Western countries, they usually work with local Chinese restaurants and deliver food to the customers. This paper analyzes both Meituan and Fantuan in macro, meso and micro way, to find out their status. This paper analyzes the governments' politics, country economy, society and technology to find out how external factors affect companies' business. This paper can depend on their competition mechanism to explain the reason for Meituan being the top food delivery company in China. Plus, this paper provides advice for Fantuan to improve their business in the Future.

1. Introduction

1.1 Meituan

Meituan is a company focused on the native consumer products and providing services to the customer by the e-platform. The services include dining, hotel, traveling and livelihood service. It was founded in 2010 by Wang Xing [1]. Meituan is the largest food delivery service and online-to-offline(O2O) service provider in China [2]. In 2010, it was the time for global digitalization, and there has been a surge in smartphone users. Meituan caught the chance. They made a platform for their group buying. Customers can use lower prices to buy the food or other

items through the app on smartphones. In 2012, Meituan started to expand their market, which is the movie market [1]. Meituan created a company called Maoyan entertainment [1]. This company helps users buy the movie ticket, choose the seat, and write a response for the movie on their smartphone. The movie service of Meituan gives customers a convenient way to enjoy the movie. After 2012, Meituan expanded their market at an amazing speed [2]. In 2013, they had a hotel booking service and food delivery service [2]. In 2014, they had sightseeing ticket reservations. In 2015, customers can buy air and train tickets by using Meituan [2]. In 2017 and 2018, Meituan had fresh food and daily use item service, car-hailing service and bicycle-sharing service [2] (please see Fig. 1.).

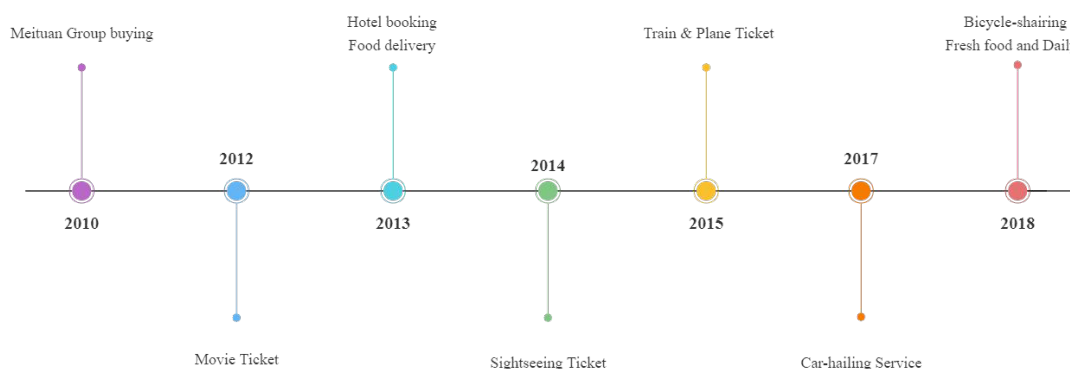


Fig. 1. Meituan's business development history

Photo credit: [2]

1.2 Fantuan

Fantuan is an e-commerce platform that provides food delivery and fresh groceries. It was founded in

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Vancouver, Canada in 2014 by Randy Wu [3]. In 2014, the food delivery culture in Western Country was phone calls. People need to remember many restaurant numbers and call for food. Fantuan caught the chance to provide a platform to give a place for the native Chinese restaurant to sell their food [4]. It is convenient for international students to use their own language to order their food. In

2016, Fantuan started their business in Toronto [4]. In 2017 and 2018, Fantuan updated their app [4]. Customers can order online and self-pick up, and they can write the review on the app [4]. In 2019, Fantuan expanded the American market [4]. In 2022, they opened up the Australian market and the British market (please see Fig. 2.) [4].

