

DISCOUNTS AS MARKETING STRATEGIES FOR O2O PLATFORMS – THE CASE OF ELEME

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Abstract

With the development of the Internet and online payment, Online to Offline (O2O) platforms come into people's lives. O2O platforms provide offline goods and services for their online users and these platforms are various, for example, they can help the users to call taxis, order food, call babysitters, make orders for cleaning the car and so on, which help people a lot for its convenience. At the same time, attracting customers for these platforms becomes a problem and many of these choose to make discount strategies to reach their goals. Companies invest a lot of money on discounts for competition while investment sometimes is risky, because the company maybe cannot earn the money back, so it is very important to learn how to make discount strategies for O2O platform wisely.

Eleme will be studied as the case of this study, because it is a successful example of developing its food delivery O2O platform through investing a lot of money on giving discounts to attract lots of users. Eleme is one of the best food delivery O2O platforms in China, and its users are quite many, so it is a suitable choice to investigate. A mixed method is used in this study. Interviews have been done on commercial tenants of Eleme and questionnaires have been sent to ordinary end-users of Eleme, and the combination of these two parts can lead to good discount strategies. To answer the questions of the thesis, relevant knowledge about O2O platform, market strategies, discount strategies, consumer behavior and measures taken by Eleme will be used.

The result of this study shows that discounts of the O2O platform do attract lots of customers and giving discounts is a good way to be competitive. At the same time, the platform needs to balance the profits of itself and its commercial tenants, and pays attention to needs of the ordinary end-users behind discounts in case of losing them. Eleme used a lot of wise discount strategies to develop itself, but the competition in this area is continuing and many measures can be taken for further development.

Keywords: O2O platform, discounts as marketing strategies, Eleme

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Liru Jiang
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Foreword

I was studying in Shanghai before I came to Sweden. Shanghai, the biggest city in China, developed a lot during these years from my entering into college, and O2O platforms are one part of the big developments. In 2013, food delivery O2O platforms were not so popular among people and online payment was still not that convenient, students like me always called restaurants to order food, while Eleme, the food delivery O2O platform, started to give discounts and it succeeded in attracting customers and it changed our way of ordering food with its advantage of convenience. After that, this market showed great potential and more and more O2O food delivery platforms entered this market and gave discounts to fight for customers. Discount is an opportunity as well as a challenge. Eleme gain investments to pay for discounts and so do other platforms, but, under the price war, platforms and their commercial tenants lose a lot of money, so making discount strategies in a proper way is very important for the long term development of O2O platforms. I am interested in this topic, because Eleme started in Shanghai and I experienced its development and its discount strategies while I studied Business Administration in my college. How to survive from the price war and become better is a big question for these O2O platforms, and in this thesis, I will mainly discuss discount strategies of Eleme and try to learn more about how to promote the development of this industry.

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1 O2O food delivery market in China

This chapter represents the present situation of Chinese O2O (Online to Offline) platforms and discounts as marketing strategies. In consideration of challenges and opportunities coming with discounts, this chapter pictures a detailed background of discount strategy on food delivery O2O platforms, which is combined with the case of Eleme. This chapter also states the purpose and questions of this thesis.

1.1 Introduction

Internet grows rapidly and more and more people adapt their lives to it. Internet payment becomes increasingly common in people's daily life. This helps to avoid the trouble of paying by cash. With the development of Internet payment, the O2O business model showed up and was widely used for its convenience and cost saving. E-commerce is believed to be a big part of future business and O2O is of great importance in E-commerce, so the O2O platform as a way of providing goods or services from online to offline will be influential with the development of technology and society.

O2O means online to offline. O2O is an online platform provided for offline customers. Offline commercial tenants, for instance physical restaurants, can sell all kinds of goods or services to online end-users (those who make orders for food by paying online) through Internet, and O2O platforms provide services to these online end-users. O2O platforms provide a place for online end-users to make an order to offline commercial tenants and enjoy offline goods and services. With the development of the platform, more commercial tenants and end-users will use it. When the platform attracts lots of end-users, commercial tenants will pay for the platform for more customers, and at the same time, these commercial tenants can earn more money because of more customers introduced by the O2O platform.

Wang Jianlin, the chairman of Wanda group (a company ranked 42ed in "China's Top 500 Enterprises 2016"), indicated that O2O is the biggest pie in E-commerce and it is just at the beginning of its development (Reuters, 2014). O2O has today become common and more and more companies try to win benefits from it. It is claimed that competition in entering the O2O market is a big challenge to companies and owning lots of loyal customers becomes very difficult, so competitors need to make good price strategies and understand consumer behaviour (He, Cheng, Dong & Wang, 2016). Competition among food delivery platforms cannot be ignored. With the boom of smart phones, lots of food delivery O2O platforms go into people's life in the form of cell phone applications, but people's time and energy are limited and the number of applications one person can download is limited, so attracting and competing for customers becomes a big problem to many different food delivery O2O platforms.

Giving discounts as an important strategy for food delivery O2O platforms to attract customers are related not only to commercial tenants but also end-users and the platform itself. Many platforms try to beat their competitors by giving more and more discounts and commercial tenants should also be under pressure of paying for these discounts, which will dissatisfy these commercial tenants and limit the development of the platforms themselves. Good discount strategies can help a company develop well, while improper discount strategies may cause problems even bankruptcy. He (2015) claimed that the taxi Internet platforms spent a lot of money on giving discounts to customers to be competitive, which made consumers benefit a lot from their intense competition. Nowadays, competition like this comes to the area of food delivery O2O platforms. Of course, such high spending on giving discounts in competition can hardly be afforded by small new companies so they need lots of investment. It is a universal phenomenon in China today that food delivery O2O platforms give discounts to customers to advertise and to develop themselves and intense competition force platforms to spend lots of investments on this part, so it is reasonable to deeply analyse discount strategies and a wise use of investments.

For the purpose of getting detailed information of discount strategies, Eleme is chosen to be the case of this research. Eleme is a professional food delivery O2O platform in China today, founded in 2009. Xu and Wang (2016) stated that Eleme received a financing of three hundred and fifty million dollars in 2015, which marked that Eleme was highly expected and had a good prospect for development. Eleme has already spent so much money on giving discounts to attract customers while its competitors never stop fighting for customers, so discount as marketing strategies for Eleme is a big challenge and measures need to be taken to face it.

1.2 Research Background

1.2.1 Food delivery O2O sector's current situation in China

A report from iResearch (2016), a professional research consultancy founded in Shanghai shows that the GMV (Gross Merchandise Volume) of the O2O catering market in China was 161,6 billion RMB in 2015, which accounted for 5,0% of the whole catering market, and iResearch also predicts that the GMV can reach to 298,8 billion RMB by 2018. This report also states that the GMV of China's total food delivery market was 230 billion RMB in 2015, which accounted for 7,4% of the whole catering market. In 2010, the GMV of O2O catering market was 9,2 billion RMB, and this sum increases year by year (ibid.). According to this report, the food delivery O2O sector is developing quickly and it has good growth prospects with advances in network technology and changes in consumption patterns.

Xu and Wang (2016) indicate that with the development of O2O, more companies are getting into the competition, and the market of food delivery is in the same situation. For

example, Baidu takeaway, Taodiantian and Meituan takeaway are also very popular. If measures are not taken to be creative and improve their services, Eleme will have trouble keeping its leadership position. Food delivery O2O platforms take risks giving discounts to attracting consumers and income coexist with risk, so it is necessary to learn about food delivery O2O discount as a marketing strategy.

1.2.2 Online to Offline

According to Doland (2015), the concept of O2O means “online to offline or connecting internet users to shops and services in the real world”. He, Zhang, Gou & Bi (2017) pointed that O2O is to combine the offline with online stores, which differs O2O model from pure online models and pure offline models. Customers pay online for goods and services in the real world and when the online platform receives orders, it will ask the stores in the real world to provide relevant goods and services to these online users.

O2O is a convenient way of providing goods and services to customers. According to Tomes (2016), there are three advantages of O2O and they are “brand reputation”, “revenue and loyalty” and “time to market”. O2O tries to attract customers to the physical stores through online platforms, which is different from stores purely selling goods online. O2O provides an approach for merchants to introduce their brands online and offer services to their customers conveniently, because the development of smartphones gives businesses an opportunity to get more customers and provide more services. O2O also shorten the time of advertising, because offline merchants put their stores on certain O2O platforms and users of the platform will see them conveniently. Xia & Zhu (2014) also points out that the O2O strategy has some advantages in their study. For example, O2O break the limitation of geography and people can use O2O platforms as long as there is a mobile signal. Except this, O2O provides a better personal experience for customers, because customers download platforms in accordance of their needs and the platforms can offer relevant services.

1.2.3 Food delivery O2O platform

Weiller and Pollitt (2013) states that “a ‘platform’ market by definition must be different from a simple market, where goods or services are exchanged via a broker or mediator, who collects revenues through a commission-type fee for the service rendered in enabling the interaction between two parties” (P. 6). Food delivery O2O platforms follow this definition. Eleme is representative of food delivery O2O platforms and Eleme indicates that the users of Eleme are Eleme commercial tenants (the users who open restaurants with a right on the platform and issue product information to provide carryout service to normal users) and ordinary end-users (the individual users who enjoy services provided by Eleme). Eleme as a food delivery platform plays the role of promoting the communication between online customers and offline commercial tenants, and when providing service, Eleme tries to develop market strategies to attract more and more users.

