Original Research Article

Legal regulation of "involutionary" price subsidy competition among food delivery platforms

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Abstract: Food delivery services have become an important business model that facilitates daily life. As the dominant players in the food delivery sector, the competitive strategies adopted by food delivery platforms directly affect the interests of on-platform merchants, delivery riders, and consumers. In the "subsidy wars" among food delivery platforms, platform operators rely on single-dimensional price competition, which brings low-price benefits to consumers in the short term. In the long run, however, the "involutionary" nature of such "subsidy wars" distorts market competition mechanisms, stifles innovation dynamism, and consequently leads to the entrenchment of market monopoly, increases the burden on on-platform operators and riders, and ultimately undermines consumer welfare. Given the network effects and scale effects of food delivery platforms, it is imperative to strengthen normalized regulation of platform price fluctuations, implement targeted legal regulation, enhance the transparency of platform rules, and improve cross-departmental coordinated regulation to ensure the healthy development of food delivery platforms.
Keywords: "involutionary" competition; legal regulation; consumer welfare; competition order

1. Introduction

With rapid economic development, our country's economy has entered a new development stage. Many industries have fallen into "involutionary" competition: From the real economy to the platform economy, operators rely on low-price competition, burning through capital to gain market share, which results in insufficient innovation incentives among enterprises and is detrimental to the long-term healthy development of the economy. The 2025 "food delivery war" has drawn academic attention to involutionary competition in the platform economy. Some scholars argue that the "subsidy wars" among food delivery platforms represent intense competition driven by platforms' efforts to create new demand space and promote business upgrading, and that since food delivery platforms do not hold pricing power over delivery services, the predatory pricing regime does not apply. Other scholars contend that this subsidy war has exceeded the boundaries of normal market competition and constitutes platform-led "involutionary" competition aimed at seizing market share. When regulating such conduct, it is necessary to ensure the precision of legal regulation and avoid dampening market competition vitality. Building on this, this paper, on the basis of determining the competitive nature of food delivery platforms' price subsidy practices and clarifying their competitive harm, combines the competitive characteristics of the food delivery platform market with the aim of guiding food delivery platforms toward value competition and optimizing the market competition environment through strengthened normalized regulation of platforms and legal regulation against vicious price competition practices.

2. Classification of "involutionary" competition in food delivery platforms' price subsidies

2.1. Connotation and key characteristics of "involutionary" competition

2.1.1. Connotation of "involutionary" competition

The core concept of "involutionary" competition is "involution". The term "involution", as used with a semantic meaning close to its modern usage, originated from the American anthropologist Alexander Goldenweiser, who employed it to describe cultural patterns that appear to have reached their final form yet neither transform into new cultural forms nor remain stable instead, they gradually become increasingly complex internally. In the field of market competition, "involutionary" competition refers to single-dimensional homogeneous competition in which enterprises, lacking technological innovation, engage in such competition to avoid market elimination in a stagnant market. Price competition is the most common competitive method employed.

2.1.2. Key characteristics of "involutionary" competition

As time and application contexts have evolved, the core characteristics of "involution" have remained unchanged. First, "involution" occurs under relatively stable or saturated conditions. Second, it manifests as the continuous repetition of a single pattern, along with the gradual complication and differentiation within the system. Third, the outcome of "involution" is "growth without development" that is, no new value is generated. When "involution" enters the field of market economy, the characteristics of "involutionary" competition acquire distinct economic dimensions.

(1) Competition in a stagnant market

A stagnant market refers to an existing and relatively mature market. As an industry gradually matures, market demand tends to become saturated, shifting from growth-driven expansion to stock-based competition. Operators find it difficult to improve economic benefits by exploring new markets or new fields. Operators in a stagnant market can only shift their focus to the competition for or redistribution of existing market share, seizing resources from competitors to gain a larger market share. Trapped within the existing market scale, operators face ever-increasing competition intensity, exhibiting involutionary characteristics.

