

Research on the Strategic Motivation of Digital Platform Enterprises for Diversification and Expansion — Take Meituan as an Example

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Abstract: *With the development of network technology, more and more Internet companies have sprung up, and this paper takes Meituan platform as an example to study the strategic motivation of digital platform enterprises for diversification and expansion. The results show that in the start-up stage, the main motivation for the diversified expansion of enterprises is to open up the market and improve the user and merchant experience. In the period of rapid growth, relying on strong financial support, mainly to improve the user volume and user stickiness; During the stable period of the platform, the company already has strong offline store resources and management experience, as well as advanced distribution positioning technology, based on a large number of original users, strong market share has led to the bottleneck of enterprise user growth and slowed down the growth of interests.*

Keywords: Platform-based enterprises, Diversified expansion, Life cycle theory.

1. Introduction

In recent years, the rapid development of digital technologies such as artificial intelligence, big data, and cloud computing has brought subversive changes to the market economy, and promoted the rise of new organizational forms represented by digital platform enterprises. However, behind the rapid development of digital platform enterprises is the changeable, uncertain, complex and ambiguous (VUCA) business environment. In emerging markets, diversification is a hot topic, especially for large Internet companies, and choosing diversification is a common strategy for enterprise development.

Digital platform-based companies, especially Internet giants that have achieved leading results in the market, users and valuation, have always aimed at emerging markets, investing a lot of money and resources to expand into new businesses and new fields to build an integrated platform. Diversification is still a common strategic choice and an important starting point for development among Internet enterprises, especially large Internet enterprises. Therefore, this paper puts forward a new perspective on the research on the motivation of diversified expansion of platform enterprises, analyzes the diversified development layout of enterprises with the help of life cycle theory, and explores the motivation of Internet enterprises to adopt diversification strategies at different stages of development.

2. Literature Review

2.1 Digital Platform Enterprises

Compared with traditional enterprises, digital platform enterprises usually refer to enterprises that can use Internet technology to build digital platforms and have three key characteristics: bilateral or multilateral markets [1], network effects [2], and openness [3] [4]. Based on different business models, platform enterprises can be divided into two categories: transactional and innovative [1]. Most digital

trading platform enterprises do not have the ownership of the goods and services they trade, but create a two-sided market to directly match supply and demand to facilitate transactions, and create value for buyers and sellers and the platform itself by optimizing resource allocation, reducing search costs, and improving supply and demand to improve market efficiency [2]. The digital innovation platform introduces complementarity that can realize value co-creation through opening up to the outside world, integrates internal and external resources to promote the complementary economy, and the platform owner provides the complementary person with original resources such as infrastructure and relationship network, and the complementary person uses these resources to jointly develop innovative products or services with the platform owner [1].

2.2 Drivers of Diversification Strategy

Scholars at home and abroad have studied the meaning and motivation of diversification strategy. Some scholars believe that diversification should be defined and classified according to the degree of relevance between products and their use factors, and Chinese enterprises are more inclined to choose non-correlated diversification strategies, which are motivated by the pursuit of economic rent. Some scholars also define the diversification strategy as a mature enterprise development model based on the scope economy, and the motivation for its development is to make full use of the excess strength of enterprises to achieve the synergy of technology, market and management [8].

2.3 Life Cycle Theory

The life cycle theory was first proposed by A.K. Karman in 1966 and later developed by Hersey and Blanchard in 1976. The life cycle theory holds that the market goes through several stages: development, growth, maturity, and decline. The enterprise life cycle theory is a theory about the growth and death stages and cycles of enterprises, and there are generally two divisions of the enterprise life cycle, one is the natural life cycle, and the other is the legal life cycle. Based on

the life cycle theory and the timeline of enterprise development, this paper explores the motivation of the diversified expansion strategy of digital platform enterprises.

3. Research Method

3.1 Selection of Research Methods

First, the single case longitudinal research method emphasizes the changes of individuals in time, on this basis, we can not only understand the development process of individual enterprises, but also explore the trends and laws of their development. Second, the longitudinal case study method is more suitable for carrying out process research, only studying a specific enterprise, and the research object is clear, which is not easy to misunderstand and confuse. Thirdly, taking a single enterprise as the research object, the individual differences are emphasized.

3.2 Case Study Selection and Basis

This article selects Meituan as the case study for the following reasons: First, it is representative. The businesses involved in Meituan are divided into six categories on the platform: food, hotel tourism, travel, entertainment, life, and public welfare, and almost all of them continue to be classified into different sections, so that people can enter the software and find the content they need at a glance. Second, adaptability. Since 2018, Meituan has become a leading e-commerce platform for leisure, lifestyle, entertainment and catering services in China, with more than 200 lifestyle service categories such as leisure, travel, and movies. The diversified development of the enterprise has achieved certain results, which is consistent with the research content of this paper.

