

# *Response to the challenges posed by the "coupon clipping" phenomenon: a case from the Internet platform company Meituan*

Sun Hanya, Zhang Yixin, Zeng Luyao, Xu Lei, Chai Qi, Wang Weidong

*School of Humanities and Foreign Languages, China Jiliang University, Hangzhou, Zhejiang, 310018, China*

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**Abstract:** In recent years, internet-based platform companies play an increasing important role in human social life. On May 15, 2021, the president of the People's Republic of China (PRC) presided over the ninth meeting of the Central Finance and Economics Committee and iterated that China's internet-based platform companies is witnessing a key development stage. They are suggested to be farsighted, complement their weakness, bolster weak points in the platforms in both the long and short terms, create innovative business environment and cope with prominent contradictions and problems. Furthermore, the standardized healthy sustainable development of internet-based platform companies can be promoted. Internet-based platform companies as immerging products in the Internet Era demonstrate issues such as development insufficiency and inadaptability to supervision systems, even deriving “coupon clipping economy”. These issues add to pressure on their development while invigorating their activities. This research takes an internet-based platform company Meituan as example to explore the effect arising from “coupon clipping” behavior in the development process of internet-based platform companies and also provides some development suggestions.

## 1. Introduction

“Coupon clipping” behaviors can be categorized into two types (ordinary “coupon clipping” behavior and specialized “coupon clipping” behavior) according to whether actors are malicious or not. For the ordinary “coupon clipping” behavior, users use coupons released by internet-based platforms and shared by their friends to purchase the platform products and services. For example, Meituan set the 18th day of each month as the Divine coupon Festival in order to attract users' attentions. The users can receive the divine coupons on the 18th day of each month. Using the coupons received, users can have a discount for 18 yuan off as long as they buy products of 30 yuan.

For the specialized “coupon clipping” behavior, users fulfill their “coupon clipping” behavior on the premise of knowing flaws of platforms or shops. Such behaviors are usually organized “econnoisseur” behaviors that use systematic flaws in the platforms for gaining profits. Econnoisseurs are divided into two types (technical and labor union gangs). The former refers to virtual machine users manipulated by fraudulent gangs; the latter can be seen as occupational “coupon clipping”

behavior characterized by pyramid schemes.

## 2. The development status of “coupon clipping” behavior in internet-based platform companies

In 2007, "Taobaoke (Taobao speculators)" who help Taobao sellers promote their products and earn commissions arose, which are considered as the earliest batch of econnoisseurs. In around 2014, the number of peer-to-peer (P2P) online lending platforms P2P shows an explosive growth. Various P2P online lending platforms attract new users to register using a huge number of promotional budgets. Some people found the route of sudden wealth by means of "coupon clipping", a phenomenal emerging occupational group—"econnoisseur" arises. [1]

Especially in recent years, in the Internet Tidal Wave, swift growth of the platform economy provides chances for internet-based platform companies such as Meituan. These platform companies have been widely known by business enterprises and consumers due to its characteristics such as integration and convenient service. These companies have been putting increasing emphasis and their loopholes have attracted criminals' attentions. Meituan as a leading internet-based platform company, has Apps including Dianping and Meituan's food delivery service. Its services cover food delivery service, retails, taking taxi, *etc.* However, Meituan in its business process is also nagged by malicious “coupon clipping”. For instance, in October 2020, the defendant Mr. Xu swindled a total of 452,823.86 yuan within six months after he found the loopholes (in the mechanism of advance payment for refund application) of Meituan's food delivery service. This malicious “coupon clipping” event results in a big economic loss of Meituan[5].

In 2017, organizations such as FreeBuf, a portal website in the cybersecurity industry released a report which stated that there were about 1.1 million “coupon clipping” gangs engaged. As of 2020, China's “econnoisseur” gray market exceeds 100 billion yuan, which seriously affects healthy development of internet-based platform companies.[2]

## 3. Effect of “Coupon clipping” behavior on internet-based platform companies

### 3.1. Positive effect of “coupon clipping” on internet-based platform companies

From the perspective of consumers, “coupon clipping” behavior can allow them to buy same products or services with a lower price; while coupons are exhibited to consumers in the forms of discount vouchers, red envelopes and so on, which eliminates consumers' misgiving to a certain degree and stimulates their purchasing desire.

