

Temu: Can You Shop Like a Billionaire Forever?

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Abstract. This case focuses on the online retailer Temu. Created in 2022 in the US as a sister company of the Chinese retailer Pinduoduo, Temu has experienced meteoric international growth, expanding to 49 countries in about 16 months. The case presents this international development and explores the multifaceted reasons for its impressive growth. It also investigates the limitations of this growth, as they may hinder Temu’s further expansion. Instructors in international business, strategy, supply chain management, or marketing may use this case to discuss the challenges of implementing a business model that has supported incredibly quick international development but raises questions concerning its long-term sustainability.

Keywords: international strategy, sustainability, marketing, supply chain, e-commerce.

1. 2015-2022: From Pinduoduo to Temu

Temu (pronounce ‘tee-moo’) is a Boston-based “e-commerce company that connects consumers with millions of merchandise partners, manufacturers, and brands.” Temu sells vast quantities of products, primarily unbranded, at such low prices that many customers considered it a scam when it launched in the United States in September 2022¹. Far from a scam, however, it is an actual company that originates from Chinese e-commerce giant Pinduoduo (or PDD Holdings), known for its innovative approach to online retail.

1.1. Pinduoduo: “Together, more savings, more fun”

Founded in 2015 in Shanghai, where its headquarters are located, Pinduoduo started as a mobile-first platform for selling fresh produce in China. With its slogan “Together, more savings, more fun,” Pinduoduo invited consumers to

1. <https://www.businessinsider.com/what-is-temu-chinese-app-amazon-safe-legit-pinduoduo-2023-3?r=US&IR=T>

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combine their orders for perishable goods, creating a unique demand aggregation model (even if individuals can buy items directly, but at a higher price than a group²). This approach catered to individual consumers and linked them directly with farmers, fostering a new kind of e-commerce ecosystem. It rapidly gained traction in the Chinese market. It expanded beyond perishable products by offering cut-price, white-labeled, or unbranded goods, targeting lower-income and rural demographics while remaining faithful to its initial approach of sharing, exploring, and purchasing together³.

This strategy of mixing social purchases, deep discounts, and a diverse range of products allowed Pinduoduo to carve out a significant market share in China, distinguishing itself from established leading players like Taobao and JD.com⁴. This distinctive positioning helped Pinduoduo amass a significant user base, reaching 882 million annual active users as of March 2022 (that is, 88% of China's estimated one billion internet users⁵), and working with 11 million merchants⁶. To further support its development, Pinduoduo was listed on the Nasdaq on July 26, 2018⁷. Not long after it launched Temu, the firm also changed its name from Pinduoduo Inc. to PDD Holdings Inc. in February 2023⁸. This change aimed to reflect its evolution from a single platform to “*a multinational commerce group that owns and operates a portfolio of businesses*”⁹.

Interestingly, PDD Holdings' revenues grew from \$14.7 billion in 2021 to \$34.9 billion in 2023, resulting in a staggering CAGR (Compound Annual Growth Rate) of 183% over the last three fiscal years. The firm made 62% of its revenues from online marketing services in 2023, followed by transaction services (38%). The firm's rapid growth seemed to weaken in the first half of the year, with revenues of \$13.4 billion in Q2, up 86% year-on-year, versus +131% in Q1 2024 (Appendix 1: Origin of PDD Holdings Revenues).

1.2. Temu: “Team up, price down” to “shop like a billionaire”

After a meteoric development in China, Pinduoduo Chief Executive Chen Lei viewed cross-border e-commerce as a great opportunity for the company to keep growing¹⁰. The creation of Temu can thus be regarded as a strategic move to

2. <https://www.cnn.com/2020/04/22/what-is-pinduoduo-chinese-ecommerce-rival-to-alibaba.html>

3. <https://en.pinduoduo.com/group>

4. Temu Is Losing Millions of Dollars to Send You Cheap Socks

5. China's Pinduoduo Quietly Launches U.S. E-Commerce Site Temu; Temu is the latest example of Chinese companies expanding overseas as the economy loses steam at home

6. <https://newsable.asianetnews.com/business/where-does-temu-ship-its-items-from-snt-rms0gz>

7. <https://ir.nasdaq.com/news-releases/news-release-details/nasdaq-welcomes-pinduoduo-nasdaq-pdd-nasdaq-stock-market>

8. <https://www.marketscreener.com/quote/stock/PDD-HOLDINGS-INC-45049866/news/Pinduoduo-Inc-has-Changed-its-Name-to-PDD-Holdings-Inc-42952947/>

9. <https://en.pinduoduo.com/group>

10. <https://www.wsj.com/articles/chinas-pinduoduo-quietly-launches-u-s-e-commerce-site-temu-11662131454>