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ARTICLE

How Does Diversification Affect Financial Performance? Evidence from a Case Study of Meituan Group

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Abstract

In the current era, characterized by constant changes in the market landscape, enterprises seeking development face numerous risks and challenges. Adopting a diversified operations strategy has emerged as a critical direction for companies aiming to break through competition in homogeneous product markets. As an early adopter of diversification among Chinese internet platform enterprises, Meituan has achieved significant results through its diversified operations, ultimately realizing synergies among its various business units. Therefore, studying Meituan's diversification strategy and its outcomes holds considerable significance. This paper elaborates on the research background, purpose, and significance of diversification studies and systematically outlines the concepts and importance of diversification research. It examines Meituan's diversification strategy from three perspectives: the implementation context, development history, and specific manifestations of the strategy. Furthermore, it analyzes the pathways through which diversification impacts financial performance and conducts a comprehensive evaluation using four financial indicators: solvency, operational capability, profitability, and growth capability.This paper takes Meituan as the research object and employs case study method and financial analysis method to conduct a correlational analysis on the impact of diversified operations on Meituan's financial performance. It is found that there is a significant correlation between diversified operations and the improvement of enterprise financial performance. It is concluded that Meituan's diversified operation strategy has a positive impact on the enterprise, but it also brings some problems and challenges to Meituan. This research focuses on exploratory case analysis, aiming to reveal the correlation path between diversified strategy and financial performance, and providing reference for similar platform enterprises.

Keywords: Meituan; Diversified Operations; Financial Performance; Impact Analysis

1. INTRODUCTION

With the deepening of global economic integration and increasingly fierce market competition, the operating environment for enterprises has become more complex and volatile [1]. In this context, companies seeking to explore new markets and increase revenue sources often adopt diversified operations strategies to consolidate their development [2]. Simply put, diversified operations refer to a business approach where a company engages in multiple different businesses within the same or different industries [3]. The impact of diversified operations on corporate financial performance has consistently attracted significant attention.

Beijing SanKuai Online Technology Co., Ltd. (hereinafter referred to as Meituan), as a leading e-commerce enterprise in China, provides a successful practical case through the effective implementation of its diversified operations strategy [4]. This study selects Meituan as a case to explore the impact of diversified operations on corporate financial performance. By analyzing Meituan's practices in diversified operations and its financial performance, this research examines how diversification influences financial indicators such as solvency, operational capability, profitability, and growth capability. The aim is to provide insights that can help enterprises increase operating revenue, enhance market competitiveness, guide entrepreneurs and decision-makers to prioritize risk dispersion,

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offer theoretical support and empirical evidence for related research fields, and suggest new approaches for future studies on the impact of diversified operations on financial performance [5].

This paper takes Meituan as its research object and employs methods such as case study and financial analysis to investigate the impact of diversified operations on Meituan's financial performance. The paper is structured into five chapters. Chapter 1 is the introduction, discussing the research background, purpose, significance, and main content. Chapter 2 defines related concepts, explaining the concepts of financial performance and diversified operations. Chapter 3 analyzes Meituan's diversified operations strategy, elaborating from three aspects: implementation background, development history, and specific operational strategies. Chapter 4 analyzes the pathways through which the diversified operations strategy impacts Meituan's financial performance and examines the specific effects on financial performance through the lenses of solvency, operational capability, profitability, and growth capability, concluding with findings. Chapter 5 provides recommendations from a management perspective for implementing diversification strategies, based on Meituan's experience.

2. DEFINITION OF RELATED CONCEPTS

2.1. Concept of Corporate Financial Performance

Corporate financial performance refers to the role and outcomes in financial aspects achieved by financial personnel in driving the enterprise towards its strategic objectives during daily operations. It is an integral part of the corporate financial management system. Corporate financial performance can be viewed broadly and narrowly [6]. Broadly, financial performance refers to the extent to which overall corporate financial goals are achieved and the status of financial risk management. It focuses not only on profitability and economic efficiency but also emphasizes the comprehensiveness and integration of financial management, as well as the overall performance of the enterprise in the market [7]. Narrowly, financial performance primarily concerns the enterprise's performance on specific financial indicators, which are typically used to directly measure economic efficiency and operational status. It focuses more on specific manifestations in areas such as solvency, operational capability, profitability, and growth capability. This paper bases its research on the following four indicators reflecting corporate financial performance to study the impact of Meituan's diversified operations on its financial performance [8].

(1) Solvency: Solvency is the ability of an enterprise to fulfill its long-term and short-term debt obligations using its assets. This capability is a core element in measuring whether an enterprise can operate soundly and develop sustainably. It directly reflects the robustness of its financial condition and the effectiveness of its management, serving as an important indicator of healthy development. Key metrics include the asset-liability ratio, current ratio, and quick ratio.

(2) Operational Capability: Operational capability refers to the efficiency of an enterprise's operations, i.e., its ability to effectively utilize various assets to generate profits. This capability reveals the status of fund circulation and turnover, acting as a crucial driver for optimizing asset management, improving asset utilization efficiency, and ultimately enhancing profitability. Key evaluation indicators include inventory turnover ratio, accounts receivable turnover ratio, and total asset turnover ratio.

(3) Profitability: Profitability is the ability of an enterprise to generate profits over a specific period. Increases in profit amounts and profit margins directly reflect enhanced corporate profitability. Through in-depth analysis of profitability, managers can effectively identify and address issues in operations and management. Key evaluation indicators include gross profit margin, net profit margin, return on equity (ROE), and return on assets (ROA).