For the platform enterprises, rational “coupon clipping” behavior can not only help the platform enterprises promote their brand popularity, but also attract more consumers to further increase profits. Although the discount promotion released by the platform enterprises can reduce their profit to a certain degree, it can facilitate the platform enterprises to expand their market, thus increasing their market share. Especially during the coronavirus epidemic period, physical stores face operational crisis. In such circumstance, “coupon clipping” behavior can reelevate the problem about inventory pileup and increase the platform enterprises' popularity.

For the platform, “coupon clipping” behavior can bring about huge benefits, attract more users and also enhance market competitiveness of the platform. For example, Meituan food delivery service releases activities such as "Discount red envelopes for the full deduction" and "daily discount vouchers", to attract more users to order Meituan's food delivery service while the platform can extract profits from the consumed money per order to achieve profitability. The development of the platform economy demands higher to the online retailers. The number of the e-commerce platform soars, giving rise to more intense competition. The platforms release a large number of promotional activities to attract and thus retain users to improve their activity.

Judging from the market, reasonable “coupon clipping” behavior can facilitate the orderly competition among internet-based platform companies. At first, sustainable development of the platforms does not only merely rely on internet technology, but also depend on the number and activity of users. The platform retailers promote their products by way of releasing versatile coupon strategies, which frequently come into consumers’ sights. Furthermore, market competition should abide by the principle of integrity. For instance, in the strategy for users to experience compensation promoted by Meituan, namely, users book hotel rooms at Meituan. If the hotel is fully booked upon check-in or users fail to find out the location of the booked hotel, Meituan can full refund deposits while providing extra additional compensation, which confirms to the measures of generation of rational “coupon clipping” behavior. In doing so, Meituan’s credibility can be well established.

### **3.2. Negative effect of “coupon clipping” on internet-based platform companies**

#### **3.2.1. Damage to consumers and the platform’s benefits**

The platform economy develops using the internet. Various platforms on the market unavoidably experience systemic loopholes, which further induce some negative effects. For instance, the criminal case of Li Moujia in Meituan, due to the reason of the occupation, Li Moujia is more sensitive to online discount information. After finding the loopholes in the compensation strategy of Meituan, he used multiple debit cards to commit concentrated crimes and defraud a huge amount of money from Meituan. His behavior cast increasing users’ doubt on the business capability of Meituan; the credibility of Meituan linearly drops. Thus, the illegal and malicious “coupon clipping” behavior of Li Moujia not only increases the economic burden of internet-based platform companies, but also influences the normal business activities of internet-based platform companies[6].

#### **3.2.2. Disturbance of the market order**

Rational “coupon clipping” behavior can promote the order competition in the market, however, excessive, or illegal “coupon clipping” behavior can trigger inappropriate market competition. For example, Didi and Meituan which are in the tech battle are competing to introduce taxi preferential policies. Meituan Dache (ride hailing service) continuously released Multiple-time 50% off discount coupons, weekly preferential cards of using one yuan to get 120 yuan, etc, in an attempt to insanely grab previously dominant taxi market by Didi. Under the crazy attack (intensive promotional activities) of Meituan, many taxi drivers begun to use Meituan’s preferential “coupon clipping”, namely, the order sweeping. Users colluded with drivers, namely, after getting to know the drivers’ location and license plate, users intentionally placed orders at surrounding areas of the drivers’ location. Then users and drivers got a 50-50 split in profits. It was reported that there are professionals who specialize in order sweeping black production in the WeChat group where ride-hailing drivers gather. They help the driver find multiple short distance passengers, allowing the drivers earn 14 yuan which was then shared with the driver in a 50-50 split[7]. High subsidies lead to a series of issues such as that taxi drivers became fastidious about orders, explosive growth of order and violating traffic order for the purpose of order grabbing, which seriously disrupts the market order. In addition, an increasing number of internet-based platform companies inrush. The quality of internet-based platform companies is much uneven. The online retailers are morally ambiguous (a mix of good and evil), the issues about the insufficient degree of market supervision occur. Illegal “coupon clipping” behavior has become a stumbling block for maintaining normal market order.