1.2.4 Food delivery O2O market share in China

Food delivery O2O platforms receive food orders from offline users and transmit this information to commercial tenants, the platform not only provide convenience and much more choices of all kinds of restaurants to ordinary end-users, but also attract a lot of customers for offline merchants. Eleme, Meituan take-away and Baidu take-away are very popular in China nowadays and there are many other food delivery O2O platforms that are not as good as these three. The rank of download counts of food delivery O2O platform in the App store compared to 12th January 2017 is shown in Graph 1.

Graph 1 The rank of download counts of food delivery O2O platforms in the App store in 2017-01-12

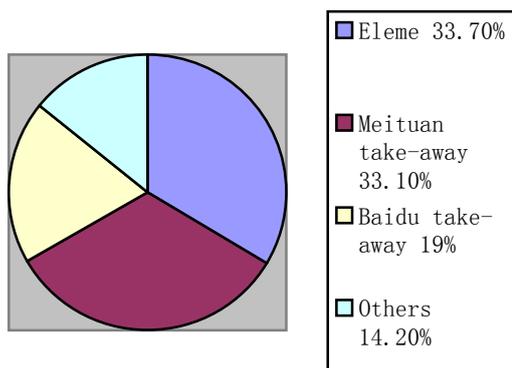


Source: Aso100.com

As can be seen from graph one, till 12th January 2017 Eleme's downloads rank first among Food & Drink applications, and its downloads rank 21st in all sorts of applications, which shows that Eleme is of great importance to smartphone users. Meituan take-away ranks second and Baidu take-away ranks third in Food & Drink applications, and they are very competitive to each other.

In addition to the number of downloads of applications, the statistics of trade share can also show this trend. Graph 2 shows China's Internet food delivery market share in 2015.

Graph 2 China's Internet food delivery market shares in 2015

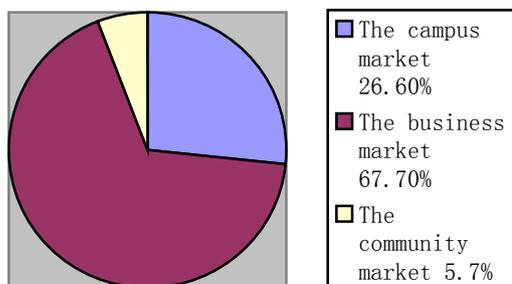


Source: Analysys.cn

Graph 2 shows that in 2015, Eleme takes the top market share of 33,7 percent, and Meituan take-away is a little lower, which is 33,1 percent. Baidu take-away also takes a big market share of 19 percent and other companies only takes a percentage of 14,2.

Different customer segments have different needs for Internet food delivery platforms, and companies should take different measures approach these different segments. In China, students and workers are big customer groups and graph 3 shows their market share.

Graph 3 The year 2015 China's Internet food delivery market share for each market segments



Source: Analysys.cn

As can be seen in graph 3, there are three main market segments for China's Internet food delivery market share: the campus market, the business market and the community market. When it comes to trade share, the business market takes a percentage of 67,70 and the campus market is the second biggest segment of 26,60%. The community market falls behind with a percentage of 5,7.

1.2.5 Discount in food delivery O2O platforms

Zhang (2016) indicates that discount and price strategies of Eleme are as follows. In the initial operational stage, Eleme spent money on offering 'luxury lunch' at a price of 2 RMB to open the student food delivery market rapidly and widely. In 2014, Eleme spent 4 million RMB on offering 200,000 pieces of free lunch to white-collar workers, which gained the market rapidly before its competitors. At the same time, competitors of Eleme also spent a lot of money on giving discounts to attract customers. Discount can surely attract consumers, but simple and constant discounts may not lead to success. Cort (2015) claims that a price lower than the face value of goods can make people feel good, but low price on every purchase makes consumers less comfortable. Because low price all the time can harm the brand and make customers doubt the quality of goods. Discount as marketing strategies for food delivery platforms vary a lot, and different platforms give different kinds of discount and this kind of marketing strategy needs to be learned more about to attract consumers efficiently and constantly.

1.3 Research problem

Food delivery O2O platforms grow rapidly and as a result of competing for online consumers, discount as a marketing strategy in this trade is very common. Some consumers pay much attention to the size of the discounts and they always make orders on platforms that offer bigger discounts. Companies give discounts to gain more customers and they want their customers to be loyal, but consumers want lower price and sometimes they do not stay loyal to only one company that much. Discount as a marketing strategy needs to be smarter to attract new consumers and at the same time keep old consumers. There are massive reports showing ways of developing food delivery O2O platforms by big discounts such as Eleme and Baidu take-away (Zhang, 2016), and there are also many articles displaying advantages and disadvantages by giving discount (Cort, 2015), but discounts as marketing strategies of food delivery O2O platforms are not so much mentioned. In this thesis, discount strategies of food delivery O2O platforms will be looked into deeper. Discount strategies taken by O2O platforms and the opinions of their users will be studied.

This thesis chooses an e-commerce platform, Eleme, as a specific case to investigate Chinese food delivery O2O platforms. This research is to find out how Eleme uses discount as market strategies and how Eleme benefits commercial tenants and ordinary end-users. With the rapid development of Chinese food O2O platforms, more and more enterprises wake up to the necessity of discounts to the ordinary end-users and commercial tenants when the competition becomes more drastic.

By analysing effective discounts of Eleme and to make conclusions as proposals and an

example to other Chinese food delivery O2O platforms, the research problem of the investigation is two-folded as follows:

- *What kinds of strategies of discount do food O2O platforms use to attract more commercial tenants and ordinary end-users under the rapid competition in this trade?*
- *What do platform users think about its discount offers?*

Specifically, the first purpose is aimed at finding out which kind of integrated system to attract commercial tenants and ordinary end-users the Eleme has established. The second purpose is mainly used for understanding the users' attitudes and opinions of discounts offered by food delivery platforms.

1.4 Delimitation

As mentioned, Eleme is one of the most successful food delivery O2O platforms in China and it also uses many typical kinds of discount strategies, which are the reasons for choosing Eleme as the case of this study. As a specific instance in this research, although Eleme can be regarded as a reference experience, it still has limitations because one platform cannot represent all Chinese O2O platforms.

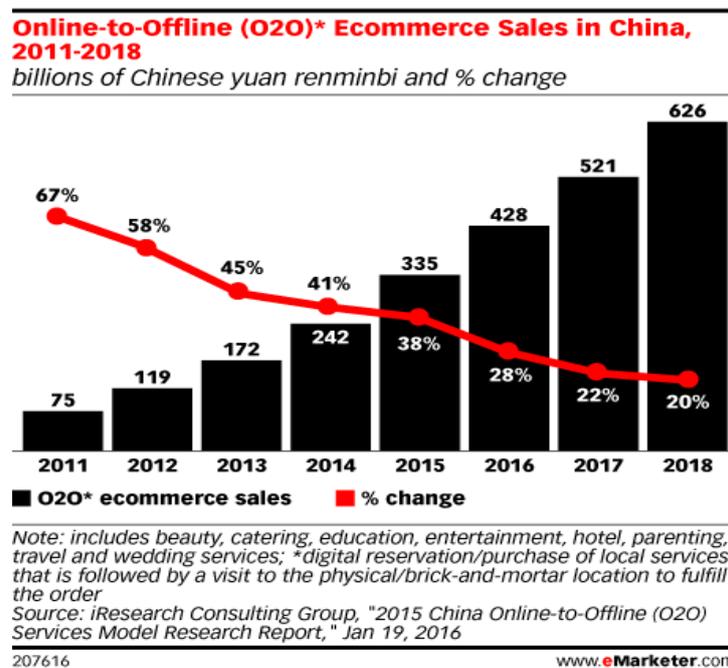
2 Literature Review

In this chapter, researches and investigations related to discount strategies and O2O platforms are presented to provide a theoretical background for this research. Some measures taken by the case of Eleme and the questions of this thesis to be answered are also based on found sources.

2.1 O2O platforms in China

Online to offline experiences a significant development currently in China, and many kinds of O2O platforms profit from it as more and more people are enjoying the advantages of O2O.

Graph 4 Online-to-Offline ecommerce sales in China from 2011 to 2018



Source from: www.emarket.com (2016)

As can be seen from graph 4, O2O ecommerce sales are increasing and ecommerce needs online payment, which grows quickly and it reached 335 billion RMB in 2015, which indicates that there are many online payment users in China. The red line shows the percentage change, which indicates that the growth of online to offline ecommerce sales in China becomes slower but the sales keep on growing.

The development of O2O platforms in China relies on the universality of mobile payment. Online payment plays an important role between online purchase and offline pickup, and the large amount of online payment users provide a good opportunity to O2O (Emarket.com, 2016).