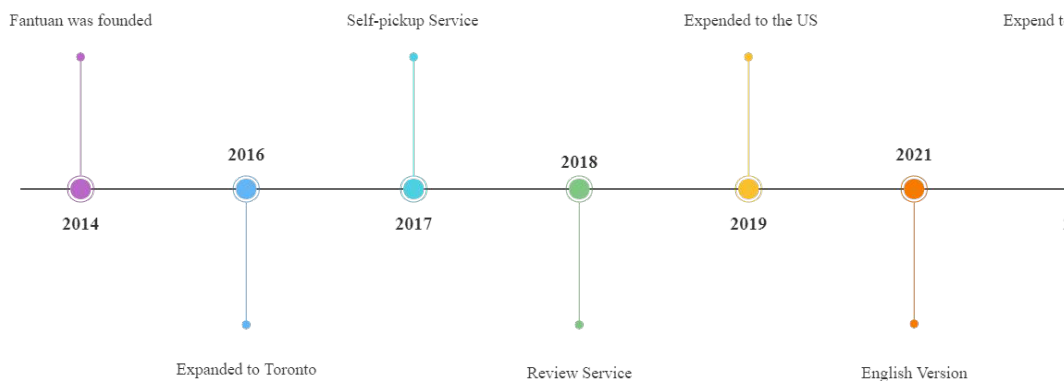


Fig. 2. Fantuan's business development history

Photo credit: [4]

1.3 Purpose

Meituan and Fantuan are two different types of food delivery apps in different countries. They have similar functions at the beginning, but different directions of developments. Meituan is one of the most popular apps in China. Meituan provides not only food delivery functions, but also movies, hotels, traveling, bicycle-sharing service, and etc. Meituan focuses more on people's life and one app provides multiple functions. Fantuan is a food delivery app in Western countries. Fantuan focuses on international students and expands the market in many different countries. This paper compares the differences between Meituan and Fantuan. Based on analyzing the reason why Meituan is popular in China and the potential of Fantuan, this paper provides suggestions to improve Fantuan's competitiveness and business model in the future.

1.4 Paper structure

The rest of the paper is organized in three sections, which are macro, meso and micro. Section 2 analyzes two companies in the macro layer; section 3 compares them in the meso layer; section 4 analyzes two companies in micro.

2. Macro analysis

2.1 Meituan

2.1.1 Politics

Meituan operates in China. The politics in China influences the business of Meituan. State Administration for Market Regulation (SAMR), which is a government agency to manage and supervise the market, published anti-monopoly laws [5]. This law limits companies from using their market position to harm market competition and consumer interests. This law also prevents companies from collecting customers' data to make differential trading prices, which causes damage to the interests of consumers [5]. Meituan is one of the companies targeted by China's anti-monopoly probe. In the competition between Meituan and other food delivery platforms, Meituan uses their leading position and limited platform merchants actions to prevent them from using other platforms, like Ele.me. Therefore, Meituan was fined 3.442 billion Chinese yuan in 2021 [6].

2.1.2 Economy

The Chinese food delivery industry is gradually rising. In 2010, many platforms were created to help people have more convenient lives. The Chinese food delivery platform started at this time. Digital content development makes music, book, movie shopping and other production digitized. People can easily share and trade on platforms [7]. With the popularity of digitalization, smartphones improved the digital platform and made the food delivery industry improve on a large scale in a few years. In 2021, The size of the food delivery market is 811.7 billion Chinese yuan, and market growth is 18.12% (please see Fig. 3) [8].