#### **3.2.3. Formation of the black and gray industrial chain**

Owing to daily management of laws and regulations stipulated by present internet-based platform

companies is incomplete and immature. This makes some outlaws who hold a speculative mentality to exploit platform loopholes and utilize the internet technology register false accounts for further Trojan horse implantation and publish phishing websites, etc. The outlaws have seen “coupon clipping” as a business. For instance, the Li Moujia’s case aforementioned belongs to a type of malicious false account registration. Rather than enjoying by himself, Li Moujia incited his relatives to join in the “coupon clipping” group and establish many studios in multiple cities, consequently forming a black and gray complete systematized industrial chain.

In another case of the malware type programming, Xia Mou from Shanghai programmed Meidongzhong Software for swindling the subsidies of online trading platforms including Meituan and Ele.Me(which means “Are you hungry?” in Chinese) to proactively peddle and incite other people to make money. Since March 2017, he specially established a QQ communication group for the "Meidongzhong Client Exchange Group" and import their clients with some methods of swindling Meituan’s subsidies. They formed a complete “coupon clipping” industrial chain: Li Moujia used loopholes of Meituan to program malware software, then the clients in the QQ group used the malware software to defraud subsidies [8].

Therefore, although there are numerous heavy lessons drawn from other’s mistakes, huge money temptation behind the “coupon clipping” leads some outlaws to trail on the verge of law, which attracts an increasing number of people to join in to promote the growth of the black and gray coupon industrial chain. This results in huge amounts of economic losses of civilians and the Meituan platform. [3]

#### **4. Suggestions for future development of internet-based platform companies**

For continuously emerging malicious “coupon clipping” behavior, voices that requires government to stipulate policy measures for standardizing and regulating development of internet-based platform companies are increasing. For instance, Article 35 in the E-commerce Law that came into effect on January 1, 2019 states that E-commerce platform operators must no use service agreements, transaction rules, and technological measures to impose irrational restrictions or conditions on the transactions, prices, and transactions with other operators within the platform, or to charge unreasonable fees to operators in the platform. On June 24, 2022, the Antitrust Laws revised emphasizes that internet-based platform companies are prohibited from engaging in monopolistic behavior and have established a sound system for centralized classification and hierarchical censorship of business operators. Although the law issued can protect business legal rights of internet-based platform companies to a certain degree, the platform enterprises will be doomed to “cannon fodder” of “The Internet Tidal Wave” if they do not make change.

According to current situations, internet-based platform companies can make a change from perspective of marketing modes. Taking Meituan as an example, although it can stipulate fantastic gameplay with discounted profits to attract users to fulfil “coupon clipping” so as to increase the times that users consume on the platform. In doing so, Meituan can gain profits through promoting exposures. However, for the sake of long-term development and increase user stickiness, Meituan should transform their business philosophy, innovate marketing approaches, and improve the quality of products and services from the supply chain, making users willing to pay a bill for the platform’s promotional activities. Meanwhile, malicious “coupon clipping” behavior is not only abhorred by internet-based platform companies but also a tricky issue faced by governments. Hence, Meituan is suggested to strengthen communications with other relevant internet-based platform companies and governments to fully utilize the benefits of the sharing resources, and enhance the coordination, create favorable internet business environment. Based on this, “econnoisseur” can be smothered in the cradle. [4]

## 5. Conclusion

Nowadays, internet-based platform companies see their booming development. Various “coupon clipping” events lead to economic loss, which reveals the loopholes of internet-based platform companies in terms of risk supervision. Generation of “coupon clipping”, underlying motivations and their influences have been the focus of media attentions. How to well regulate internet-based platform companies’ business operations and promote forces from governments, social organizations, etc. to realize multiple aspects of regulations of “coupon clipping” behavior. This has high demands to high-quality economic development and has been an important challenging issue faced by the increasing scale of the platform economy.

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