

Temu parent PDD's weak Q3 points to challenges ahead

Article

The news: Temu's explosive overseas growth wasn't enough to rescue parent **PDD Holdings** from the challenges weighing on [consumer spending in China](#) in Q3.

- PDD's total revenues grew 44% YoY to RMB 99.4 billion (\$14.1 billion), short of the RMB 102.8 billion (\$14.5 billion) analysts expected.

- Profits also missed expectations: The company’s net income rose 61% YoY to RMB 25 billion (\$3.5 billion), below the RMB 26.6 billion (\$3.8 billion) consensus estimate.

What it means: Up until very recently, PDD was the fast-growing upstart challenging the dominance of **Alibaba** and **JD.com** in China’s ecommerce market. But the tables appear to be turning somewhat: The company said that it expects to be “disadvantaged against our competitors for some time to come,” citing its relative lack of experience and the limitations of its third-party platform.

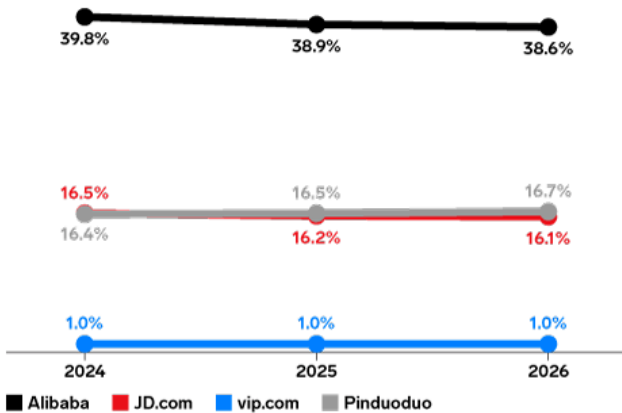
- Despite relatively sluggish growth in the previous quarter, both Alibaba and JD.com are benefiting from Beijing’s trade-in subsidies for autos and appliances, which boosted their [Singles Day](#) performances as well as China’s [October retail sales](#).
- However, the structure of PDD’s marketplace meant it was unable to capitalize on those consumption shifts and had to incur considerable costs to ensure similar products were available to shoppers—costs which it expects will continue to weigh on profitability in the near term.
- Alibaba’s recent move to consolidate its ecommerce operations—including its domestic **Tmall** and **Taobao** platforms and fast-growing international ecommerce arm—into a single entity will also help make it more competitive with PDD, enabling it to become a nimbler and more efficient organization.

Our take: While PDD’s revenues continue to grow at a healthy clip, it faces more intense competition domestically as well as from international players like [Amazon](#), [Shein](#), and [TikTok Shop](#)—not to mention the increased scrutiny of [Temu’s business practices](#) from governments worldwide.

Those pressures could force the company to take a more measured approach to expansion and to adopt a more sustainable [advertising strategy](#) that focuses on retention and boosting customer lifetime value.

Alibaba, JD.com, and Pinduoduo Are the Leaders in Retail Ecommerce Sales in China

% of total retail ecommerce sales in China, by company, 2024-2026



Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales; excludes Hong Kong
Source: EMARKETER Forecast, July 2024

286885

EMARKETER

This article is part of EMARKETER's client-only subscription Briefings—daily newsletters authored by industry analysts who are experts in marketing, advertising, media, and tech trends. To help you finish 2024 strong, and start 2025 off on the right foot, articles like this one—delivering the latest news and insights—are completely free through January 31, 2025. If you want to learn how to get insights like these delivered to your inbox every day, and get access to our data-driven forecasts, reports, and industry benchmarks, [schedule a demo with our sales team](#).