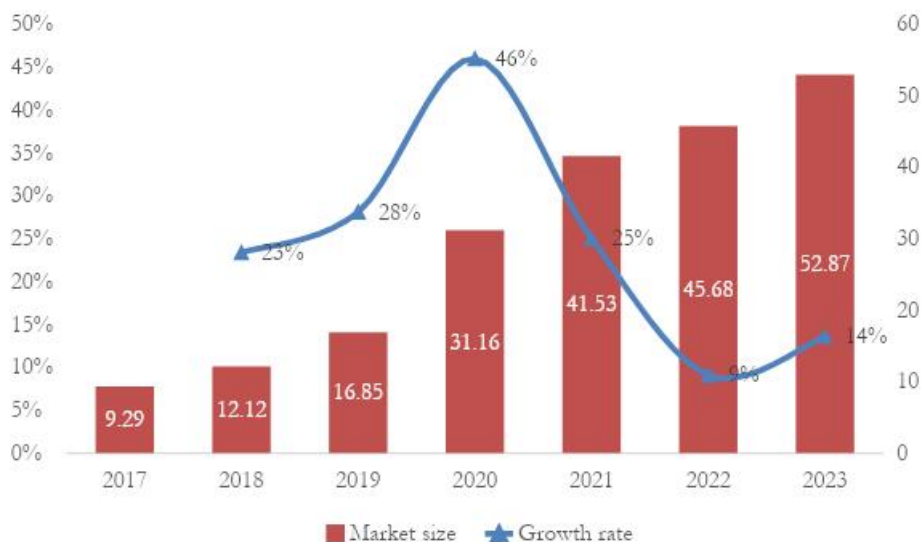


Fig. 3. Chinese food delivery market size and growth rate

Data source: [8]
 Photo credit: Original

2.1.3 Society

Meituan’s target customer is the young generation. To attract the attention of customers, Meituan’s strategy can be explained in the AISAS model [9]. A, which is attention, Meituan advertises through the Internet and celebrities, which attracts people to know there are discounts and vouchers with Meituan. Customer’s I, interest, is piqued. Meituan’s discounts are not only in food delivery, but also in their other services, such as traveling and hotels. Then, the platform depends on S, search, to classify the discounts and vouchers. Meituan have different types of vouchers that can satisfy the one people’s order and group of people’s order. After that, customers can take A, action, to order the food and enjoy it. Last, customers can share, which is S, the platform and attract more customers to use their app.

2.1.4 Technology

Meituan uses big data analytics and predictive models to improve the sales and customer satisfaction to be the biggest food delivery platform in China. Meituan analyzed history order, location, and weather of consumers to predict the demand in different areas with different times [10]. Meituan can depend on the prediction and provide accurate services to help merchants’ sales and customers enjoy the services.

2.2 Fantuan

2.2.1 Politics

Fantuan is a food delivery company in many countries. This industry is influenced by laws and politics. Take labor laws as an example, in the early food delivery period, the delivery guy did not have specific benefits and protections [11]. Most of the time, they need to bear the cost of the accident themselves [11]. When there is not a certain law related to the food delivery industry. The business of the company can be affected.

2.2.2 Economy

American food delivery is increasing. Before 2020, most food delivery in the US is pizza and Chinese food, which remember the number of restaurants and order through phone call. In 2019, the market size of food delivery was 16.9 billion dollars [12]. However, the market size of food delivery was 31.2 billion dollars in 2020 (please see Fig. 4) [12]. The reason is COVID-19 lets many people stay in their house, and they have a demand for a lot of food, which is a big chance for online food delivery. It’s a big increase for the food delivery market.

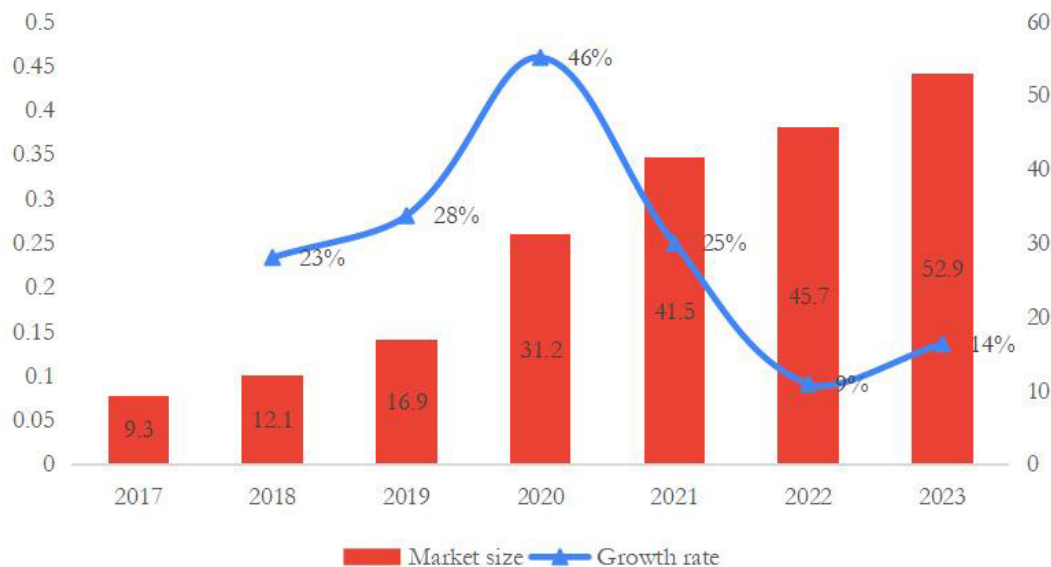


Fig. 4. food delivery market size and growth rate in the US

Data source: [12]
 Photo credit: Original

2.2.3 Society

Fantuan targets the Asian community, to be more specific, the international students. They work with local Chinese restaurants, and university international student associations. By using the AISAS model to explain Fantuan’s strategy [9]. They work with local restaurants and international student associations to catch more international students' attention. Most international students in foreign countries want to eat their home country's food. They can be interested in this food delivery platform. Then, Fantuan searches for the average price of the Chinese restaurant and provides the voucher and discount for students. Students use the app and enjoy the service and share the platform. Also, they focus on the English market. Fantuan makes an English version app to help more people that are not Chinese to enjoy Chinese food.