2.2 Marketing strategies

According to Guo, Wang & Yang (2013), surpassing benchmark companies and analysing service processes are two common methods to improve service quality. Companies can learn from their strong competitors to make themselves become competitive in the industry, which is called surpassing benchmark companies, and this method is efficient and convenient. Analysing service processes is a method of analysing all communication between customers and company, and from that improve the quality of service. All kinds of service processes are different, so learn and manage these processes are meaningful. There are four steps of analysing these processes. The first step is to use flow diagrams to show every service clearly, and the next step is to find out points which can lead to the failure of service, then establish relative standards and specifications to assure their quality. Fourth, the company needs to show these good services to customers and communicate them with the customers (ibid.).

Customers may hesitate to pay for certain services for concerns about risk, and companies can decrease these concerns from five angles. First, concentrate to the quality of the goods (or services). Second, train employees to learn new skills of offering services and improve service quality. Third, advertise the quality of the goods (or services) to customers to decrease their concerns. Fourth, use promotion to attract to try new things, because for example a discount can motivate customers to pay on a relatively lower risk. Fifth, build user trust through oral spreading. Making existing customers satisfied can increase new customers' confidence in the company (ibid.).

In an industry, when the competitors change the price, a company should take measures to deal with it. Normal competitors always follow the company who increases the price or decreases the price, and the company who doesn't cut the price will lose the market, while a company that doesn't increase the price when other companies put up the price will force these companies to again cut the price. If the company is the market leader of one industry, there are three strategies that can be used. The first choice is to keep the price like before. Although not changing the price when competitors cut the price will damage the profit of the market leader, the market leader will get those customers back through good quality and service and some practice of many companies show that this kind of strategy is more profitable. The second strategy is to cut the price. Cutting price can gain enough customers to increase sales and production, which can decrease the cost, the market leader can choose this strategy. If the industry is very sensitive to price, the market leader also needs to cut price to keep the market share. If it is very difficult to get the market share back once it is lost, the market leader can also choose to cut price. But when cutting the price, the market leader should still try to keep the good quality of goods and services. The third strategy is to put up the price. When the market leader decides to increase the price, it should concentrate on improving the quality of products or launching new brands and products to compete at the market with its competitors (ibid.).

2.3 Discount strategies

The goal of discount strategies is to attract customers, so it is important to understand the customers. Gabler, Myles Landers & Reynolds (2017) indicate that although companies can manage their products and discount levels, they cannot control customers' characteristics and preferences, so before developing discount strategies, companies should know their customers as much as possible. So, it is reasonable to search for consumers' feelings about a given discount.

There are different kinds of promotions and there have been studies on promotion strategies of Chinese E-commerce market. According to Liu, Li, Peng & Zhang (2015), three online business promotion strategies can be used to improve companies' development, and they are price promotion (giving discounts to attract customers), advertisement promotion (making online advertisements to increase orders) and word-of-mouth promotion (attracting more customers through nice comments of old customers). Different purchasers will be attracted by different promotion strategies, so it is important to understand the different customers.

Giving discount as a kind of promotion strategies is very important for online businesses. After understanding their customers, businesses can combine different discount strategies together or use them independently to reach their marketing goals. According to net MBA Knowledge Center (2017), a website operated by the Internet Center for Management and Administration, Inc., to provide quality business knowledge resources for a geographically dispersed audience, there are six kinds of price discounts: quantity discount, cumulative quantity discount, seasonal discount, cash discount, trade discount and promotional discount. Quantity discount means giving discount when the customer buys a large amount of goods. Cumulative quantity discount is the discount for customers who buy a large amount of goods over time, and the discount increases when the amount the customer buys increases. Some goods are in stock and not in demand in certain seasons of the year, in certain days of the week or in a certain time of a day, so seasonal discount can be used on this kind of goods or services. Cash discount is the discount given to customers to motivate them to buy goods before a certain time. Giving discounts to customers who buy a certain amount of goods at the same time is named trade discount. For example, if a customer wants to buy one pen, but if he or she buys two pens, a 10 percent discount will be given, and this kind of discount motivates customers to buy a certain amount of goods or services before a certain date. Promotional discount is the discount provided only for a short period.

These discount strategies are important parts of marketing strategies and they are useful in the development of business. Business Victoria (2017), a website published by the State Government Victoria, Australia, to help people start, run and grow businesses shows that discounts can help companies reduce stocks, obtain funds when the operating conditions are not good and gain new customers. When a company gives discounts, there will usually be more orders and the company need to make sure that they can gain profit when

more customers make orders.

When giving discounts, businesses should use different strategies for different segments of customers. Wreden (2002), at Harvard Business School's site 'Working Knowledge, Business Research for Business Leaders', states that leveraging a segmentation strategy is very important for companies' discount strategies. Minimum discount and extra service should be provided for high-income groups, and minimum value should be provided for low-income groups. Segmentation strategies can not only save the cost to those customers who do not need much value, but also motivate some customers to pay more money for added service, which is profitable for both businesses and customers. He points out that giving discount without cost reduction will lead to suicidal competition in the industry. If one company gives discount to customers, it will motivate other companies in the same industry to give discounts to gain their customers, but if the cost is not reduced, the industry will be harmed. As a result, even when they gain customers, they damage their own interests. So, cutting costs is the essential way for success in competition. Another point that needs to be mentioned is keeping loyal customers. Companies give discounts to new customers to gain more profit, but at the same time they should not forget their already acquired customers to prevent losing them to their competitors. Additional services can be provided to keep customers happy and keep them.

Turning to the issue of online discount and offline discount, they are different from each other. Ma, Lin & Zhao (2015) claims that online stores should be opened based on a relatively high profit margin of products and relatively high expected customer valuation, or the company should sell products in physical shops only. Online stores need to spend money on giving discounts to attract consumers and they need to make sure that they can gain profit from that.

2.4 Consumer behaviour

Considering that consumers of different categories behave differently in making purchases, companies should provide different goods or services to satisfy them. Market segmentation put consumers of resemblance in some characteristics together and differ them from other segments, and makes it possible to offer goods and services discriminately. According to Solomon et al. (2013), when companies use the strategy of market segmentation, they should make sure of five points. The first one is that consumers of one segment should have similar needs of products or services and simultaneously it is important for them to be different from other segments. Second, different segments should have significant characteristics, which can be pointed out clearly. Third, when a company sets a segment, it needs to be sure of the profitability of that segment. Fourth, a suitable marketing mix can be used on the segment. Fifth, consumers of a certain segment respond to its marketing mix. Variables for market segmentation are various, such as age, gender, income, region, personality, benefits desired and so on.

2.5 Measures taken by Eleme

According to Brennan (2016), top Internet companies in China invested a lot to O2O platforms to gain market share, because O2O grows so rapidly in China in these years. Alibaba group invested \$ 1,25 billion in Eleme on April 2016, to help Eleme attract more customers and develop further.

Eleme provides an online platform for all kinds of restaurants and helps them open online restaurants. Ordinary end-users of Eleme can see all restaurants cooperating with Eleme through this platform and make orders. Eleme has its own website and application and offline users can use it easily and conveniently. Eleme provides advantages to both ordinary end-users and commercial tenants. Eleme helps its commercial tenants deal with orders through Internet, and commercial tenants receive these orders and deliver food to end-users. In this way, commercial tenants reduce labour cost of receiving orders and attract more customers and ordinary end-users can order food without going out, which is very convenient. This kind of platform also offers jobs of delivering food, which provide job opportunities to more people.

2.6 Summary of literature review

Chapter 2 provides a literature background consisting of description of O2O platforms in China, knowledge of marketing strategies, discount strategies, consumer behaviour and measures taken by Eleme. These findings help to understand measures taken by O2O platforms, commercial tenants and behaviour of end-users. O2O platforms give discounts based on scientific findings, and Eleme is analysed as a case following these findings in the study. Discount strategies taken by Eleme are showed from the following research rather than this chapter, because a research can provide the latest information and the results of the research are analysed according to this chapter.

3 Methodology

This chapter describes the research method of this study in detail. Relevant measures will be pictured for getting information and knowledge of discount strategies of O2O platforms, and Eleme will be studied as the case.

3.1 Research Method

The purpose of this study is to find out discount strategies that can help O2O platforms attract more users under the competition and understand the users' opinions towards discounts. The research is based on Eleme as a case. A qualitative method is used to look deeper into the company, and at the same time, a quantitative method is used to reach knowledge of views from its users. According to Watkins & Gioia (2015), qualitative methods can help researchers understand certain social experiences and understand complicated phenomena. Social experience of commercial tenants and the complicated phenomena of cooperation between the platform and its commercial tenants are studied in this research, so it is suitable to use a qualitative method. Commercial tenants cooperate directly with O2O platforms and interviews among this group help to understand the relationship between tenants and the platform. A quantitative method can provide the views toward one phenomenon from hundreds of people and this method sometimes can save time because of the convenience of the Internet (ibid.). In order to understand the opinions of many ordinary end-users, a quantitative method is a good choice. But a quantitative method sometimes cannot reach the depth of the questions to be investigated, and a qualitative method lacks generalizability (ibid.). Hammersley (2013) points out that a method including both qualitative and quantitative approaches can sometimes avoid some of their weaknesses. According to Mertens & Hesse-Biber (2013), a mixed method can be a combination of quantitative method and qualitative method. In this research, mixed method will be used to reach the research purposes, and Eleme, the food delivery O2O platform, is the case to be studied.