(4) Growth Capability: Growth capability refers to the potential of an enterprise to expand its business scale and strengthen its overall capabilities based on stable operations. Key measures include the growth rate of operating revenue and the growth rate of total assets, which together reflect the potential and trends of future development.

2.2. Concept of Diversified Operations

Diversified operations, also known as diversification or multi-business strategy, describe a strategy where an enterprise chooses to engage simultaneously in two or more different industries or product areas [9]. It involves expanding the business scope and achieving diversified development through acquisitions, mergers, or developing new business areas, building upon the original main business. The aims include expanding market share, dispersing operational risks, and improving profit levels. The strategy of diversified operations is suitable for medium and large-sized enterprises, as it can fully utilize idle resources, expand the business scope, and bring benefits such as reducing management costs of idle resources, alleviating pressure from external competition, dispersing business risks, and enhancing corporate strength and influence [10]. Diversified operations are generally categorized into related diversification and unrelated diversification [11].

2.2.1. Related Diversification

Related diversification occurs when the various businesses of an enterprise share significant substantive similarities. It involves the enterprise venturing into new industries, developing new products, or providing new services based on its original industry or products, where the new field is substantially related to the original one [12]. In this mode, when involved in different business modules, the enterprise can fully share and utilize existing production technology, efficient management skills, broad marketing channels, and user resources, thereby achieving synergies among businesses, creating stronger combined force, and reducing production and operational costs. In recent years, diversified operations have commonly been based on core competencies, gradually expanding outward while maintaining close ties to these core competencies.

2.2.2. Unrelated Diversification

Unrelated diversification occurs when the various businesses of an enterprise lack substantive similarities. The enterprise enters entirely new fields that have no substantial connection to its original business, emphasizing that each business can provide attractive profit opportunities. The strategic purposes include dispersing financial risk, allocating financial resources to the most profitable opportunities, reducing volatility in profit levels, and increasing shareholder value [13].

3. ANALYSIS OF MEITUAN'S DIVERSIFIED OPERATIONS STRATEGY

3.1. Development and Current Status of Domestic E-commerce Technology

With the global proliferation of the internet and changes in consumer shopping habits, the e-commerce industry has experienced rapid development. E-commerce, defined as business activities selling goods or providing services via information networks like the internet, is a crucial component of the digital economy [14]. In 1998, B2B e-commerce companies such as Alibaba and Made-in-China.com were established. In 2003, B2C platforms like Taobao and JD.com emerged, marking the beginning of rapid development for e-commerce in China. During this period, the market scale continued to grow. Between 2012 and 2016, the number of online shopping users surged significantly, from 242 million to 467 million, nearly doubling. Industrial support continuously strengthened, network infrastructure conditions gradually improved, and enterprise internet adoption rates rose steadily. Particularly in 2016, the proportions of enterprises engaged in online sales and online procurement both increased by over 10 percentage points, reaching 45.3% and 45.6% respectively, indicating strong growth momentum in the e-commerce sector, with a market scale of 24.5 trillion RMB. Subsequently, the national e-commerce transaction volume grew year by year. By 2023, the national e-commerce transaction volume reached 46.83 trillion RMB. Meanwhile, the annual online retail sales reached 15.42 trillion RMB, making China the world's largest online retail market for the 11th consecutive year, hitting a record high [15].

The vigorous development of domestic e-commerce relies on its vast user base and advanced internet technology, which together form a solid foundation and strong driving force. Major e-commerce platforms continuously enhance user experience and service quality through technological and business model innovations. For example, they utilize big data to analyze user behavior for precise marketing and personalized recommendations; they employ artificial intelligence for intelligent customer service and warehouse management to improve operational efficiency and service levels.

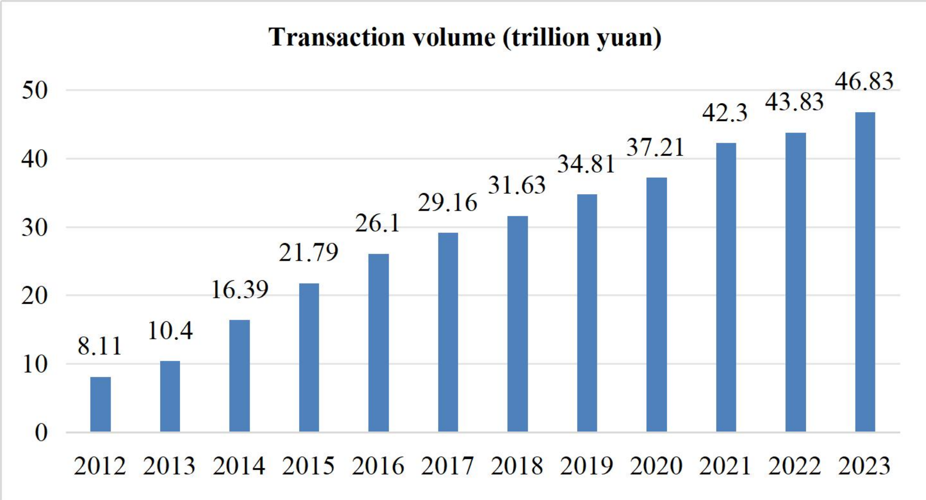

Figure 1. E-commerce Transaction Volume 2012-2023

3.2. Overview of Meituan's Development

Meituan is a technology retail company and one of China's leading life service e-commerce platforms. Since its establishment in March 2010, it has been committed to promoting the digital upgrade of both demand-side and supply-side in service retail and product retail, fulfilling its corporate mission of "Helping everyone eat better, live better." Through multiple rounds of financing, mergers and acquisitions, and business adjustments, Meituan's business scope has expanded to cover food delivery, in-store services, hotel and travel bookings, movie ticketing, homestays, comprehensive local services, housekeeping services, ride-hailing, bike-sharing, entertainment, finance, and other areas, achieving comprehensive coverage from its original focus on "food, drink, and entertainment" to encompassing "clothing, food, housing, and transportation." With the rapid development of mobile phones and the internet, Meituan has integrated its services into all aspects of daily life, effectively meeting public demand [16].