2.2.4 Technology

Technology related to platform creation is important to Fantuan’s business. The function of the mobile application can affect the user experience. Plus, as a Chinese food delivery app, the payment type includes visa, debit card, Alipay and Wechat pay [4]. This function is great for the international student to use the familiar payment type. Also, it depends on data analysis

to find customer’s favorites. As a digital platform, Fantuan uses big data to analyze and help to understand customer behavior and optimize the service. They can depend on location, price, packaging, discount, etc to restaurant marketing and make discounts.

3 Meso analysis

3.1 Market share and competition

Meituan is the most leading digital platform in China. They provide many services, including delivery, car-hailing, hotel, traveling, movie, etc. Meituan held about 67.3% of the food delivery market in China [13]. Competitor companies, like “Ele.me”, is another big food delivery platform in China which holds around 30.9% of the food delivery market (see Fig. 5) [13]. Ele.me has a similar function as Meituan, but the difference between these two food delivery companies is huge. Meituan and Ele.me both are the leading companies in food delivery in China. Ele.me is focused on food delivery and it extends to the whole country [14]. Meituan also focuses on food delivery and extends to the whole country, but they also extend other life services. They also have movies, hotels and some other services related to people’s lives. Meituan focuses on people’s lives.

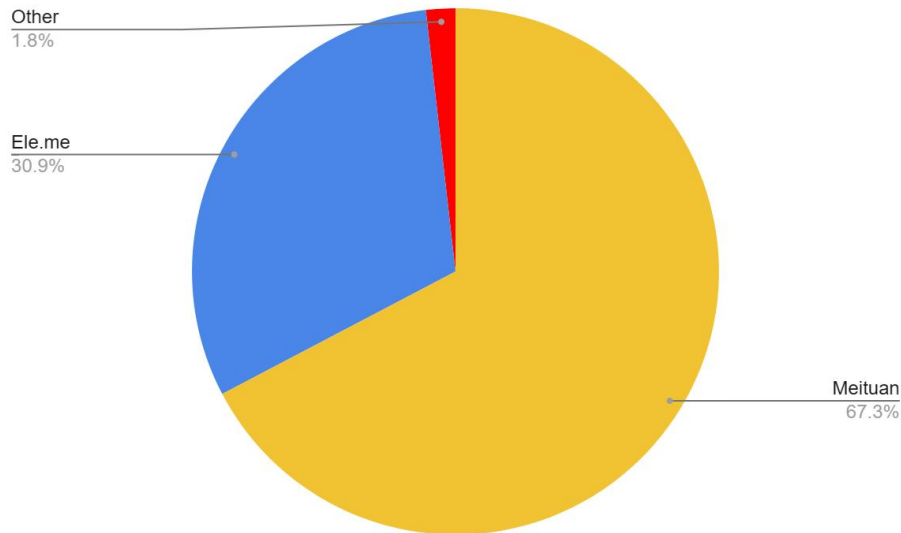


Fig. 5. Market Share in China

Data source: [13]

Photo credit: Original

Fantuan is a food delivery platform in Canada, America, Australia and Britain. Fantuan's target community is the Asian community which is over 40 million people [15]. The market size is over \$36 billion [15]. Since Fantuan is in an international market, take the US market as an example. In the US, Doordash, Uber eat, Grubhub held most of the food delivery market (see Fig. 6) [16]. There is only 1% that is some other food

delivery company [16]. Since Fantuan focuses on international students, their business is hard to compare with the company's focus on all of the people in the US. In the same Asian community market, there are other two platforms that do the same jobs, HungryPanda and Chowbus are also focused on international students and provide similar services [17].

