



PDD's Internationalization Plan for African Development

Junyan Zhao

Shanghai Pudong Vocational & Technical College, Shanghai, China

Abstract: Pinduoduo (PDD) is a Chinese e-commerce company; PDD's core model is to provide users with an online shopping platform that brings together a wide range of products. PDD has no presence in the African market. Africa is rich in population and has a vast consumer market, but it does not have advanced productivity and lacks living materials. In this regard, PDD has a significant price advantage and is well-placed to expand its business in Africa. This paper analyses the feasibility and implementation options for PDD companies to enter African countries and will suggest ideal market entry methods for PDD companies to use in the African market from the perspective of analysis of the business environment. It uses questionnaires and PEST analysis. To tell how PDD companies can enter and develop in the African market in its specific cultural and political background and social and moral differences.

Keywords: PDD; internationalization plan; African development

1. Internationalisation of PDD's products and services

PDD has yet to lay out the African market formally, only the Temu APP has been shelved first, and PDD's Temu has only been rolled out in the North American market (Danyu Li, 2022). [1] The demand for low-cost goods in Africa is much higher than in North America, which is also more friendly to Temu merchants who focus on low-cost goods. Therefore, in the future, PDD will need to expand into the African market and establish a stable logistics overseas warehouse to reduce some of its costs by not using the current direct mail method. From the company's experience, since Temu opened its website, it has achieved the number one ranking in the US shopping app download category. There is more room for imaginative expansion in overseas markets, and PDD has already established a sound business model and profoundly understands the operation of the international e-commerce business.

PDD's core competency is price, and the prices of its products are competitive internationally, such as the wholesale of small goods produced under Chinese obligation. The researcher believes that the most critical issue affecting the purchasing power of users in Africa is price. PDD Company is currently doing well in the Chinese market. It is already the largest collocation e-commerce platform in China, having gone through an IPO listing and a Series D round of funding (Koi, 2022). [2]

2. Target Environmental Market Analysis

2.1 Analysis of the external environment of the African market based on PEST analysis

The PEST analysis will analyze the external environment faced by PDD companies from four aspects, mainly Politics, Economy, Society, and Technology, which are all external situations faced by PDD companies in the development process (Zang, 2021).[3] It has relatively stable political environment, fluctuations in the economic environment, the social environment offers development opportunities, a new and enhanced technological environment

2.2 PDD's strengths in the African market

As an emerging e-commerce market, Africa has many advantages. Africa is experiencing rapid economic development, rising living standards, and growing demand. In addition, African governments are making significant efforts to develop e-commerce and provide support and protection for businesses.

2.3 Risks for PDD companies in the African market

The relatively poor level of infrastructure and technology in Africa and the general poverty of the African population may increase the business's operating costs. In addition, the legal and regulatory environment in African markets needs to be sufficiently developed, which may lead to additional risks and uncertainties for PDD companies' businesses.

2.4 PDD companies adapt to risks through 'export entry models'

Strategic planning for entry into African markets may require consideration of many factors, including the economic

conditions of African countries and how PDD companies' goods and services will match the needs of African markets.

Due to these external influences, PDD must adopt an export and wholly-owned subsidiary market entry model. With the current COVID-19 epidemic, the company needs a stable market entry model. While the most established model is now direct export, PDD can use the wholly owned subsidiary market entry model for future business expansion in Africa.

3. PDD's foreign expansion model into Africa

3.1 PDD companies' 'export' model of foreign expansion

The mode of entry into Africa for PDD companies depends on the company's objectives and strategy. Firstly, the first phase of cross-border e-commerce PDD companies is better suited to an 'export' entry strategy for foreign market expansion. The threshold for brand internationalization for cross-border e-commerce companies is very high, and gaining comparative advantage in the African market requires in-depth and refined management. A strategic approach to cross-border e-commerce exports will enable companies to internationalize their brands.

PDD companies can enter the global market by exporting from China. As a first step into the global market, this is a relatively easy entry strategy with minimal financial liability risk. Enterprises are the main body of cross-border e-commerce brand internationalization, so the role of the main body of enterprises should be emphasized in the process of brand internationalization. In terms of enterprise size, large Chinese enterprises are more successful in brand internationalization, with large enterprises such as Haier and Huawei setting an example for PDD companies. Exporting is an appropriate and permanent form of global marketing activity. PDD has developed an innovative exporting model to promote the brand in the African region, taking into account the market characteristics of PDD's e-commerce companies in Africa and PDD's resources.

3.2 PDD's 'joint venture subsidiary' model of foreign expansion

Further changes will be made to PDD's African entry model to bring the Chinese and African companies closer. The second stage of expansion is establishing a wholly-owned international subsidiary. PDD companies can quickly enter the African market by acquiring local e-commerce companies through international strategic cross-border mergers and acquisitions, turning the newly acquired local e-commerce companies into foreign subsidiaries, and the company can link the African subsidiary and the Chinese parent company together from a global strategic perspective, fully drawing on the advantages of both markets. Over time, the initial partnership with local African logistics and payment platforms should be upgraded to an African subsidiary, replacing the original fixed export model and 'dependency' on other local companies.

3.3 Questionnaire survey of PDD's needs in the African market

Questionnaire survey method: PDD conducted this survey on Facebook and Twitter to distribute questionnaires and targeted questionnaires to residents in the African region; 100 questionnaires were distributed, with 53 valid returns; the following is the analysis data.