(2) Homogeneous low-level competition

The emergence of a stagnant market means that the goods or services provided by operators within the market do not exhibit significant differences, and the substitutability among their products is relatively high. At this stage, operators aiming to seize market share find it difficult to create product differentiation through technological improvements in the short term and can only adopt a low-price competition model to enhance their attractiveness to consumers. Price serves as the most salient signal in market competition. When one operator in the market adopts low-price competition strategies, other operators will quickly respond by lowering their product prices, ultimately plunging the entire industry into homogeneous low-level competition. This constitutes the most apparent manifestation of "involutionary" competition.

(3) Impairment of competitive value

In "involutionary" competition, operators focus on the redistribution of existing resources, investing more funds in marketing and low-price competition to attract consumers. The entire industry becomes trapped in a cycle of high input and low return. To sustain their low-price competition strategies, operators first cut innovation costs that are difficult to yield short-term results and labor costs that produce the quickest effects. They also reduce production costs by cutting corners on quality, engaging in infringement and plagiarism, thereby significantly alleviating the financial pressure brought by low-price competition. While "involutionary" competition may appear intensely competitive, it actually distorts competition mechanisms. The dimension of competition alienates from value creation to cost endurance, resulting in the misallocation of market resources and a decline in consumer welfare.

2.2. The "involutionary" competitive nature of food delivery platforms' price subsidies

After JD Food Delivery launched in February 2025, Meituan and Ele.me rolled out subsidies to hold their market shares. The three platforms competed fiercely by offering huge red envelopes and extreme promotions such as zero-yuan purchases to grab customers. Whether it was the duel between Meituan and Ele.me or the current three-way competition, all platforms merely competed for existing stock users via identical price cuts, falling into low-level vicious internal competition that wasted capital and resources.

First, the industry has entered stock competition. The user base is saturated, and temporary order surges driven by subsidies are only illusory demand instead of stable long-term consumption. Second, delivery services lack differentiation with high substitutability. Consumers compare prices across platforms. Supported by similar algorithms, large platforms adopt the same subsidy strategies, leading to homogeneous price wars. Third, heavy subsidies rely on burning capital to attract users, raising operating pressures and weakening risk resistance. Competitive edges solely depend on capital strength, distorting market mechanisms and enabling deep-pocketed platforms to gain monopoly power.

3. Formation path and competitive harm of "involutionary" competition in food delivery platforms' price subsidies

3.1. Formation path of "involutionary" competition in food delivery platforms' price subsidies

Price subsidies have accompanied the development of food delivery platforms all along. In the early stage of the industry, platforms expanded markets and cultivated user habits via subsidies. After the market turned saturated, they targeted frequent subsidies at price-sensitive consumers. In 2025, JD.com copied the operation model of food delivery platforms. It entered the market by offering large subsidies and taking advantage of insufficient protection for riders, breaking the original market structure. Initially, subsidies served as a strategic method to retain market share, yet they later deteriorated into vicious internal competition: Platforms lose user traffic without subsidies but suffer constant losses with them, trapping all platforms in an inescapable subsidy dilemma.

Platforms adopted differentiated subsidy strategies amid fierce competition. JD.com maintained long-term intensive subsidies. As the market leader, Meituan adopted defensive and rational subsidies to stabilize its business at first, and later increased subsidies to attract users back. Ele. me cooperated with Taobao Flash Sale to launch heavy subsidies relying on ecological traffic. It still offered low-price subsidies even after being interviewed by market regulators, lifting its market share from around 20% to 30%, which reveals its initiative to seize market share through subsidies.

3.2. Competitive harm of "involutionary" competition in food delivery platforms' price subsidies

This round of "involutionary" competition in price subsidies among food delivery platforms has disrupted the competition order of the food delivery industry, distorted competition mechanisms, stifled innovation dynamism, and intensified the monopoly trend of platform operators, which is detrimental to the healthy development of the platform economy. Furthermore, the "involutionary" price subsidy competition of food delivery platforms exhibits significant negative externalities, increasing the burden on on-platform operators and delivery riders.

The cutthroat subsidy competition among food delivery platforms brings multiple drawbacks. First, this model distorts market competition and hinders industrial innovation. Platforms seize market share by offering low-price subsidies, driving down industrial profits. Since technological innovation requires high upfront costs and yields slow returns, enterprises have no capacity to improve products and services. Despite fierce superficial competition, the industry fails to achieve high-quality development.