In its development, Meituan has continuously expanded its business scope, always leveraging existing resources, core technology, marketing prowess, and management capabilities to provide services. After over a decade of growth, Meituan has built a leading national one-stop life service e-commerce platform covering "food, drink, and entertainment." On June 22, 2018, Meituan submitted an IPO application to the Hong Kong Stock Exchange. It officially listed on the HKEX on September 20, 2018. That year, its operating revenue reached 65.23 billion RMB, nearly doubling year-on-year; the gross transaction value on its platform reached 515.64 billion RMB, a 44.3% increase. By 2020, Meituan's main businesses maintained steady growth, with annual revenue surpassing 100 billion RMB for the first time, reaching 114.8 billion RMB. The number of online marketing merchants and annual transacting users on the Meituan platform grew to 6.8 million and 510 million, respectively. By 2023, its operating revenue had reached 276.745 billion RMB, with gross profit nearing 100 billion RMB. Currently, the major business categories displayed on Meituan's platform include Food, Delivery, Ride-hailing, Hotel & Travel, Local Services, Entertainment, Learning & Training, and Public Welfare, providing clear guidance for consumers to quickly find the services they need. As one of China's leading e-commerce platforms, Meituan holds a significant position in the industry [17]. In the future, it will continue to introduce new products and services into existing businesses, enhance network effects, and increase user loyalty. By improving technological capabilities and expanding more value-added services, it aims to transition from business model innovation to technological innovation.

3.3. Analysis of Meituan's Diversified Operations Strategy

3.3.1. Background of Diversification Implementation

(1) From the perspective of the market environment: As market competition intensifies and consumer demands diversify, an increasing number of enterprises adopt diversified operations strategies to address challenges and seek growth opportunities. This strategy can help Meituan disperse risks, capture more market opportunities, and enhance overall competitiveness.

(2) From the perspective of corporate development: The implementation of a diversification strategy is often related to the surplus capacity of corporate resources. Enterprises accumulate resources such as brand reputation, technology, and capital during operations, which can be utilized to expand into new business areas under certain conditions. For Meituan, the technology and user base accumulated in its food delivery service provided the potential to enter other life service domains.

(3) The implementation of the diversification strategy is also related to Meituan's internal governance structure. Effective internal governance can improve the efficiency of resource allocation, enabling the enterprise to better manage a diversified business portfolio.

3.3.2. Development History of Diversification

Meituan's diversification strategy development path is a journey from single-category group-buying services to expansion into multiple business areas. Its development history can be divided into the startup phase, the expansion phase, and the strategic merger & further diversification phase, each with specific strategic focuses and achievements.

1) Startup Phase (2010-2011)

Meituan.com was founded by Wang Xing in 2010, initially as a group-buying website offering discounted services to users. In its early days, Meituan focused primarily on the catering sector, providing discounted meal group-buying services. Although diversification had not yet begun, the success of its group-buying model allowed Meituan to accumulate a large base of users and merchant resources, laying the foundation for subsequent diversified development.

2) Initial Diversification Expansion Phase (2012-2015)

As user demands grew and the market environment evolved, Meituan gradually expanded into other areas. In 2012, Meituan launched online movie ticket booking services, entering the film industry. In 2013, it further expanded by introducing hotel bookings and online food delivery services. This year marked the beginning of Meituan's food delivery business, which gradually became one of its core operations. Around 2014, Meituan launched travel ticket booking services, expanding into the tourism sector [18]. By this point, Meituan had preliminarily completed the transition from a single group-buying business to a diversified service platform. In 2015, Meituan strategically merged with Dianping.com, forming the "New Meituan-Dianping" (Xin Meida). This merger solidified Meituan's position in the local life services market.

3) Strategic Merger and Further Diversification (2016-Present)

After the merger, Meituan further integrated resources and launched travel ticket booking services, continuing its expansion. In 2016, Meituan introduced services like Kuailui for restaurant B2B supply, expanding into the supply chain sector. In 2017, Meituan pilot-tested fresh grocery business with "Xiaoxiang Shengxian." In the same year, it also launched ride-hailing services, further broadening its service range. By then, Meituan had developed into a comprehensive life service platform covering catering, delivery, hotels, travel, movies, fresh groceries, transportation, and more. In 2018, Meituan was listed on the Hong Kong Stock Exchange, becoming one of the unicorn companies in China's internet industry. Post-listing, Meituan continued to increase investment in technology, driving innovation and business expansion. It also acquired Mobike, significantly strengthening its position in the mobility sector. To date, Meituan has become one of China's largest life service e-commerce platforms, providing users with a one-stop solution for life services. By 2022, Meituan's main businesses covered multiple areas of local life, ranking 103rd in the Fortune Global 500. Evolving from an initial group-buying website to a comprehensive life service platform spanning multiple domains, Meituan has secured a significant market position through its strong brand influence and technological prowess.

