

Pinduoduo's Q3 earnings are a rare bright spot for China's retail outlook

Article

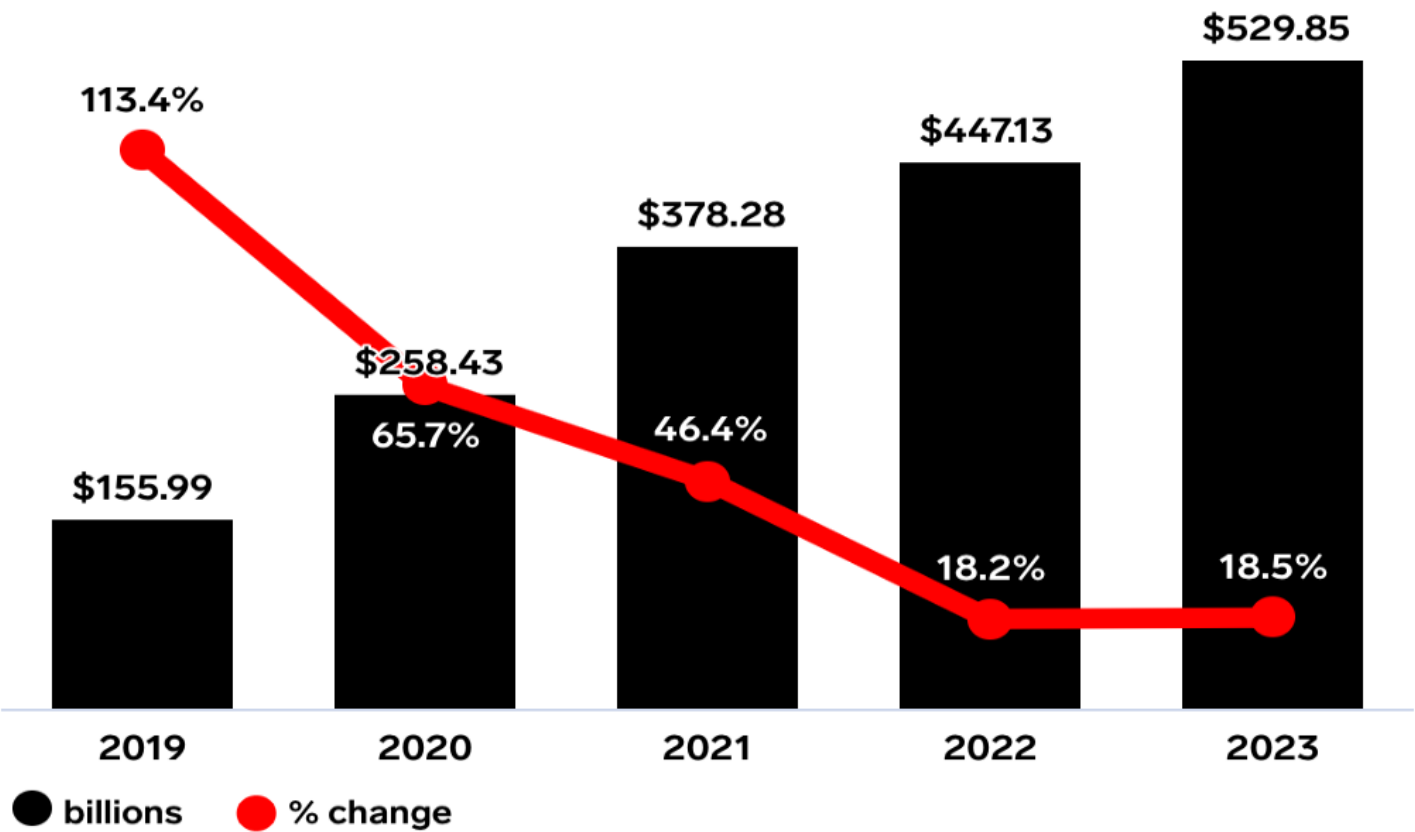
The news: Pinduoduo's revenues grew by nearly two-thirds (65%) in Q3—far outpacing that of rivals [JD.com](#) and [Alibaba](#), making the etailer a rare bright spot in [China's otherwise gloomy retail landscape](#).

- Revenues from **marketing and other services** generated the bulk of Pinduoduo's revenues, growing 58% year-over-year (YoY) to \$3.97 billion.

- The company's non-GAAP operating profits rose 277% YoY to \$1.73 billion.

Pinduoduo Retail Ecommerce Sales

China, 2019-2023



Note: all years converted to USD using 2021 exchange rates; Exchange Rate; includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets; excludes Hong Kong

Source: eMarketer, June 2022

eMarketer | InsiderIntelligence.com

Zooming in: Like **Shein**, Pinduoduo’s strategy is to connect farmers and manufacturers directly with consumers. This allows it to keep prices low and lets producers react quickly to changes in demand.

But like other China-based retailers, Pinduoduo is contending with softening demand from domestic consumers as Beijing's zero-COVID measures—and now growing protests against those measures—depress spending.

- That's why Pinduoduo is shifting gears to focus on cross-border sales with [Temu](#), its discount ecommerce platform, as it tries to capitalize on US shoppers' price sensitivity.
- Almost half (49%) of [US online shoppers](#) listed affordability as a top reason for buying products from international sellers, per a Global-e survey.
- So far, its efforts appear to be paying off: While Pinduoduo declined to give specifics about Temu's performance during its latest earnings call, the app has consistently ranked highly on [both the iOS and Android app stores](#) since its launch in September.

The big takeaway: Pinduoduo may find itself unable to deliver on international expectations as protests against Beijing's zero-COVID lockdowns roil factories and cities.

- **Apple** could face a shortfall of [6 million iPhones](#) this year as workers at its Zhengzhou manufacturing facility revolt against food shortages and quarantine restrictions, per Bloomberg.

*This article originally appeared in Insider Intelligence's **Retail & Ecommerce Briefing**—a daily recap of top stories reshaping the retail industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

- Are you a client? [Click here to subscribe.](#)
- Want to learn more about how you can benefit from our expert analysis? [Click here.](#)