Second, subsidy competition raises market entry barriers and exacerbates monopoly. New entrants need abundant capital to compete with leading platforms, shutting out small investors and potential rivals. The entrenched monopoly structure weakens market vitality.

Lastly, such competition generates prominent negative externalities. Platforms shift subsidy burdens onto merchants by linking traffic exposure to merchant discounts. Struggling small and medium vendors cut food quality to avoid losses, creating food safety hazards. Surging orders also overburden delivery riders, triggering issues like overwork and traffic safety risks.

4. Legal regulation paths of "involutionary" competition arising from price subsidies of food delivery platforms

4.1. Take prices as monitoring signals and strengthen regular supervision

Food delivery platforms seize market share through vicious competition tactics including ultra-low subsidies, cost shifting and traffic restrictions, all of which are reflected in transaction prices. Regulators should take price as the core observation indicator, build a regular dynamic monitoring system tailored to industry features, and prioritize ex-ante supervision to curb involutionary competition.

A classified dynamic price monitoring system should be established to target two major pricing conducts. First, loss-making predatory subsidies such as heavy discounts and free orders; regulators shall issue timely warnings if platforms adopt such practices persistently and frequently. Second, promotional cost shifting. Merchants follow platform rules to gain traffic, yet platforms must be banned from coercing merchants into bearing subsidies by limiting exposure. Regulators shall boost rule transparency and implement routine inspections to prevent vendors from subsidizing orders for traffic.

4.2. Comprehensively analyze the effects of conducts and implement targeted law regulation

The platform economy boasts remarkable innovation potential. When regulating involutionary competition among platforms, regulators must strike a proper legal balance: Insufficient rules fail to curb vicious competition, while overregulation stifles industrial innovation.

Regulating food delivery platforms involves two steps. First, identify market dominant positions. Each delivery platform operates as an enclosed mini-market with full operator control over transactions. Dominance assessment should cover not only market share but also platform-specific factors: Network effects, switching costs, closed ecosystems, merchant and user stickiness, and traffic control capacity. Second, identify abusive practices. Judging whether price subsidies go beyond fair competition requires dual evaluation. Subsidies must serve rational competition, with short-term concessions boosting platform value and long-term profits. Meanwhile, authorities need to examine harm inflicted on rival operators and comprehensively assess subsidies' adverse impacts on the overall competitive order.

4.3. Improve the transparency of platform rules to prevent the transmission of competitive harm

The algorithms, traffic allocation mechanisms and charging standards of food delivery platforms lack transparency. As rule-makers, platforms shift subsidy costs onto merchants, spreading involutionary price competition to vendors and dragging them into vicious rivalry. It is necessary to improve the transparency of platform rules, standardize platform operations and block the downward transmission of competitive risks.

First, platforms' private power shall be limited within a reasonable scope. Their rules must not undermine merchants' independent management rights or grant platforms improper trading advantages. Second, platforms are prohibited from passing on subsidy expenses. Merchants should enjoy the right to choose whether to participate in promotional offers voluntarily. This will stop the adverse effects of price wars from spreading down the industrial chain and foster a sound competitive ecosystem delivering shared benefits to platforms, merchants and consumers.

5. Conclusion

At present, "involutionary" competition has become a prominent problem in our country's economic sector. Although price-based involutionary competition can bring short-term consumption dividends to consumers, it undermines the market competition order, inhibits industrial innovation, impedes the healthy development of the industry, and entails risks of monopolization solidification. To address such problems, it is essential to strengthen ex-ante supervision over involutionary competition in the food delivery industry and prevent further deterioration of price subsidy behaviors that may trigger industrial risks. For platform operators with dominant market positions, targeted law regulation should be implemented while minimizing potential harms to platform innovation. Such regulatory practices can balance platform innovation and market order maintenance, guide platforms to shift from predatory price competition to value-oriented competition, and ultimately promote the sound and sustainable development of the food delivery industry.

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