Bryman & Bell (2011) indicates that mixed method is to do both quantitative and qualitative research in one study, and these two research methods should not be easily used in tandem. Interview is the qualitative method in this mixed method and questionnaire is the quantitative method. Interviews will be given to commercial tenants to learn their views on discounts and their relationships towards ordinary end-users and the platform Eleme, which will offer a deeper understanding of the thoughts of commercial tenants. The results of interviews can also show discount strategies taken by Eleme because the interviewees can give this kind of information according to their experiences, which provides a guide to the following questionnaires when questions are designed to ask end-users for their opinions toward different types of discount strategies taken by platforms. Commercial tenants are a big group of the whole O2O and the platform and ordinary users are the

other two essential parts of it. It is also very important for the platform to know ordinary end-users' feelings on discount strategies, and handing out a questionnaire is suitable for this group, because these end-users are so many and a large amount of answers can contribute to get broad opinions and end up in a more reliable result. O2O platforms' discount strategies are closely connected to commercial tenants and ordinary end-users, and a lack of one part will influence the veracity of the result, so quantitative and qualitative methods are combined here to contribute to an integrated conclusion.

A semi-structured interview is suitable for this research. According to Bryman & Bell (2011), a semi-structured interview is an interview giving interviewees a list of questions at the first time and the interviewees can answer the questions in a flexible way, further questions can be asked in further interviews if needed. This kind of interview is a qualitative method (ibid). Through a semi-structured interview, opinions and suggestions towards the platform and about the ordinary end-users from commercial tenants will be showed because the respondents can also talk about things not mentioned in the list. Eight commercial tenants of Eleme are interviewed, four of them from Shanghai and four of them from Weihai. Shanghai is the biggest city in China and Weihai is a less developed city in the Shandong province. Because Eleme is established in Shanghai and is going to develop in other cities like Weihai, and the author's Chinese home university is in Shanghai and the hometown is in the Shandong province, thus the sampling method for this part is a convenience sampling. Respondents recruited through convenience sampling are easy to approach and investigated for studies (Sedgwick, 2013). The respondents in Shanghai include a big restaurant near to schools, a big restaurant near to office buildings, a small restaurant near to schools and a small restaurant near to office buildings, and it is the same with Weihai. These restaurants are all commercial tenants of Eleme, big restaurants in this study are about more than 100 square meters and small restaurants are relatively smaller. The answers from these respondents were similar and their areas and locations were not factors influencing their relationships with the platform and their opinions on discount strategies, so factors like areas and locations were not mentioned in the result part. However, the data from these two cities could probably be regarded as typical for the tenants of Eleme, even though they cannot be seen as representative from a strict statistical perspective, though this part of investigation is qualitative and representability is not aimed at in qualitative research. The purpose of these interviews is to find out the discounts' influences on commercial tenants and figure out a better way to balance the benefits between commercial tenants and the platform under discount strategies.

When it comes to ordinary end-users, questionnaires were handed out to gather a larger amount of data. Bryman & Bell (2011) say that questionnaire is a method that can save time and money and also is convenient for respondents (ibid.). There are so many ordinary end-users and a questionnaire is a good choice to receive answers from many respondents. In this research, approximately one hundred and sixty persons were asked to answer questionnaires, they were planned to be forty Shanghai students, forty Shanghai workers, forty Weihai students and forty Weihai workers. The reason to choose these two cities is the same to that for the interview. The choice of respondents was made by snowball sampling. The reason for choosing students and workers are that these two

groups are the main customers of Eleme, which has been mentioned above. From the results of the questionnaire, views from these two consumer groups on discount strategies of Eleme can be reached. Still the questionnaire part has the same limitations as the interview part regarding representability and subsequent generalizability. It is a convenience sampling so statistical inference to the population of all end-users of Eleme cannot be made. The results however can indicate the views of the ordinary end-users.

Interview and questionnaire are two different approaches in this methodology, and they investigate different parts that are dovetailed. According to Bryman & Bell (2011), when the researcher cannot draw conclusion from only a quantitative research or a qualitative research, a mixed method should be used (*ibid.*). The qualitative research is essential for getting knowledge of discount strategies taken by the platform and views on these strategies from commercial tenants. The quantitative research is important for knowing broad opinions on discounts from ordinary end-users. So, a mixed method is suitable for this study to reach the research purposes.

3.2 Research Process

The mixed method in this study is divided into two parts, interviews of commercial tenants of Eleme and questionnaires to end-users. There were two times of interviews, the questionnaires were handed out after the first time of interview. Interview part and questionnaire part are described in part 1 and part 2 respectively below.

Part 1:

Interviewees should be Chinese commercial tenants of Eleme and the chosen geographical areas are Shanghai and Weihai. The interviews are conducted online. Snowball sampling was used to get in touch with respondents. Snowball sampling means that the researcher finds some persons that can be easily accessed first, and then they can suggest further respondents (Bryman & Bell 2011). First some friends in Shanghai and Weihai were contacted and they could suggest other respondents – commercial tenants. Fifteen respondents were collected and contacted through WeChat (a smart phone application for communication) and asked if they could be interviewed for several times when they were not busy. Eight respondents agreed to be interviewed, four of them were in Shanghai and the other four were in Weihai, their areas and locations were different (see in 3.1). The respondents were interviewed one at a time by video chat on WeChat. A list of questions was used at the first interview (see appendix 1), and after analysing the answers, further questions could be asked a second time if needed.

The purpose of this interview is to reach depth opinions of commercial tenants about discount strategies made by Eleme, so, the interviewees were users of Eleme and had experienced the discounts. These interviews started on January 20, 2017 and they were finished on February 20, 2017. At the first time, each interview lasted for about twenty minutes, and the time length of further interviews was about ten minutes each time. The

questions of the first interview are about the measures they take to give discounts, the problems they meet when giving discounts and the relationship between them and Eleme. The further questions were more concentrated on their advices for discount strategies of Eleme.

Part 2:

Questionnaires were made from Wenjuanxing (a Chinese software for making questionnaires, sending them out online and analysing the results) according the result of the first round of interviews, then, they were sent to ordinary end-users of Eleme through WeChat. This part also used snowball sampling. At first, the questionnaire was tested by 4 students and some improper questions and choices were improved. Questionnaires were sent to some friends and they sent the questionnaire to other ordinary end-users of Eleme that they knew. The questionnaire started to be sent out on January 25, 2017 and the collecting was ended on February 11, 2017. There are 202 respondents in total, 45 Shanghai students, 40 Shanghai workers, 40 Weihai students and 77 Weihai workers. In order to reach a broad range of opinion, each group should have no less than 40 respondents before the questionnaire was stopped. It is interesting that Weihai workers are much happier to be respondents than other groups, but respondents of other groups were not enough when Weihai workers had already reached 40. The questionnaire should not be stopped at that time while Weihai workers were continuing to be the respondents, so, there are many Weihai workers in this study.

The purpose of the questionnaire is to investigate the views of ordinary end-users of O2O food delivery platforms on discount strategies, including letting them compare Eleme and its competitors and at the same time know how these users react to different discounts. Questions like ‘which discount strategies attract you to a certain food delivery O2O platform’ and ‘what will you do when facing different kinds of discounts given by different platforms’ were asked, the questions are all closed questions (see appendix 2). According to Bryman & Bell (2011), the answers of closed questions are easy to process and closed questions can make it easier for the researcher to compare different answers.

The results of both interviews and questionnaires are analysed in next chapter based on the research presented above.

3.3 Data Analysis

The data analysis of this thesis is based on cross-sectional design, because there are two groups respectively of tenants and end-users of Eleme. The commercial tenants in this research are from either Shanghai or Weihai, the end-users are either students or workers and either from Shanghai or Weihai. Bryman & Bell (2011) indicates that a cross-sectional design analyses several different cases at the same time, for example, different groups of people or different places can be the variables, and this design can help

the researcher compare different preferences of different users of Eleme, so cross-sectional design is used for both interview results and questionnaire results.

After analysing data from the two parts, they should be combined together to figure out how platforms make discount strategies to satisfy both commercial tenants and ordinary end-users. The result of the interview show how commercial tenants cooperate with the O2O platform, which is a necessary base for analysing the result of the questionnaire to the end-users. When considering which discount strategy, the ordinary end-users prefer, knowledge of the business of commercial tenants is also essential.

3.4 Alternative Methods

The methodology of this thesis provides a way to gather information from different groups of Eleme users, commercial tenants and end-users. Each method is adapted to the characteristic of the specific group. For example, when gathering information from commercial tenants, a qualitative method, an interview, can provide deeper knowledge of opinions of the commercial tenants of Eleme. When collecting data from ordinary end-users, using questionnaires can get quantitative data which is an accurate choice to reach a wider group of respondents.