3.3.3. Manifestation of Meituan's Diversified Operations Strategy

Meituan's diversified business modules primarily include Food Delivery services, In-store, Hotel & Travel services, New Initiatives, and other technology services.

1) Food Delivery Services

Meituan started as a group-buying website but quickly expanded into food delivery. Meituan's food delivery service connects numerous restaurants with consumers through an online platform, facilitating convenient ordering and delivery. Consumers can browse various dishes on the platform, make selections based on preference, and enjoy fast, accurate delivery. With its wide selection, competitive pricing, and quality service, Meituan Food Delivery meets the daily dining needs of millions, becoming an integral part of many people's lives. Simultaneously, through technological innovation and intelligent delivery systems, Meituan has improved order processing efficiency and delivery speed, enhancing the consumer experience. Consequently, Meituan has achieved tremendous success in the food delivery sector, becoming China's largest food delivery service provider.

2) In-store, Hotel & Travel Services

Meituan's In-store services offer convenient offline experiences for dining, entertainment, etc., allowing customers to make online reservations and enjoy discounts. Hotel services include hotel bookings and flight ticket purchases, meeting users' travel needs. Travel services are comprehensive, providing not only attraction tickets and tour group bookings but also guide services, travel guides, and itinerary planning, enabling customers to better plan and enjoy their trips. Meituan is committed to offering one-stop services, making the in-store, hotel, and travel experience more convenient and comfortable for users [19].

3) New Initiatives and Other Technology Services

Meituan's diversified operations have expanded into many new businesses to meet the growing and varied demands of its user base. These new initiatives include Meituan Youxuan (community group buying) and Meituan Maicai (grocery delivery), providing convenient and affordable fresh food and daily necessities. Additionally, there are restaurant supply chain services aimed at helping restaurant merchants optimize supply chain management and improve operational efficiency. Furthermore, Meituan has ventured into transportation areas like ride-hailing and bike-sharing, offering more convenient and eco-friendly mobility options.

Beyond new businesses, Meituan also provides leading technology services. Through its technology service cooperation center, Meituan offers partners rich API interfaces and solutions, supporting merchants in system development, application integration, and data analysis. These technology services aim to help merchants operate more effectively, serve users better, and drive the digital upgrade of the entire industry.

4. IMPACT OF DIVERSIFIED OPERATIONS ON MEITUAN'S FINANCIAL PERFORMANCE

4.1. Pathway Analysis of the Impact on Financial Performance

This chapter aims to analyze the correlation between Meituan's diversified operations and its financial performance. It should be noted that this study employs a longitudinal single-case research method to reveal the logical connection and evolution trend between strategic behaviors and financial performance. The advantage of case analysis lies in its ability to deeply explore the complex mechanisms in specific situations, but its conclusions have certain limitations in terms of the strictness of causal inference. The financial performance of enterprises is influenced by multiple factors such as the macroeconomic environment, industry competition, technological changes, and specific shocks. In the analysis of this paper, possible external influencing factors will be pointed out, and the logical argument of the "strategy-performance" correlation will be strengthened mainly by comparing the financial trend changes before and after the implementation of the diversified strategy, as well as the corresponding relationship between key strategic nodes and financial fluctuations. Future research can adopt multi-case comparison or econometric methods to further control confounding variables to enhance the reliability of causal inference.

4.1.1. Business Diversification Increases Operating Revenue

Meituan's diversified operations strategy has significantly impacted its revenue. Since entering a rapid growth phase around 2016, expanding from food delivery into hotel bookings, movie ticketing, bike-sharing, etc., this diversification has effectively diversified revenue sources and substantially increased total operating revenue. As shown in Table 1 and Figure 2.

Table 1. Meituan's Operating Revenue and Gross Profit 2016-2023 (100 Million)

Year	Operating Income	Gross Profit
2016	129.88	59.41
2017	339.28	122.19
2018	652.28	151.05
2019	975.29	323.04
2020	1147.95	340.50
2021	1791.27	424.74
2022	2199.55	617.52
2023	2767.45	971.92

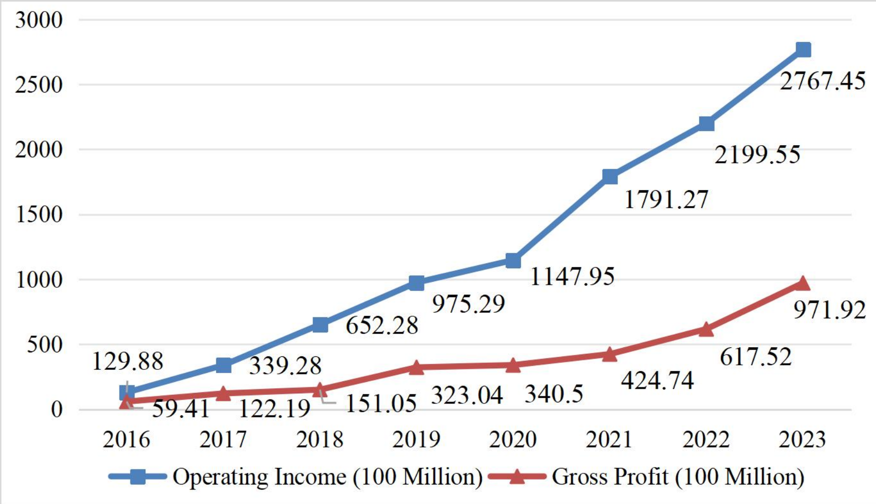

Figure 2. Meituan's Operating Revenue and Gross Profit Trend 2016-2023

Although operating costs gradually increased due to expansion into multiple business areas, the continuous growth in operating revenue led to a sustained increase in Meituan's gross profit. From a long-term perspective, this diversification not only expanded business areas and revenue sources but also, through synergies between different businesses, significantly boosted Meituan's operating revenue.