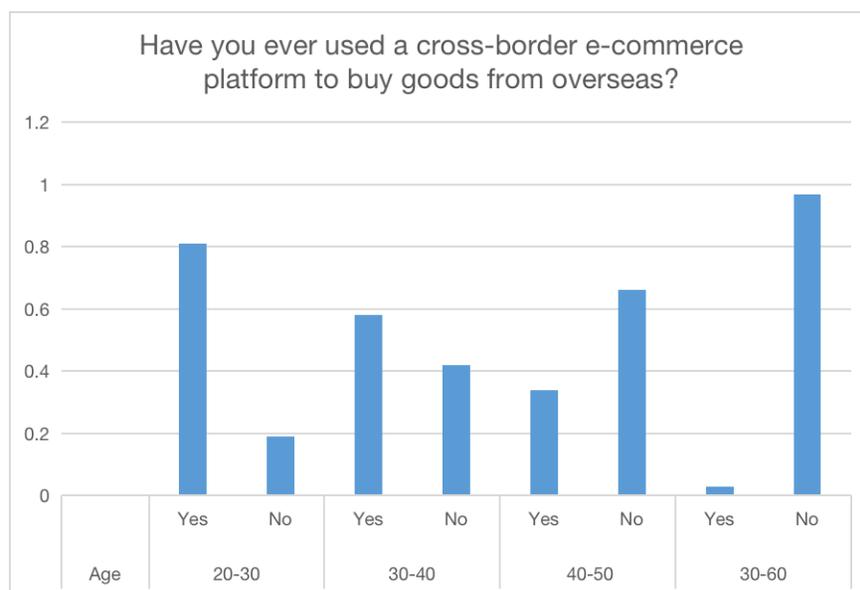


Figure 1. Questionnaire survey

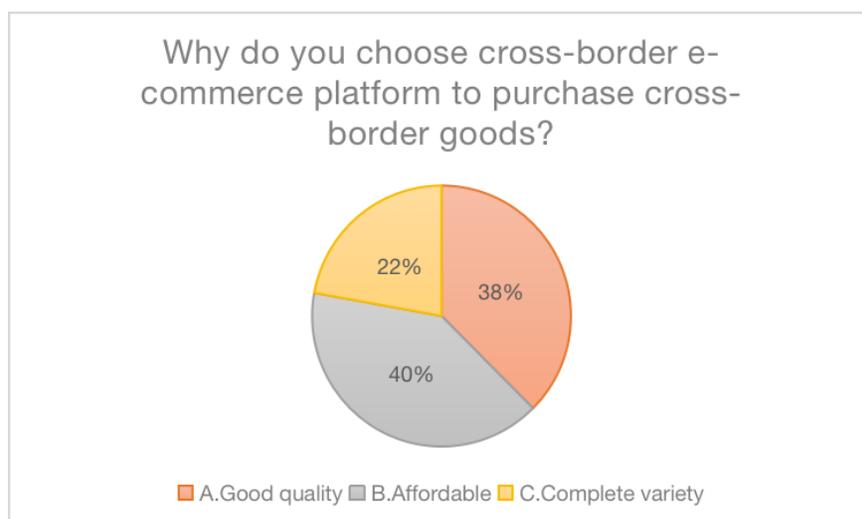


Figure 2. Questionnaire survey

The questionnaire above shows that users are more concerned about payment security and logistics services than platform visibility. Secondly, customers aged 20 to 40 buy significantly more products from cross-border e-commerce platforms than other age groups. PDD needs to open up channels through younger African customer groups to expand its business and increase its user base.

Based on the questionnaire results, researchers believe there is room for PDD's entry into Africa to be achieved.

4. Organisational structure and control mechanisms of PDD companies in Africa

When operating in the African market, e-commerce companies should adopt a flexible organizational structure and control mechanism to adapt to the local market environment and consumer needs. Cultural differences remain an issue that PDD companies must face when operating in Africa. Africa has its unique cultural traditions. There are many differences between Chinese and African employees regarding upbringing and education, which can sometimes lead to cultural conflicts. This can pose various risks to management.

Although there are some cultural differences between Chinese and African cultures, they can be used to the full advantage of cross-culturalism without being mutually exclusive. The combination of a dedicated and rigorous work ethic and a cheerful local style can create a new and innovative culture, which will positively impact PDD. The most effective way to resolve culture clashes is to localize PDD China's African management staff and preferably to have local African staff at senior levels. By doing so, the advantage of local African personnel understanding the local culture can be fully utilized for effective management. PDD's international entry into Africa requires the recruitment of local staff. When local staff is recruited, they need to spend a lot of time and energy to learn and accept PDD's corporate culture. Besides, Africa's topography is complex and unconcentrated, making logistics construction and distribution services more demanding and strenuous. E-commerce companies should adopt effective control mechanisms to ensure efficient and sustainable business operation.

5. Conclusion

It is feasible for PDD to develop an e-commerce industry in Africa. PDD should consider the export and foreign expansion models of a wholly owned subsidiary to enter the African market and to adapt to the new environment and the shortage of senior human resources in Africa. Adopting innovative cultural management is recommended to enhance the operation's flexibility. The following are some suggestions for PDD companies entering Africa. It includes improve internet infrastructure and connectivity, partner with local businesses, provide user-friendly payment methods, invest in marketing and promotion and build online shopping platforms.

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