There are still some disadvantages of this methodology. When handing out questionnaires, it is difficult to find out the mother population and the data collected cannot represent all users of Eleme. Also, Shanghai and Weihai cannot represent all geographical areas of China. Individuals are different and economy and culture of different areas are surely different, so the result may not be representative from a strict statistical point of view. However, it is a start that could be viewed as a pre study to further research.

4 Result and Analysis

This chapter will analyse the collected data based on the research review presented. The result of interviews and questionnaires will be analysed separately first and then combined together, and the combination will be investigated in detail to answer the questions of this study.

4.1 Interviewing results and analysis

Representatives of eight businesses were interviewed from January 20, 2017 to February 20, 2017, through a semi-structured interview and the sample includes 4 commercial tenants in Shanghai and 4 commercial tenants in Weihai. In the interview, the respondents are asked to talk freely about the questions in the list (see appendix 1) through online video chat. From the interviewees' answers after the first interview, some conclusions were made and some follow up questions were asked in a further interview.

Each respondent was interviewed twice. There are four questions at the first interview:

1. How do commercial tenants cooperate with Eleme, the O2O food delivery platform, and how are the funds flow between them.
2. Who is the fund provider of these discounts, the commercial tenants or the platform? And how much does each party invest?
3. If discounts give commercial tenants a lot of benefits? If discounts do any harm to commercial tenants?
4. If the commercial tenants are unable to participate in the discount activity for some reasons, will it possible for them to negotiate with the platform?

After analysing the answers of the first interview, there were further questions about commercial tenants' advices for discount strategies of Eleme, which was because some respondents in the first interview expressed dissatisfaction with paying a lot for the discounts. All questions in the interviews could be answered freely, which shows the advantages of a qualitative method.

The detailed answers from respondents are showed in appendix 2. To make their long answers short and concise, the summary of their answers are showed as follows.

In the first question, the answers show that the cooperation modes between commercial tenants and the platform are similar no matter where the commercial tenants are. These commercial tenants give a fee to Eleme according to a certain percentage of their sales. Ordinary end-users pay for their food online and the platform collects money, commercial tenants can draw money they earned from the platform whenever they want. According to Emarket.com (2016), Chinese ecommerce sales grow rapidly and with the development of online payment, more and more customers will be attracted to O2O platforms. Eleme, the food delivery O2O platform, provides a platform with lots of ordinary end-users for its commercial tenants, so these commercial tenants pay Eleme for further

groups of customers and at the same time receive much more orders, and then everyone will win.

For the second question, the answers show that the fund provider for discounts is different in different periods and activities. In the early period, Eleme had not developed so well, so the discount activities were invested by the platform itself. An interviewee mentioned that Eleme had a discount strategy of cutting 20 RMB for new customers for their first order, and this was paid by the platform, and this strategy was for all areas. An interviewee in Shanghai mentioned that Eleme had a VIP system for end-users to charge 25 RMB per month to enjoy free food delivery given by Eleme, which was paid by the platform. An interviewee in Shanghai mentioned that Eleme had a discount activity of cutting 11 RMB for ordinary end-users who made an order over 15 RMB, and this activity lasted for almost one week, which was paid by the platform itself. With the development of the platform, Eleme got a massive customer base and the platform began to provide less and less funds for discounts. As a result, commercial tenants should spend more money to give discounts. Eleme put discount activities like cutting price when end-users buy food from a commercial tenant to a certain price, and commercial tenants should pay for these discounts themselves. Although this change led to the reduction of profits of each order, more orders can help commercial tenants earn more money, so these commercial tenants mostly chose to follow the discount strategies made by Eleme. The interviewees also pointed out that discount activities like giving a bonus for next order are paid by Eleme but discount activities like cutting price of the food if the ordinary end-users pay for an order to a certain price are paid by the commercial tenants. But there is a difference between Weihai and Shanghai. Two interviewees from Shanghai indicated that there was a kind of discount activity paid by both commercial tenants and the platform, which was giving drinks as a present. In this activity, Eleme paid for drinks together with commercial tenants. The interviewees from Weihai said they did not have this kind of activities so far. From the answers to this question, three kinds of price discount were taken by Eleme: cash discount, trade discount and promotional discount (net MBA, 2017).

For the third question, all interviewees pointed at the same problem, and that is giving discount can attract lots of customers at the beginning, but after several years, customers have already got used to discounts and are not as sensitive as before, but stopping discounts will cause loss of customers. An interviewee in Shanghai also pointed out that customers were used to O2O platforms and few people went to the physical restaurant, so it was a waste of money to pay for the rent of the house. As can be seen from this question, discount is not that useful as before but it is essential, which is a big challenge for commercial tenants. According to Ma, Lin & Zhao (2015), it is important to make sure of a relatively high profit margin and expected customer valuation before the start of online businesses, so it is important for Eleme to make sure of its high profit margin in the long term.

Answers to the fourth question are also relatively similar in the two cities. When commercial tenants are too busy to accept orders, they can choose to suspend platform orders

and re-start receiving orders after sending most of the accepted orders. Commercial tenants can also deny joining discount activities taken by the platform, but some interviewees claimed that if they did not join that, it would be harder for them to receive orders.

Other opinions of the commercial tenants were for instance that during rainy days the orders could be much more numerous than during sunny days.

After the first interview, the researcher found that interviewees were not so satisfied with the discount strategies, so in the second interview, the interviewees were asked about their suggestions to Eleme. Three of the interviewees from Shanghai said that the platform should decrease discount activities, because they thought discounts was a burden and the income without giving discounts was good. One interviewee in Shanghai mentioned that they had their own workers to make deliveries and hoped that Eleme could pay for these workers rather than asking workers of Eleme to make deliveries. Other advices are about reducing the fee charged by the platform and reducing money paid on discounts by commercial tenants.

4.2 Questionnaire data and analysis

The results of the questionnaires are showed through tables, because tables can show data and differences between variables directly. There are four different groups (Shanghai students, Shanghai workers, Weihai students and Weihai workers), so it is convenient to compare their different views through tables.

The questionnaire started on January 25, 2017 and stopped on February 11, 2017. The respondents are workers and students from Shanghai and Weihai. At first, there should be 40 persons of each group, for example, the group of workers from Weihai should be 40 persons, while this group had received 77 respondents after the questionnaire was stopped. The results of these questionnaires will be described as follows. The first two questions collected background data about the respondents, whether they were students or workers and where they currently lived.

The third question: Which take-away platform(s) are you using at present or have you used?

The question is “Which take-away platform(s) are you using at present or have you used?” and respondents can choose more than one choice. When it comes to the users of Eleme, the percentage of students from Shanghai who use Eleme is the biggest, which means that students in Shanghai are the biggest consumer group in the sample of this research. On the contrary, the percentage of workers form Weihai who use Eleme is the smallest. Table 1 shows that students who use Eleme are more than workers. As can be seen from the table, the competition of these three platforms is intense.

Table 1 Results for the third question

X\Y	Baidu take-away	Meituan take-away	Eleme	Others	Sum
Studying/Shanghai	27(60.00%)	34(75.56%)	39(86.67%)	6(13.33%)	45
Studying/Weihai	26(65.00%)	31(77.50%)	29(72.50%)	4(10.00%)	40
Working/Shanghai	15(37.50%)	27(67.50%)	26(65.00%)	8(20.00%)	40
Working/Weihai	34(44.16%)	58(75.32%)	19(24.68%)	11(14.29%)	77

The fourth question: If you are using other take-away platform except Baidu take-away, Meituan take-away and Eleme, what is the reason that you choose it?

This question is “If you are using other take-away platform except Baidu take-away, Meituan take-away and Eleme, what is the reason that you choose it?” and respondents can choose more than one choice. From this question, the researcher can not only know some points these three platforms may not do well in, but also find the important needs of these users. As can be seen from this table, students are more able to be attracted by big discounts than workers. It is interesting to find that workers care about the speed of delivery most. High food quality and multiple food types are also important to all of them, but when it comes to good service, workers cares about it more than students. The difference between two areas is that users in Shanghai care about discount and high food quality more than users in Weihai.

Table 2 Results for the fourth question

X\Y	Big discount	High food quality	Multiple food types	Quick delivery	Good service	Other reasons	Haven't used other take-out software	Sum
Studying/Shanghai	28(62.22%)	16(35.56%)	21(46.67%)	13(28.89%)	9(20.00%)	4(8.89%)	9(20.00%)	45
Studying/Weihai	24(60.00%)	12(30.00%)	21(52.50%)	22(55.00%)	10(25.00%)	1(2.50%)	10(25.00%)	40
Working/Shanghai	19(47.50%)	16(40.00%)	19(47.50%)	21(52.50%)	14(35.00%)	4(10.00%)	8(20.00%)	40
Working/Weihai	17(22.08%)	24(31.17%)	17(22.08%)	29(37.66%)	24(31.17%)	10(12.99%)	20(25.97%)	77

The fifth question: How did you get to know at first about the platform that you are using?