4.1.2. Domain Diversification Expands Market Share and Enhances Competitiveness

Meituan employed mergers and acquisitions to implement its diversification strategy and capture a larger market share. As shown in Figure 4.2, in 2015, China's group-buying market was characterized by intense competition dominated by three players: Meituan, Dianping, and Baidu Nuomi, with market shares of 51.95%, 29.5%, and 13.6% respectively.

With the development of the internet and technological advancements, more specialized life service O2O enterprises emerged, attempting to capture market share from platforms like Meituan and Dianping by offering more focused and convenient services. To consolidate its position and compete for more market share, Meituan made a significant decision to acquire Dianping. This move drastically altered the competitive landscape of China's local life service O2O market, making Meituan the largest service platform in the O2O sector both in China and globally.

Due to its platform nature, Meituan possesses a vast user base and extensive market channels. Benefiting from network effects, Meituan actively explores various segments within its business domains to gain greater market share. Its service range covers different areas such as dining, hotels, delivery, group buying, and travel, attracting more consumers and gradually capturing market share, thereby significantly enhancing Meituan's market competitiveness.

4.1.3. Diversified Operations Disperses Business Risks

By operating businesses in different domains and markets, Meituan reduces its reliance on any single business or market, effectively dispersing operational risks. When a particular industry or market experiences volatility, stable growth in other business areas can provide a steady income stream, preventing the enterprise from encountering difficulties.

Table 2. Meituan's Revenue by Business Segment (2023) (100 Million)

	Local Commerce	New Initiatives	Total
Delivery Service	821.91	-	821.91
Commission	746.30	20.58	766.88
Online Marketing Services	402.66	2.46	405.13
Other Services & Sales	98.18	675.34	773.52

Taking Meituan's 2023 operating revenue as an example, as shown in Table 2, revenue from Delivery Services, Commissions, Online Marketing, and Other Services & Sales accounted for approximately 29.7%, 28%, 14.6%, and 27.7% of total revenue, respectively. Meituan's diversified operations result in a relatively balanced distribution of revenue across these four segments. When one or more segments face market fluctuations, technological changes, or competitive pressures due to external or internal factors, the stable income from other segments provides a buffer, reducing overall revenue volatility and thus achieving risk dispersion and maintaining stable operations.

4.2. Impact Analysis Based on Financial Indicators

Meituan preliminarily completed its transition from a single group-buying business to diversified services around 2015. Since then, its diversified operations gradually gained traction, developed rapidly, successfully led to its IPO, and enabled rapid growth into a leading domestic internet enterprise.

The ultimate goal of implementing a diversified development strategy is primarily to enhance corporate financial performance. A company's financial performance is mainly reflected through four indicators: profitability, solvency, operational capability, and growth capability. Therefore, this paper analyzes data from Meituan's financial reports published between 2016 and 2023, examining the impact of diversified operations on its financial performance from these four dimensions.

4.2.1. Impact on Solvency

Solvency is the ability of an enterprise to repay its long-term and short-term debts using its assets. The ability to meet cash payment obligations and repay debts is crucial for an enterprise's survival and healthy development. Specifically, solvency can be reflected by metrics such as the current ratio, quick ratio, and asset-liability ratio [20].

Table 3. Impact Analysis on Solvency

Year	Current Ratio	Quick Ratio	Asset-Liability Ratio
2016	1.89	1.89	1.49
2017	2.65	2.65	1.48
2018	2.30	2.29	0.28
2019	2.37	2.36	0.30
2020	1.73	1.72	0.41
2021	2.16	2.15	0.48
2022	1.87	1.86	0.47
2023	1.82	1.80	0.48

Data Source: Compiled from Meituan Annual Reports, East Money

As shown in Table 3, the three solvency indicators for Meituan fluctuated but generally decreased over the past eight years. The current ratio and quick ratio remained around 2, indicating minor changes. As an e-commerce platform provider with numerous active merchants and relatively low inventory itself, Meituan's move towards diversification starting in 2016 increased the number of products due to new businesses, causing a slight decline in both the current and quick ratios. Regarding the asset-liability ratio, it remained relatively high initially but dropped sharply from 1.48 in 2017 to

0.28 in 2018. This was likely due to the inclusion of Mobike's business, which brought in substantial bike-sharing deposits [21]. It then stabilized around 0.48, indicating basic stability in solvency. In summary, the implementation of the diversification strategy post-2016 initially exerted some pressure on Meituan's operations, slightly reducing short-term solvency. However, as diversification stabilized and matured, performance gradually improved, and long-term solvency also experienced stable growth.

4.2.2. Impact on Operational Capability

The level of operational capability directly relates to an enterprise's profitability and market competitiveness. It reflects the efficiency of resource allocation and management standards. It can be measured by indicators such as accounts receivable turnover ratio, inventory turnover ratio, and total asset turnover ratio [22].

