

# China's sluggish reopening hindered Pinduoduo owner's growth

Article

**The news:** Pinduoduo owner PDD's Q4 revenues grew 46% year-over-year (YoY) to 39.82 billion yuan (\$5.79 billion)—far outpacing rivals [JD.com](#) and [Alibaba](#). However, that result fell

short of Refinitiv estimated revenues of 41.01 billion yuan (\$5.96 billion).

- Revenues from marketing and other services accounted for the majority of PDD's revenues, growing 38% YoY in Q4 to 30.97 billion yuan (\$4.49 billion).
- The company's non-GAAP operating profits rose 38% YoY to 11.60 billion yuan (\$1.68 billion).

China's strict zero-COVID-19 policy cast a shadow over much of PDD's Q4, which contributed to the company's slower-than-expected growth.

**China's economic situation:** [China's gross domestic product](#) grew 3% last year, its weakest annual performance in decades, and well short of its 5.5% official target.

- **Retail growth slowed last year in China.** Retail ecommerce sales growth decelerated from 14.0% in 2021 to 6.1% last year, per our [Retail & Ecommerce Sales, China forecast](#). We expect retail ecommerce growth to reach 8.0% this year.
- **There are signs that [China's economy](#) is on the upswing**, including companies ranging from **Walmart** to **Ralph Lauren** noting an uptick in demand and traffic from Chinese consumers.
- **However, a return to the days of rapid growth is unlikely**, particularly given Beijing is not engaging in any large-scale fiscal stimulus to jolt spending. That's one reason PDD is looking to other growth channels such as its **Temu** shopping app.

**Temu's growth strategy:** PDD has [big ambitions](#) for Temu, which has been growing extremely quickly. The app went from zero to 44.5 million unique visitors between September and December of last year, according to Comscore.

- In the long term, PDD aims for Temu to directly compete with **Amazon** and **eBay**. And, in the short term, it wants it to surpass **Shein's** gross merchandise volume (GMV) for at least one day by the time of its one-year anniversary on September 1, per Bloomberg.
- It is off to a good start. Temu generated nearly \$200 million in sales in January alone, even before its buzzy [Super Bowl ad](#) aired.
- PDD fueled Temu's rapid growth with expensive and aggressive [paid media](#) and active influencer strategies that include unboxing videos, try-on hauls, and promo codes. But it remains unclear whether it can turn short-term interest into lasting gains.

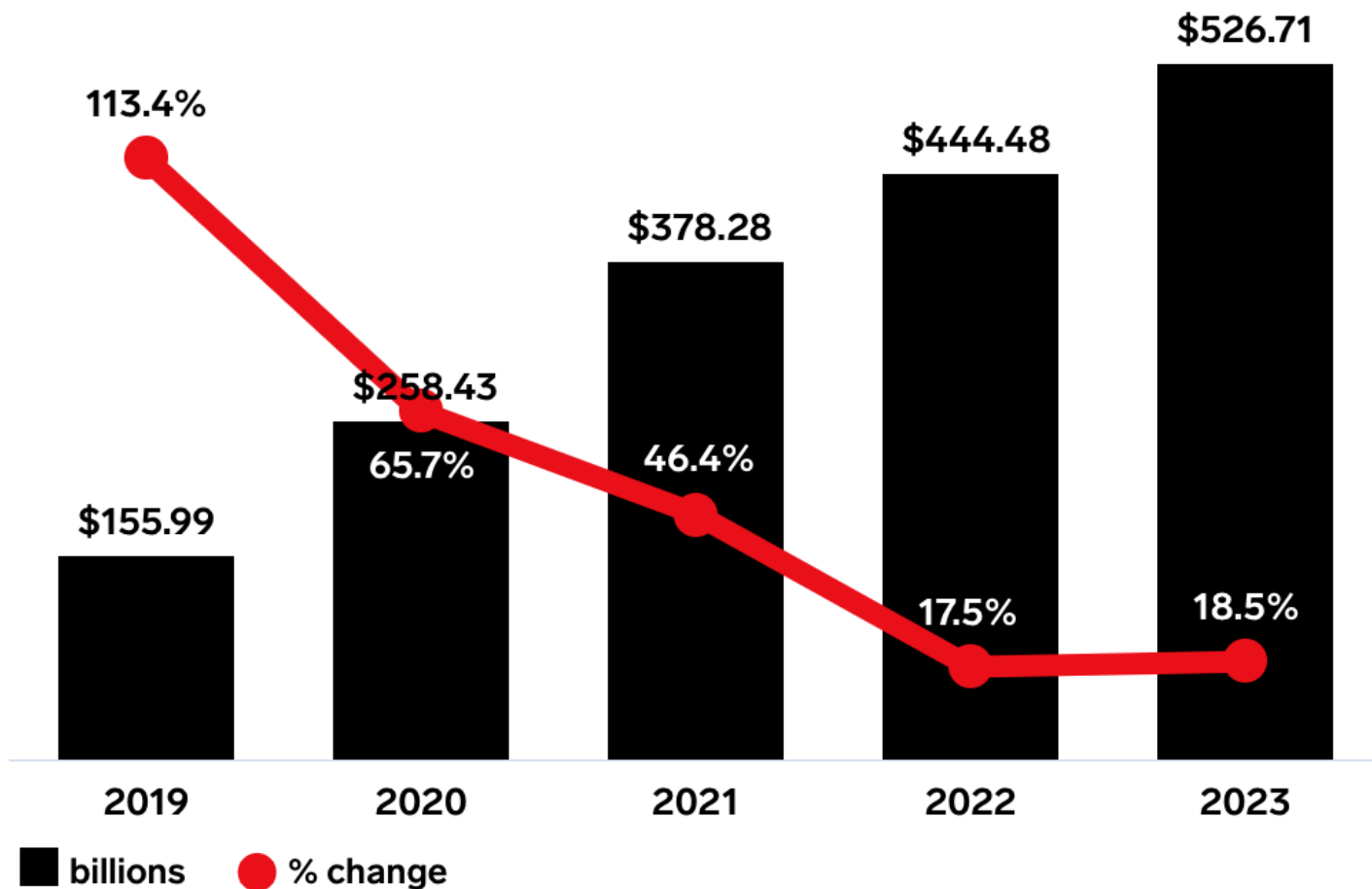
**The big takeaway:** The end of China's zero-COVID-19 policy hasn't unleashed the flood of consumer spending that some expected. Instead, China's consumer spending recovery is off to a relatively slow start with retail sales rising just 3.5% YoY in January and February, [per](#) China's National Bureau of Statistics.

- That's unlikely to change in the short term as many Chinese consumers remain reluctant to spend.
- That's why PDD is wise to seek to diversify its business via Temu. That said, it's unclear whether it can find [long-term profitable growth](#) when its early-stage capital rationalizes.

**Go further:** For more on China's ecommerce landscape, read our [China Ecommerce Forecast 2022](#).

## Pinduoduo Retail Ecommerce Sales

China, 2019-2023



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, December 2022

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