This question is “How did you get to know at first about the platform that you are using?” and respondents can choose more than one choice. The purpose of this question is to find out a proper way for advertisements. As can be seen from the table, most users get to know the platforms they are using from friends. According to Liu, Li, Peng & Zhang (2015), different purchasers will be attracted by different promotion strategies, and word-of-mouth promotion, price promotion and advertisement promotion are three kinds of promotion. In China, these platforms have a strategy of giving money back if you share the advertisement information with your friends for the next order. So in this question, word-of-mouth promotion and price promotion have a good effect. Besides, business cooperation promotion and Internet advertisements proved to be important, too. On

the contrary, TV advertisements are not that useful. In this research, it seems that users in Shanghai are more influenced by outdoor advertisements.

Table 3 Results for the fifth question

X\Y	From friends	Outdoor advertisements	TV advertisements	Internet advertisements	Business cooperation promotion (e.g. When you go to some restaurants, you will be told that using a certain take-away platform can enjoy discount for this meal.)	Sum
Studying/Shanghai	35(77.78%)	12(26.67%)	6(13.33%)	11(24.44%)	15(33.33%)	45
Studying/Weihai	32(80.00%)	5(12.50%)	3(7.50%)	12(30.00%)	16(40.00%)	40
Working/Shanghai	30(75.00%)	8(20.00%)	5(12.50%)	21(52.50%)	13(32.50%)	40
Working/Weihai	57(74.03%)	11(14.29%)	7(9.09%)	25(32.47%)	16(20.78%)	77

The sixth question: What is the main reason that you first used the take-away platform?

This question is “What is the main reason that you first used the take-away platform?” and respondents can choose more than one choice. The purpose of this question is to find factors of attracting users to O2O platforms. According to the table, convenience and quick speed is the most important factor for all respondents. It can be pointed out that users from Weihai are more able to be attracted by friends’ recommendation. As can be seen from the table, workers in Weihai do not care that much about discount.

Table 4 Results for the sixth question

X\Y	Friends’ recommendation	Discount	Convenience and quick speed	Being able to get food from more restaurants	Others	Sum
Studying/Shanghai	16(35.56%)	20(44.44%)	32(71.11%)	7(15.56%)	0(0.00%)	45
Studying/Weihai	18(45.00%)	18(45.00%)	25(62.50%)	10(25.00%)	1(2.50%)	40
Working/Shanghai	15(37.50%)	17(42.50%)	24(60.00%)	5(12.50%)	1(2.50%)	40
Working/Weihai	36(46.75%)	20(25.97%)	45(58.44%)	10(12.99%)	11(14.29%)	77

The seventh question: Which discount type(s) impressed you the most when you used the platform?

This question is “Which discount type(s) impressed you the most when you used the platform?” and respondents can choose more than one choice. Through this question, views from ordinary end-users about discount strategies will be learned. According to this table, more students are impressed by promotion than workers. Students order food almost every day in their schools and as a result, if there are some promotional discounts (net MBA, 2017), students are more able to know that than workers, because workers may not order food through O2O platforms as often as students. When it comes to the percentage of returning money for ordering, workers are relatively more impressed by this factor. Besides, returning money for sharing with friends and free delivery are also

important. When it comes to the last choice, not many respondents choose it but it is obvious that workers are more impressed by enjoying long-time discount by paying a fee.

Table 5 Results for the seventh question

X\Y	Returning money for ordering	Returning money for sharing with friends	Promotion	Free delivery	Members can enjoy long-time discount by paying a fee	Sum
Studying/Shanghai	10(22.22%)	14(31.11%)	32(71.11%)	16(35.56%)	3(6.67%)	45
Studying/Weihai	15(37.50%)	14(35.00%)	29(72.50%)	21(52.50%)	2(5.00%)	40
Working/Shanghai	22(55.00%)	18(45.00%)	23(57.50%)	21(52.50%)	5(12.50%)	40
Working/Weihai	27(35.06%)	14(18.18%)	35(45.45%)	35(45.45%)	15(19.48%)	77

The eighth question: If another take-away platform gives more discounts than the one you are using, what will be your choice?

This question is “If another take-away platform gives more discounts than the one you are using, what will be your choice?” and respondents can only choose one choice. According to this table, most users choose to change to the other platform with more discounts or try to use the new platform and make a comparison, but users from Shanghai are more willing to continue using the old platform than Weihai.

Table 6 Results for the eighth question

X\Y	Continue using your old platform	Changing to the other platform with more discounts	Try to use the new platform and make a comparison	Sum
Studying/Shanghai	8(17.78%)	19(42.22%)	18(40.00%)	45
Studying/Weihai	8(20.00%)	17(42.50%)	15(37.50%)	40
Working/Shanghai	10(25.00%)	13(32.50%)	17(42.50%)	40
Working/Weihai	8(10.39%)	31(40.26%)	38(49.35%)	77

The ninth question: What kind of discount strategies can keep you using the platform?

This question is “What kind of discount strategies can keep you using the platform?” and respondents can only choose one choice. According to this table, the reason for keeping students is most about charging less for food. Workers are not so influenced by charging less for food as students, and when it comes to charging less for delivery, workers like it more than students. Besides, workers are more attracted by membership system.

Table 7 Results for the ninth question

X\Y	Charging less for food	Charging less for delivery	Membership system (e.g. exempting delivery fees of the month if members charge at the beginning of the month)	Sum
Studying/Shanghai	27(60.00%)	15(33.33%)	3(6.67%)	45
Studying/Weihai	27(67.50%)	11(27.50%)	2(5.00%)	40
Working/Shanghai	21(52.50%)	15(37.50%)	4(10.00%)	40
Working/Weihai	30(38.96%)	31(40.26%)	16(20.78%)	77

The tenth question: If you become a VIP (Very Important Person) of a certain platform and can enjoy certain discount, what will you do to other platforms?

This question is “If you become a VIP (Very Important Person) of a certain platform and can enjoy certain discount, what will you do to other platforms?” and respondents can only make one choice. A VIP system is for keeping loyal customers and it can also be used in O2O platforms. In this question, although some people shows no interest in becoming a VIP of some companies, most respondents think they will reduce attention to other platforms and some respondents choose the first choice, no more consideration for other platforms.

Table 8 Results for the tenth question

X\Y	No more consideration for other platforms	Reducing attention to other platforms	I do not want to become a VIP of any company	Sum
Studying/Shanghai	6(13.33%)	32(71.11%)	7(15.56%)	45
Studying/Weihai	8(20.00%)	29(72.50%)	3(7.50%)	40
Working/Shanghai	6(15.00%)	25(62.50%)	9(22.50%)	40
Working/Weihai	18(23.38%)	47(61.04%)	12(15.58%)	77

The eleventh question: If you are satisfied with everything of the current platform except that there is no discount, will you stop using it?

This question is “If you are satisfied with everything of the current platform except that there is no discount, will you stop using it?” and respondents can only make one choice. According to this table, nearly a half of the users choose the third choice (Still use it but also use other platforms providing discounts), which shows that discount strategies are important for many users. Besides, more respondents from Shanghai are more likely to still use the current platform with no discount than respondents from Weihai.

Table 9 Results for the eleventh question

X\Y	Yes	No	Still use it but also use other platforms providing discounts	小计
Studying/Shanghai	6(13.33%)	15(33.33%)	24(53.33%)	45
Studying/Weihai	12(30.00%)	10(25.00%)	18(45.00%)	40
Working/Shanghai	6(15.00%)	15(37.50%)	19(47.50%)	40
Working/Weihai	13(16.88%)	16(20.78%)	48(62.34%)	77

The twelfth question: What negative factors have you experienced from discount?

This question is “What negative factors have you experienced from discount?” and respondents can make more than one choice. According to this table, slow delivery and low food quality are the two biggest negative factors for these respondents. Besides, respondents from Shanghai are more influenced by poor service attitude than respondents from Weihai. This table also shows that more workers have not been influenced by negative factors than students, but more than 60% of respondents have experienced negative factors caused by discounts.

Table 10 Results for the twelfth question

X\Y	Slow delivery	Low food quality	Poor service attitude	Others	I have not been influenced by negative factors	Sum
Studying/Shanghai	27(60.00%)	25(55.56%)	16(35.56%)	7(15.56%)	4(8.89%)	45
Studying/Weihai	26(65.00%)	20(50.00%)	11(27.50%)	2(5.00%)	7(17.50%)	40
Working/Shanghai	16(40.00%)	19(47.50%)	12(30.00%)	4(10.00%)	11(27.50%)	40
Working/Weihai	31(40.26%)	35(45.45%)	19(24.68%)	10(12.99%)	21(27.27%)	77

The thirteenth question: If negative factors come with more discounts (such as slow delivery and low food quality), what would you do?

This question is “If negative factors come with more discounts (such as slow delivery and low food quality), what would you do?” and respondents can only make one choice. According to the result of this question, when negative factors come with more discounts, about 15% respondents choose accepting negative factors and still appreciate the discount of each group, which are of a small percentage. More than half of the respondents choose to give up the platform during discount and turn to other platforms with good service except workers from Weihai, but they are still feeling dissatisfied with these negative factors.