Table 4. Impact Analysis on Operational Capability

Year	Accounts Receivable Turnover	Inventory Turnover	Total Asset Turnover
2016	47.67	317.05	0.26
2017	97.09	347.49	0.50
2018	145.13	205.16	0.64
2019	170.60	193.07	0.77
2020	134.42	217.72	0.77
2021	128.20	238.03	0.88
2022	109.44	171.54	0.91
2023	114.47	145.54	1.03

Data Source: Compiled from Meituan Annual Reports, East Money

According to the data in Table 4, after implementing the diversified operations strategy, Meituan's accounts receivable turnover ratio and total asset turnover ratio increased to varying degrees, while the inventory turnover ratio gradually decreased. The decline in inventory turnover ratio might be attributed to the expanding scale of diversification leading to gradually increasing operating costs. The accounts receivable turnover ratio showed significant growth in 2018 and maintained a relatively stable development trend from 2020 to 2023. This indicates an effective improvement in the efficiency of asset utilization, suggesting that Meituan's diversified operations strategy has, to some extent, improved the company's capital turnover situation, thereby enhancing its operational level.

4.2.3. Impact on Profitability

Profitability reflects the efficiency and level at which an enterprise generates profits through its normal operating activities over a specific period [23]. Stronger profitability indicates that the enterprise can utilize resources and capital more effectively to create higher value. Profitability can be measured by financial indicators such as gross profit margin, net profit margin, return on equity (ROE), and return on assets (ROA).

Table 5. Impact Analysis on Profitability

Year	Gross Profit Margin (%)	Net Profit Margin (%)	ROE (%)	ROA (%)
2016	45.74	-44.62	26.75	-12.25
2017	36.02	-55.97	57.17	-28.06
2018	23.16	-177.06	-502.67	-113.06
2019	33.14	2.29	2.51	1.77
2020	29.66	4.10	4.96	3.15
2021	23.71	-13.14	-21.35	-11.70
2022	28.08	-3.04	-5.02	-2.63
2023	35.12	5.01	9.78	5.11

Data Source: Compiled from Meituan Annual Reports, East Money

As shown by the relevant data in Table 5, during the periods of 2016-2018 and 2021-2022, Meituan experienced negative net profit margins and asset return rates. This was in stark contrast to the rapid growth of its revenue. This phenomenon is not a traditional form of business failure but rather a typical "strategic loss" or "growth investment" characteristic of internet platform enterprises during their aggressive expansion phase. To quickly acquire users, establish market share and network effects in a highly competitive market, Meituan invested heavily in user subsidies and merchant incentives in the areas of food delivery, on-site services, and new businesses. This portion of expenses directly lowered the net profit margin. For instance, the acquisition of Mobike in 2018 not only resulted in a large amount of goodwill but also the subsequent operational losses, asset restructurings, and impairment provisions, which were the direct causes of the sharp decline in the net profit margin to -177.06% that year.

Therefore, these accounting losses are essentially the short-term financial cost that Meituan voluntarily undertook in exchange for long-term market position, ecological layout, and future profit potential. When evaluating the effectiveness of its diversification strategy, one should not solely focus on short-term profit indicators but rather make a comprehensive judgment by combining revenue growth, market share, user scale, and business synergy and other growth quality indicators.

4.2.4. Impact on Growth Capability

The growth capability of an enterprise refers to its potential and power to expand production scale, improve profit levels, and enhance its competitive market position during operations. Stronger growth capability implies greater potential for future scale expansion and profit growth [24]. Growth capability can be specifically reflected by financial indicators such as the total asset growth rate and operating profit growth rate.

Table 6. Impact Analysis on Growth Capability

Year	Operating Revenue Growth Rate (%)	Total Asset Growth Rate (%)
2016	223.17	20.58
2017	161.22	61.72
2018	92.25	44.27
2019	49.52	9.41
2020	17.72	26.24
2021	56.04	44.47
2022	22.79	1.59
2023	25.82	19.86

Data Source: Compiled from Meituan Annual Reports, East Money

As shown in Table 6, during the continuous development of diversification, the two growth capability indicators showed a declining trend with fluctuations. Regarding the operating revenue growth rate, this indicator sharply decreased from 161.22% in 2017 to 92.25% in 2018, only about two-fifths of the 2016 level. This was mainly because Meituan invested substantial funds in domain expansion for implementing its diversification strategy. It wasn't until the year after acquiring Mobike that the company's performance began to recover gradually. This reflects that diversified operations indeed had a certain short-term impact on the company's development. After 2019, the total asset growth rate improved significantly, indicating gradually improving growth capability. Particularly in 2021, post-pandemic recovery led to a substantial increase in operating revenue, which later stabilized. The total asset growth rate in 2022 declined compared to previous years, primarily due to minimal changes in current assets compared to the prior year. However, because the impact on the development of its diversified businesses during the subsequent pandemic period was not significant, both operating revenue and total assets continued to grow steadily. Under diversified operations, Meituan demonstrates good development potential.

4.3. Conclusions on the Impact of Diversified Operations on Meituan's Financial Performance

4.3.1. Diversified Operations Have Improved Meituan's Financial Performance

Meituan's diversification strategy has had a profound impact on its financial performance. To assess this impact, a comprehensive and dynamic perspective is required. Although during the initial stage of expansion, due to the high-intensity investment in new businesses, market subsidies, and major mergers and acquisitions integration, the company suffered strategic accounting losses, this was a common "scale first, then profitability" development path for internet platform enterprises to build ecological barriers. From a long-term and overall perspective, diversification has significantly expanded the company's business scope and market coverage, achieved a leapfrog growth in revenue, optimized the income structure and dispersed risks. More importantly, the diversification strategy has promoted resource collaboration and technology sharing among various business segments, improved overall operational efficiency, and laid a solid foundation for long-term profitability. Therefore, the "improvement" of financial performance is reflected in multiple dimensions such as revenue growth, consolidation of market position, ecological synergy, and the release of ultimate profit potential. In summary, Mou's diversification operation is a successful strategic exploration.