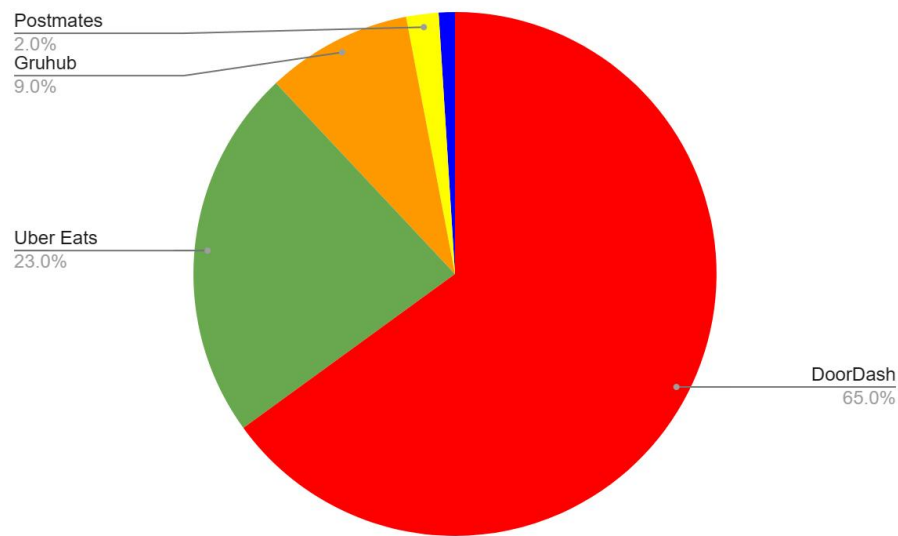


Fig. 6. Market Share in the US

Data source: [16]

Photo credit: Original

3.2 Competition mechanism

Meituan's strategy is retail and technology. They combine retail and technology. The food delivery is the main part of their strategy. Also, some other food delivery companies are also a challenge for Meituan. The point is, after Meritain is stable in the food delivery market, they start to extend other markets, like travel and

hotels. By providing more service and targeted ads and personalized messages, they can make users keep using their app. Ele.me only focuses on food delivery and it's hard to compete with Meituan, since Meituan has more functions. Meituan occupies many markets related to people's lives. People only need to have one app in their cell phone and can do almost everything related to their lives.

Fantuan is focused on Chinese food, and more focused on the international student from China. However, not only one company does the same thing. Hungry Panda, and chowbus is also the company which provides the platform. Their consumers are all focused on the international students. The service of Fantuan about reviews and rate is still a big advantage. How to extend the user.

4 Micro analysis

Meituan depends on big data analysis to provide the user the service they want, what they like. People always want a cheap price with high quality service. Meituan is given a consumer voucher to make them think they can have a cheap price and have great food. That can attract more customers and fosters loyalty by fulfilling the expectation of saving money and getting more food. Meituan is in an absolute leadership position in Chinese food delivery market, since their voucher activity, and other diversity services related to people life can satisfy most of people's desires.

Fantuan's main consumer is international students. For international students, they always want their own culture's food. Fantuan is focused on this point, and provides a platform for consumers, they have more choice for food. This way can raise customer satisfaction and be the only platform for international students. Although Fantuan is a good app for international students and the Asian community to use, the market share of Fantuan still needs to be improved. The most popular food delivery app in the US is Doordash, whose target community is all the people in the country. If Fantuan wants to improve their market share, they need to improve their service, like Meituan. Fantuan may work with cinema, hotel and traveling companies. This might help Fantuan to be a multi-functional app in the US.

5 Conclusion

Meituan is absolutely in a leading position in the Chinese food delivery market. They hold more than half of the food delivery market share. Although Meituan is the company targeted by China's anti-monopoly probe, and gets the punishment, their leading position in the market is still stable. Meituan does not only focus on food delivery service, but also provides many other services, like team buying, selling tickets, traveling, and etc. Their business helps people to get a better life by providing good food and good multi-service. Fantuan is an expectable company in Western countries. Western Countries, take the US as an example, the food delivery market is growing rapidly. In 2020, the growth rate was almost double that of last year because COVID-19 made people increase their demand for food. Food delivery apps can satisfy people's needs for all kinds of food. Fantuan is a company that comes to the US market in 2019. They focus on international students and extend to more local families. They provide food delivery, self-picking, reviewing service for customers. This paper

compares Meituan and Fantuan to find out the advantage for Meituan, and how to prove Fantuan to improve their business in western countries. Fantuan needs to notice more about politics, extend business in the future. Fantuan works in many countries, in which each country has their labour laws. Fantuan needs to focus on the law related to the food delivery guy and help them have good welfare. Plus, take Meituan as an example, Meituan success would not be possible without their multi-service. So Fantuan can try to work with local cinema or government to provide ticket or bicycle sharing in the future.

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