Table 11 Results for the thirteenth question

X\Y	Give up this platform during discount and turning to other platforms with good service	Accept negative factors and still appreciate the discount	Continue using the platform, but feeling dissatisfied with the negative factors	Sum
Studying/Shanghai	27(60.00%)	7(15.56%)	11(24.44%)	45
Studying/Weihai	23(57.50%)	7(17.50%)	10(25.00%)	40
Working/Shanghai	21(52.50%)	6(15.00%)	13(32.50%)	40
Working/Weihai	28(36.36%)	11(14.29%)	38(49.35%)	77

4.3 Comprehensive analysis

According to Guo, Wang & Yang (2013), when customers hesitate to pay for certain services, the company can take five measures to attract them, which have been mentioned in chapter 2. The results of question four (see in table 2) shows that giving discount is a good measure taken by platforms to attract students, workers care more about the speed of food delivery and other services, which shows that the latter are easier to attract through concentrating on quality of food and training employees of the restaurant to provide good service. The results of question five (see in table 3) shows that oral spreading and promotion as two measures play an important role in attracting customers to platforms. When it comes to advertisement, business cooperation (see in table 3) and Internet advertisement are useful and respondents from Shanghai are more easily attracted by outdoor advertisements, maybe because Shanghai is more crowded than Weihai and outdoor advertisements can be seen by more people, and this shows that different segmentations are different and they should be treated differently by a suitable marketing mix to make sure of gaining profit (Solomon et al., 2013).

According to Wreden (2002), leveraging the segmentation strategy is important for discount strategies. According to question six (see in table 4), the respondents of workers from Weihai are not so focused on discounts, which shows that discount strategies are not so important to some groups, and they think convenience and quick speed is the most important thing, so it is essential to understand customers' characteristics and preferences to save investments and meet the needs of customer segments (Gabler, Myleslanders & Reynolds, 2017). The answer to question seven about discount types also shows that segmentation strategy is important for discount strategies, because promotional discount influences students a lot, while giving cash discount for the next order and VIP systems are more attractive for workers.

Guo, Wang & Yang (2013) also pointed out that normal competitors always follow the company who increase the price or decrease the price and the market leader can take their own measures according to different situations. Eleme, the market leader of food delivery O2O platforms, are giving different discounts almost all the time, because the market of

this industry is very sensitive and to stop discounts may cause many problems. In the interviews, most commercial tenants of Eleme claimed that discounts are efficient at the beginning, while after several years, competitors that keep giving discounts and then ordinary end-users have got used to discounts, so, if they stopped giving discounts, orders would decrease immediately. According to the results of question eight and eleven, most ordinary end-users choose to try new platforms with discounts even though the platform without discount they are using can satisfy them. So, it is important to balance the benefits between commercial tenants and ordinary end-users. According to the answers to question nine, different segmentations show interests in different discount strategies, and this result shows a possibility in setting up different discount strategies mixes for different segmentations, which can reduce the burden of both Eleme and its commercial tenants. The results of question ten show that a VIP system is a good weapon for competition among food delivery O2O platforms. Brennan (2016) points out that Alibaba invested a lot to Eleme, so Eleme should use them to give discounts wisely to meet these different needs from different segmentations, which can help Eleme save money and keep its users at the same time.

Guo, Wang & Yang (2013) state that analysing service processes and surpassing benchmark companies are two important measures for improving service quality (as mentioned in chapter 2). The service quality during discounts is very important. The answers of question twelve shows that more than 60% of the respondents have experienced bad factors caused by big discounts, and slow delivery and bad quality of food is the two biggest bad influences. According to the answers to question thirteen, about 85% of the respondents are unsatisfied with bad influences caused by discounts, and some of them will stop using the platform during discounts because of bad influences. Commercial tenants is the part who provide food to ordinary end-users directly, and according to the interviews, interviewees can stop incoming orders if discounts bring them too many and Eleme established its own food delivery team to make sure of the service quality of the process of food delivery, but some commercial tenants have their own employees working on delivering food, which should be negotiated further.

5 Conclusion and discussion

In this chapter, conclusion and discussion of this thesis will be presented, and suggestions for further researches will be given after these two parts.

5.1 Conclusion

Relevant theories are used to understand needs of both commercial tenants of Eleme and ordinary end-users of food delivery O2O platforms for discount strategies. Eleme takes measures to face these challenges of discount strategies analysed in chapter 4, and they are concluded as follows:

1. End-users are easily attracted by discounts and promotion can impress end-users a lot. Eleme invested a lot to give big discounts during a short time to occupy the market at the beginning of its development.
2. End-users can get used to discounts and price war can influence the platform in the long term. Eleme decreased the investment on giving discounts when it succeeded in attracting a lot of users, and Eleme began to share the cost for giving discounts with its commercial tenants.
3. Different segmentations show different preferences to different discount strategies. Eleme advertised itself respectively to different segmentations with discount strategies.
4. End-users like discounts and they may give up platforms without discounts and they also need high service quality. During the competition, Eleme kept on giving discounts and improved its service quality at the same time.
5. End-users feel uncomfortable with problems caused by discounts and service quality is very important in competition. Eleme took measures to solve problems caused by discount strategies. For example, it set up its own delivery system to improve its service quality.

5.2 Discussion

After analysing the results of the research, Eleme is proved to be a successful food delivery O2O platform and it makes many good discount strategies. From this study, some interesting points shows up and they will be discussed as follows:

1. According to the interviews, some interviewees pointed out that in rainy days, orders would be more numerous than in sunny days, so seasonal discount strategy can be considered and discounts in rainy days can be decreased to earn more profit and reduce the burden caused by too many orders.
2. Eleme paid attention to the market segmentation and attracted them through different advertisements, but discount strategies can also be segmented further to meet the different needs of different segmentations. Besides, Eleme notices that occupation is an essential variable, but variables like geographical area can also be given more attention, which is because differences between areas are obvious according to this research.
3. According to the interviews, commercial tenants are not so satisfied with the current

discount strategies. Opinions of commercial tenants should be taken seriously, and only paying attention to attract ordinary end-users may harm commercial tenants.

4. The result of interviews shows that long term discount strategies have its shortcomings, and the results of the questionnaire show that ordinary end-users think quality of food and services are also very important reasons for them to choose certain O2O platforms. So, it is better to continue to give discounts but decrease the investments on discounts and pay money for improving quality of food and services, which may make the platform more competitive and develop well in the long run.

5. According to the result of the questionnaire, a VIP system is of great potential for further development of O2O platforms, even though different segmentations have different opinions on this. So O2O platforms can make discount strategies through VIP systems to be competitive and make customers loyal.

6. Eleme is one of the biggest food delivery O2O platforms in China, and based on the answers of end-users, Eleme can learn from its competitors to make itself stronger.

5.3 Suggestion for further research

In this thesis, Eleme is the case to be studied, while it is a kind of food delivery O2O platform, which may not represent all kinds of O2O platforms, so other kinds of O2O platforms should be investigated in further researches.

Something about expanding to investigations on customers with a strict quantitative approach, that is through collecting data from a randomized sample of end-users which requires access to an eventual register of them. Otherwise a large randomized sample of end-users of any platform could be used.

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Appendix 1

Interview questions:

1. How do commercial tenants cooperate with Eleme, the O2O food delivery platform, and how is the funds flow between them?
2. Who is the fund provider of these discounts, the commercial tenants or the platform? And how much does each party invest?
3. If discounts give commercial tenants a lot of benefits? If discounts do any harm to commercial tenants?
4. If the commercial tenants are unable to participate in the discount activity for some reasons, is it possible for them to negotiate with the platform?

Appendix 2

Answers of interviews from respondents:

1. Chongqing Hotpot (A restaurant in Shanghai covering an area of about 50 square meters which is near to schools)

In the first interview: My restaurant gives Eleme a fee according to a certain percentage of our sales and we can draw money from the platform whenever we want. Some discount activities are paid by my restaurant, and some discount activities are paid by both Eleme and my restaurant, for example, there was an activity named giving drinks for free to end-users who make an order, but this kind of discount activities are not as good as cutting price when end-users buy food from a commercial tenant to a certain price. The discount activity of giving a bonus for next order is paid by Eleme, while cutting price when end-users buy food from a commercial tenant to a certain price is paid by commercial tenants. Sometimes the orders are too many because of discount activities but there are not enough workers, the time for delivery may be longer so customers become angry, but we can choose to stop receiving new orders until accepted orders have been delivered. We can deny some discount activities but other restaurants are still giving discounts and if we do not, there will be little orders for us. Customers have already got used to discounts and if I do not give discounts, my customers will be attracted my competitors easily.

In the second interview: I hope that Eleme can pay for activities like giving drinks as presents itself, because giving drinks to end-users can not attract many customers for my restaurant while I have to pay for that together with the platform. Less discount activities can be better.