4.3.2. Challenges Faced by Meituan's Diversified Operations

1) Increased Management Complexity

While bringing more market opportunities and development prospects, diversified operations also increased the complexity of management across various departments within Meituan. Due to the continuous expansion of business areas, Meituan needed to manage multiple subsidiaries, brands, and product lines, placing higher demands on organizational structure, human resource allocation, and business processes. Significant differences existed among the various businesses regarding industry rules, market environments, and user needs, requiring Meituan to adopt more flexible, comprehensive, and refined management strategies. Therefore, while enjoying the opportunities brought by diversification, Meituan also needed to proactively address the challenges of increased management complexity and costs.

2) Continuously Rising Operating Costs

The diversification strategy meant that Meituan needed to invest more capital and resources to support the development of different businesses. For instance, to expand the delivery network for its food delivery business, Meituan needed to recruit more riders and invest funds in acquiring and maintaining delivery equipment. Additionally, businesses like hotels, travel, and movies required significant investment in market promotion and brand building, all of which substantially increased the company's operating costs.

3) Conflicts in Brand Perception

The diversified operations strategy posed challenges to Meituan's brand perception. As Meituan continuously expanded into new business areas, its brand image risked becoming blurred, making it difficult for consumers to form a clear brand impression. The distinct characteristics and positioning of brands across different business domains varied greatly. Meituan needed to ensure brand consistency while allowing sub-brands to highlight their unique values. Furthermore, it faced challenges regarding consumer acceptance and trust towards new businesses. This increased the difficulty of brand communication.

4) Shortage of Talent and Innovative Technology

Meituan faced challenges related to talent shortage and lack of innovative technology while advancing its diversification strategy. With continuous business expansion, more professionals with specialized skills and domain knowledge were required to support development across various sectors. However, finding a sufficient number of qualified personnel was not easy. In attracting high-end talent, Meituan competed with other large internet companies, increasing the difficulty of recruitment. Internal talent development also required time and resource investment. Simultaneously, due to the continuous extension of business domains, the demand for technological research and development within the company also increased. Therefore, Meituan needed to devote more effort to talent cultivation and innovation in technology.

5. RECOMMENDATIONS FOR ENHANCING CORPORATE FINANCIAL PERFORMANCE UNDER DIVERSIFIED OPERATIONS

Although the case of Meituan is special, the strategic logic and challenges contained in its diversified practices can still provide valuable insights and warnings for small and medium-sized enterprises as well as traditional manufacturing enterprises considering diversification. Regardless of the size of the enterprise, diversified expansion should focus on the core competitiveness and advantageous resources already established by the company, giving priority to related diversification to reduce learning costs and management risks, and ensure strategic synergy. Diversification means resource dispersion. Enterprises must carefully assess the potential for synergy between new businesses and the main business in terms of technology, channels, customers, and management, and strictly control the expansion pace to avoid cash flow breakdown due to excessive investment or management failure. For small and medium-sized enterprises, "small but specialized" focus or vertical extension of the industrial chain is often more stable than blind horizontal expansion.

5.1. Define Strategic Positioning of Core and Diversified Businesses

In the long-term development of an enterprise, clearly defining the strategic positioning of core businesses and diversified businesses is crucial. Core businesses represent areas where the enterprise has accumulated long-term advantages, possesses competitive edges, and maintains stable profitability; they form the foundation of development. Therefore, the enterprise should continuously invest resources, strengthen efforts in technology R&D, brand building, marketing, etc., to ensure the sustained growth and leading position of core businesses. Diversified businesses serve as new growth drivers, bringing new market opportunities and profit sources.

However, diversification does not imply reckless expansion. It should be based on a thorough assessment of the enterprise's own resources and capabilities. According to its actual situation, the enterprise should scientifically formulate strategic plans, strengthen the stability of core businesses, and promote the development of diversified businesses. It should choose areas for expansion that are related to its core competencies and have promising market prospects and competitive advantages. Managers should clearly identify Meituan's core competitive advantages, ensure the solid development of core businesses, and prudently select areas for diversification. For newly entered fields, in-depth market research and risk assessment should be conducted to ensure alignment with the overall strategic direction of the enterprise, thereby achieving long-term and steady development.

5.2. Strengthen Cost Control and Improve Resource Utilization Efficiency

Strengthening cost control and improving resource utilization efficiency are two key measures for reducing operating costs and enhancing corporate financial performance. Achieving this requires efforts from multiple aspects. First, enterprise managers should establish detailed annual and quarterly budgets before making further economic decisions, defining spending limits for various operational departments to ensure all expenditures remain within controllable budget ranges. Second, cost control can be achieved by optimizing procurement processes. Procurement constitutes a significant part of corporate costs. Optimizing procurement processes, such as introducing competition, selecting reliable suppliers, and determining reasonable purchase quantities, can effectively reduce procurement costs.

Third, managers should cultivate a concept of optimizing resource allocation. Through reasonable planning and scheduling, ensure the full utilization of resources, avoiding waste and idleness. Recycle and reuse waste generated during production processes to reduce dependence on new resources and lower resource costs. Finally, the technical department should vigorously develop and update technology, using advanced technology to reduce resource consumption per unit output, thereby achieving the goals of strengthened cost control and improved resource utilization efficiency.