4. Case Analysis and Findings

4.1 Case Study

This paper analyzes the development of Meituan based on the timeline. With the help of the life cycle theory, by analyzing Meituan's development history, it can be concluded that Meituan's growth path is in line with the start-up stage, the rapid growth stage, and the stable platform period.

4.1.1 Start-up Stage

Unlike traditional enterprises, start-up platform enterprises need to raise capital through financing and continue to invest heavily in acquiring customer resources, traffic, and offering free trial products. For example, from 2010 to 2015, Meituan received a large amount of financial support through several rounds of financing, laying a solid foundation for later development. Therefore, in the early stage, Meituan carried out diversified expansion and carried out a number of businesses such as booking movie tickets, hotels, travel tickets, catering services, etc., attracting a large number of users. Internet companies with better financing capabilities and market foundation can occupy the market faster and better.

4.1.2 Rapid Growth Stage

Through the rapid growth period, Meituan has developed new businesses, including building its own delivery team, acquiring small companies such as Kuxun, accelerating the layout of the hotel and tourism industry, and at the same time, Meituan merged with Dianping, and at the same time jointly issued a statement announcing a strategic cooperation and the establishment of a new company. The new company retains its brands and businesses operating independently, with the founders of both companies serving as co-CEO and chairman, valuing the company at more than \$15 billion. After that, Meituan continued to expand its business scope with the help of Dianping, with the help of Dianping, and gradually launched businesses such as taxis, homestays, travel and fresh supermarkets. Meituan used these expansion strategies to gain hundreds of millions of users on the platform, become an oligarch, and enter a period of stability on the big platform.

4.1.3 Stable Platform Period

Enterprises in the stable period of the platform achieve profitability through the value-added service chain built in the growth period, but they also face the bottleneck of user growth capacity and profitability. Some companies have only gained millions or tens of millions of users through the rapid growth period, thus entering a stable period, the growth rate of the number of users has slowed down, and there is a risk that the income cannot offset the expenditure, and cannot obtain more financing, so as to enter the recession period, and gradually go bankrupt and go bankrupt. During the period of rapid growth, the Meituan platform expanded its business through diversification and accumulated a large number of users, laying the foundation for entering the stable period of the platform. Due to the good results achieved in the early stage, competitors have also rushed into the promising community group buying track, which has become the driving force for Meituan to deploy Meituan, develop Suning.com, and expand the tourism hotel business to diversify its operations. Based on the above analysis, Meituan's diversified expansion strategy at each stage can be summarized in Figure 1 below:

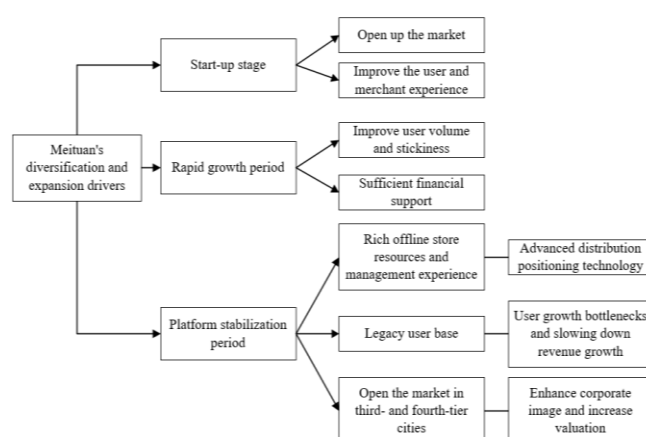


Figure 1: Drivers of Meituan's diversification expansion

4.2 Case Discussion

In different life growth periods, enterprises should choose strategies and management frameworks that are suitable for the growth period, which is crucial for the long-term stable development of the enterprise's life and death. From the perspective of enterprises in the stable period of the platform,

some scholars believe that the construction of a network system and attracting more high-quality interest units into the network system is the main behavior of enterprises entering the stable period of the platform.

5. Conclusion and Future Research

Based on the life cycle theory and taking Meituan as an example, this paper studies the motivation of the diversification expansion strategy of digital platform enterprises, which supplements the shortcomings of the research on the diversification expansion strategy of enterprises, but there are still shortcomings: A single case study has certain shortcomings, and the constructed theory may not be universal. Therefore, in the future, the research on the expansion strategy of digital platform enterprises can start from the following aspects: Quantitative research based on cases, and quantify the strategic drivers through real data such as questionnaires and interviews.

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