2. Shanghai Snack (A restaurant in Shanghai covering an area of about 140 square meters which is near to schools)

In the first interview: We give a fee to Eleme according to a certain percentage of the sales of our restaurant. Eleme had a discount activity of cutting 20 RMB for new customers for their first orders, and this kind of discount activity is paid by Eleme. Eleme had a discount activity of cutting 11 RMB for ordinary end-users who made an order over 15 RMB, and this activity lasted for almost one week, which was paid by Eleme, but that week was rainy, you know, during rainy days the orders could be much more numerous than during sunny days, so it was very hard for our workers to deliver food for so many times in rainy days. Regular discount activities like cutting price of 2 RMB for each order are paid by me rather than Eleme. Discount activities decrease the profit of each order but more orders can be received, so we can also earn money from that. We can refuse to join discount activities suggested by Eleme but we rarely do that because discounts can help us get more orders. After all, customers like discounts and stopping discounts will cause loss of customers.

In the second interview: At first, discounts were useful in attracting customers but almost all commercial tenants give discounts now, so discounts are not as useful as before. I hope Eleme can reduce discount activities to reduce our burden of price competition.

3. Timo Sushi (A restaurant in Shanghai covering an area of about 40 square meters which is near to office buildings)

In the first interview: Our restaurant gives a fee to Eleme. At the start the platform paid more for these discount activities than us, but now more discount activities are paid by commercial tenants. Some discount activities like VIP enjoying free delivery through paying 25RMB by ordinary end-users per month are led by Eleme. Customers are used to O2O platforms for their discounts and convenience, few customers go to physical restaurant, so it is a waste of money to pay for the rent of the house. If the orders are too many because of discounts, we will suspend orders through the platform and re-start receiving orders after sending most of the accepted orders. We can deny joining discount activities taken by Eleme.

In the second interview: We have our own workers to make deliveries and hope that Eleme can pay for our own workers rather than asking workers from Eleme to make deliveries.

4. Zhang Jie Kao Rou Fan (A restaurant in Shanghai covering an area of about 150 square meters which is near to office buildings)

In the first interview: We give a fee to Eleme according a percentage of our sales. Both the platform and commercial tenants are fund providers of discount activities. Some discount activities are paid by Eleme like cutting 20 RMB for the first order for new customers, some discount activities are paid by commercial tenants like cutting price when end-users buy food to a certain price. There is a kind of discount activity paid by both commercial tenants and the platform, which is giving drinks as a present. We have not met big harm caused by discounts and we can give discounts when Eleme ask me to do so. I find that giving discounts can attract lots of customers at the beginning, but after several years, customers have already got used to discounts and are not as sensitive as before, while stopping discounts will cause loss of customers.

In the second interview: Eleme always ask commercial tenants to join some discount activities but I do not think it is a good idea. I am tired with these discount activities and the income without giving discounts is good.

5. South Korean Dish (A restaurant in Weihai covering an area of about 90 square meters which is near to schools)

In the first interview: Eleme is not free of charge, we need to give the platform a fee according to our sales. At first the platform paid for discount activities but now most spending on discounts are paid by commercial tenants. Discount activities attracted lots

of customers and increased the amount of orders in the past, but these discounts have little effect on sales now. When we are too busy to accept new orders, we can close our online restaurant for a while and re-start receiving orders after sending most of the accepted orders, we can also do not give discounts as other commercial tenants but the amount of orders for us will be decreased a lot.

In the second interview: Eleme charged commercial tenants for too much, it will be great if the fee can be decreased. Because the fee influences our income a lot and we feel uncomfortable with that.

6. HIT Spicy Hot Pot (A restaurant in Weihai covering an area of about 250 square meters which is near to schools)

In the first interview: We need to give a fee to Eleme according our sales on this platform, Eleme charges 5% of our sales automatically. At first the platform paid for discount activities but now most spending on discounts are paid by us. Discount activities like giving a bonus for next order are paid by Eleme, discount activities like cutting price when end-users buy food to a certain price are paid by commercial tenants. We can accept about 50 orders per day when it is cold outside, because people love spicy food when they feel cold, but orders are few in hot weather. When it rains, we can accept up to about 100 orders per day. At the beginning we can earn a lot of money from these discount activities but now it has already become a necessary selection for all commercial tenants to give discounts because the restaurant without discounts can hardly get some orders from ordinary end-users.

In the second interview: We hope that the platform can spend more money on discount activities and commercial tenants can pay less for the platform and these discount activities.

7. Mengyin Spicy Chicken (A restaurant in Weihai covering an area of about 50 square meters which is near to office buildings)

In the first interview: Commercial tenants give a fee of 5% of their sales to the platform. At first the platform pay for all discount activities and now discounts are mainly paid by commercial tenants. Profits from the platform are too low in recent years, which is quite different from before. So, we decided to give up the O2O platform and only provide food in our physical restaurant.

In the second interview: We do not want to use the platform any more because we think that the money Eleme charge is too much. We hope that Eleme can decrease the charge and ease the burden of commercial tenants.

8. Shen Gui Pie (A restaurant in Weihai covering an area of about 300 square meters which is near to office buildings)

In the first interview: We give a fee to Eleme according a certain percentage of our sales. The money we earn from end-users' orders are saved in our account of the platform. We can draw money whenever we want and normally we settle accounts every three days. Eleme paid for discounts at startup, while commercial tenants should pay for these discount activities now. Three years ago, discount activities really helped us earn much money, but bad influences of discounts showed up in recent years, our profits became lower because of too many discounts and we could not stop discounts because orders would decrease significantly when there was no discount. Sometimes the orders are too many and our restaurant becomes very busy, so we asked more workers to deliver food to make sure that ordinary end-users can get their food in time.

In the second interview: We hope that the platform can pay more for discount activities to attract customers, because the payment for discounts could be a burden for commercial tenants.

Appendix 3

Questionnaire:

Questionnaire on Discount and Promotion of Take-away Platform

Dear Mr. / Ms.:

Hello! Thank you for filling out this questionnaire in your busy schedule. This is a purely academic questionnaire which is meant to investigate influences of discount and promotion strategies on take-away platforms. If you have never used any take-away platform, you should not continue to fill in this questionnaire. Anonymity is adopted for this questionnaire and your answers will not be provided to any enterprises and it is merely used for analysis in academic research. Please fill out the questionnaire according to your real situations. On most questions, I only want you to choose one alternative as answer, and then it says one choice. On some questions, you can choose several alternatives, it says multiple choice.

Thank you for your cooperation. Wish you a successful study or work and healthy life!

1. Your current occupation is (One choice)
 - A. Studying
 - B. Working

2. Your current area is (One choice)
 - A. Shanghai
 - B. Weihai

3. Which take-away platform(s) are you using at present or have you used? (Multiple choice)
 - A. Baidu take-away
 - B. Meituan take-away
 - C. Eleme
 - D. Others

4. If you are using other take-away platform except Baidu take-away, Meituan take-away and Eleme, what is the reason that you chose it? (Multiple choice)
 - A. Big discount
 - B. High food quality
 - C. Multiple food types
 - D. Quick delivery
 - E. Good service
 - F. Other reasons
 - G. Haven't used other take-out software

5. How did you get to know at first about the platform that you are using? (Multiple choice)
- A. From friends
 - B. Outdoor advertisements
 - C. TV advertisements
 - D. Internet advertisements
 - E. Business cooperation promotion (e.g. When you go to some restaurants, you will be told that using a certain take-away platform can enjoy discount for this meal.)
6. What is the main reason that you first used the take-away platform? (Multiple choice)
- A. Friends' recommendation
 - B. Discount
 - C. Convenience and quick speed
 - D. Being able to get food from more restaurants
 - E. Others
7. Which discount type(s) impressed you the most when you used the platform? (Multiple choice)
- A. Returning money for ordering
 - B. Returning money for sharing with friends
 - C. Promotion
 - D. Free delivery
 - E. Members can enjoy long-time discount by paying a fee
8. If another take-away platform gives more discount than the one you are using, what will be your choice? (One choice)
- A. Continue using your old platform
 - B. Changing to the other platform with more discount
 - C. Try to use the new platform and make a comparison
9. What kind of discount strategies can keep you using the platform? (One choice)
- A. Charging less for food
 - B. Charging less for delivery
 - C. Membership system (e.g. exempting delivery fees of the month if members charge at the beginning of the month)
10. If you become a VIP (Very Important Person) of a certain platform and can enjoy certain discount, what will you do to other platforms? (One choice)
- A. No more consideration for other platforms
 - B. Reducing attention to other platforms
 - C. I do not want to become a VIP of any company

11. If you are satisfied with everything of the current platform except that there is no discount, will you stop using it? (One choice)

- A. Yes
- B. No
- C. Still use it but also use other platforms providing discounts

12. What negative factors have you experienced from discount? (Multiple choice)

- A. Slow delivery
- B. Low food quality
- C. Poor service attitude
- D. Others
- E. I have not been influenced by negative factors

13. If negative factors come with more discount (such as slow delivery and low food quality). What would you do? (One choice)

- A. Give up this platform during discount and turning to other platforms with good service
- B. Accept negative factors and still appreciate the discount
- C. Continue using the platform, but feeling dissatisfied with the negative factors

Here is the end of the questionnaire. Thank you for your cooperation again!



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