5.3. Focus on Corporate Brand Building

In the strategic layout of corporate diversified operations, brand building holds a pivotal position. Diversified operations mean the enterprise is not limited to one specific business area but spans multiple markets and industries seeking broader commercial opportunities and growth potential. This process can gradually dilute brand strength and consumer recognition. Therefore, brand building is key to maintaining uniformity and coherence in diversified operations. Enterprise managers should recognize that the brand serves as a bridge connecting the enterprise with consumers across multiple business domains, conveying corporate values, culture, and philosophy through the brand. The enterprise needs to dedicate effort and cost to shaping and disseminating the brand image. For example, in diversified operations, the enterprise can shape an attractive and distinguishable brand image through carefully designed logos, unique brand stories, and slogans. Simultaneously, managers can utilize various channels and media platforms, such as advertising, social media, and public relations activities, to actively communicate the brand image, enhancing brand awareness and reputation.

5.4. Enhance Talent Development and Foster Innovation Capability

With the expansion of business areas, Meituan requires more professionals with specialized knowledge and innovative capabilities to support its development. Improving corporate financial performance and development quality efficiency necessitates building a strong talent team. In the fiercely competitive market environment, the essence of competition is ultimately the competition for talent. The quality of talent development directly affects whether the enterprise can achieve rapid and sustainable development under its diversification strategy, making strengthening the talent team crucial and necessary. Simultaneously, technological innovation capability not only enhances market position and competitiveness but also is indispensable for sustained and stable operation. Therefore, the enterprise should place the cultivation and development of high-skilled technical talent in an important position regarding technological innovation and corporate development. Then, gradually establish and improve reward mechanisms and introduce preferential policies to attract talent. Furthermore, it should vigorously promote an innovation culture, actively provide opportunities for employees to learn advanced domestic and international technologies and knowledge, combine these with the enterprise's own technological strengths and weaknesses, and thereby drive the enhancement of the enterprise's innovation capability.

6. INSIGHTS AND FUTURE PROSPECTS

6.1. Insights

6.1.1. Theoretical Insights

This case study, through an in-depth analysis of Meituan's diversified strategy and financial performance, not only reveals the growth path of a specific enterprise, but also forms a dialogue with existing theories and provides various insights for management practices. Meituan's diversification is not a blind expansion but is based on its core capabilities accumulated in the local life sector, gradually extending to the peripheral ecosystem. This confirms that the key to the success of enterprise diversification lies in the effective leveraging of core resources and dynamic capability support. The analysis shows that Meituan achieved significant customer diversion, data sharing, and cost synergy among its businesses such as food delivery, on-site services, and travel and wine. The synergy effect brought by "related diversification" is the internal mechanism for improving operational efficiency and ultimately improving overall financial performance, providing a vivid case for the application of the synergy effect theory in complex business ecosystems. The Meituan case clearly demonstrates the strategic trade-offs and temporal relationships that may exist between enterprises, especially platform-type enterprises, during the growth and profit-making stages. This reminds the academic community to adopt a more long-term and diverse perspective when evaluating enterprise performance, including non-financial indicators such as market position and ecosystem value.

6.1.2. Practical Insights

Diversification should be centered on building and strengthening core competitive capabilities, and priority should be given to areas that can generate business synergy. During the expansion stage, a performance evaluation system matching the strategic stage should be established, tolerating even planning for short-term strategic losses, but at the same time, cash flow, unit economic models, and the realization milestones of synergy effects should be closely monitored. However, it is also necessary to be vigilant against the increased management complexity and brand dilution risks brought by diversification, and to establish an agile organizational structure and clear sub-brand management strategies that are adapted to it. When evaluating growing enterprises with an aggressive diversification strategy, one should go beyond short-term net profit indicators and deeply analyze the revenue growth quality, market share changes, user ecosystem value, and cross-business synergy data of each business segment. The Meituan case illustrates that temporary accounting losses, if accompanied by substantive optimization of the market landscape and reinforcement of ecosystem barriers, may contain huge long-term investment value. At the same time, attention should also be paid to the company's financing rhythm for new businesses and the safety of its capital structure to avoid financial risks due to excessive expansion.

6.2. Limitations and Prospects

This study, through the case of Meituan, deeply explores the relationship between diversified operations and financial performance and has drawn some meaningful conclusions. However, it must be pointed out that this study has certain limitations:

Firstly, as a single-case study, this paper mainly focuses on revealing phenomena, analyzing paths, and summarizing correlations, and there is a methodological limitation in strictly separating the "net effect" of the diversified strategy. Enterprise financial performance is also influenced by various factors such as the macroeconomic cycle, industry policies, technological revolutions, and sudden public events. Although we attempted to correlate strategic actions with financial changes in the analysis, it is difficult to completely separate the interference of other concurrent factors. Secondly, Meituan is a typical platform economy enterprise with strong network effects and capital support. Its diversification path, resource endowment, and challenges have distinct industry and enterprise particularities. Some specific conclusions drawn in this paper may not directly apply to enterprises with different resource constraints or traditional manufacturing enterprises with distinct business models.

Given this, future research can deepen in the following directions: First, using more rigorous econometric methods such as difference-in-differences and panel data models to conduct comparative studies of multiple enterprises implementing diversified strategies to better control confounding variables and enhance the reliability of causal inference. Second, conduct comparative studies involving multiple cases, selecting enterprises of different scales, from different industries, and with different diversification types for analysis. This will help to extract more universally applicable theoretical models and management insights. Third, further in-depth exploration can be carried out to investigate the specific impact mechanisms of intermediary variables such as corporate governance structure, resource allocation efficiency, and innovation capability on financial performance under the diversified strategy.

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