

Analysis of the Little Red Book

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Abstract. Competition between different social media platforms becomes more and more fierce. Little Red Book (A China-based social media company) stands out in Chinese market, A country with 989 million Internet users. This paper will focus on analyzing three main reasons for why it would be dominant in the social media field in the future and three suggestions that might contribute to its brighter future. Through analysis, multiple and sustainable business models, well-chosen marketing strategies and a quality user base are the three main reasons. For its future development, three suggestions are highly recommended: to further develop cooperation with other social media companies, to identify customer needs more accurately and to strengthen quality control of commodities on platforms. The analysis and suggestions in this paper could help Little Red Book to further increase its number of users and turnover rate. Another beneficiary is government, who could supervise the operation of e-commerce and live-streaming commerce.

Keywords: Little Red Book; Financial Analysis; Social Media.

1. Introduction

The social media field is experiencing white-hot competition in Chinese market. Social media companies compete with each other in order to gain as many users as possible out of a billion social media users. Every company, such as TikTok, Wechat, Little Red Book, Facebook is now innovating as many new inventions and services as possible in order to attract more consumers and users. Among all the social media, Little Red Book become standing out from the crowd.

The reason why this paper supposes that Little Red Book may be dominant in the future social media field in China is based on its own operating methods and the evaluation from market. It takes on three business models to deal with changes in market, well-chosen marketing strategies to attract more users and a quality user base to assure its turnover. These could ensure a brighter future for a company. Chinese users including the originator of Little Red Book suppose that it might in dominant in various terms like posting notes or videos on it or purchasing more on this platform. Also, some foreign media said that Chinese would pay more attention to it Successful experiences are reproducible, so it is worthwhile to analyze such promising social media platform.

Based on such a bright development, there are three strategies that could make Little Red Book become better. The first recommendation is that Little Red Book could form more cooperation with other companies so that different platforms could share user resource together. The second recommendation comes from the user experience perspective, it is hoped that Little Red Book could locate users' needs through big data in the shopping interface more accurately and display products more in line with users' tastes so that it is able to enhance its real volume of trade. The last one is that the company should consider about the risks so that it could build higher brand reputation and further increase its user base.

This paper might be useful for Little Red Book to further increase its user base and turnover rate. Government could also use this paper to manage the quality of live- streaming commerce and e-commerce more efficiently.

The following paragraphs will illustrate Little Red Book's company background, the reasons why it might be dominant in the future and feasibility and benefits of the three recommendations.

2. Company Background

Little Red Book was founded in 2013 by Qu Fang. It started as a female-focused shopping experience sharing platform. Females comprise 83.4% of its users, with the most popular content related to beauty products—an obvious topic of interest for women (Ekaterina Melnik, 2018).

It achieved three remarkable breakthroughs in 2014, 2017 and 2022.

In 2014, it officially launched cross-border online e-commerce, which was a novel approach to significantly increase its turnover. Through a three-year accumulation, in 2017, the application owned over 200 thousand daily active users and became the largest community e-commerce platform in China. With a continued upward trend from 2018 and 2019, according to the 2022 Q1 marketing report of Little Red Book, its monthly active users has reached 200 million, two times more than that in 2021.

Such a huge breakthrough within one year largely benefited from three rigorous operating mechanisms, impartial mechanism, monitoring mechanism and detection mechanism. Impartial mechanism is used to deal with notes or videos posted every day and has to set the ranking of them. It is beneficial to have the order of updating them so that each note or video has the opportunity to be at the top of the browsing interface and to receive more like and attention. Monitoring mechanism is responsible for assessing the originality of notes and videos. Increasing in originality could help Little Red Book create more revenue as more and more people will be attracted to download and register in Little Red Book. Detection mechanism will detect the number of violation of notes. If the violation number reaches a certain level, the platform will ban the users' accounts. This could build a safer platform, so users might have a better sense of user experience. Predicting from its recent-year progress and perfect operating mechanisms, it might become better and better in the future social media field.

Although Little Red Book seems perfect and mature, it is still in a red ocean of social media platforms. Its major competitor in social commerce is Wechat. As GMA assessed, Wechat holds more than 850 million active users and is considered the leader of social commerce in China (2017).

3. The Reason Why it Might be Dominant in the Future

3.1 Multiple and Sustainable Business Models

Despite rat competition between various social media companies, Little Red Book might still play a dominant role in social media field in the future. Basically, there are three reasons. Firstly, it receives multiple and sustainable business models. It has three main sources of revenue, notes posted by users, enterprise marketing and e-commerce. In terms of making money from notes, actually, most revenue comes from advertisements posted by users. Not surprisingly, in 2020, Little Red Book's revenue from advertisements was about 600 to 800 million dollars. Predicting from the positive developing trend, its revenue from advertisement would achieve a huge breakthrough in the future. The second source is enterprise marketing, but it is not its major source of income. The major one is the e-commerce. In the e-commerce platform, it earns money from advertisement, commission and self-run stores. Such three stable layers of profit guarantee could reduce the risk of deficit and escort for the future development.

3.2 Well-chosen Marketing Strategies

Secondly, another reason that Little Red Book would own a bright future is that it has well-chosen marketing strategies. The cores of the strategy are authenticity and trustworthiness. These two features are the key to the increasing tendency of the public to use Little Red Book as people generally prefer high-original-degree works. Besides, KOL (key opinion leaders) Diffusion is also included in its current strategy. Grin posted a blog claimed that a KOL is an authority figure on a certain topic. Someone who has built an audience around that topic and who has a loyal following. These famous

figures are used by Little Red Book to attribute to increase brand exposure. Through the recent KOL Diffusion, it builds a strong brand loyalty and user base for the future.

3.3 A Quality User Base

Lastly, another reason might be the enlarge in user group. The monthly user in 2020 was about 100 million, but in 2022, the figure is two times more than year 2020, about 200 million. The number of users always decides the future of one company. If there are more users in a company, the profits of the company would naturally increase. As Little Red Book gets increasing number of users, it would surely earn a more huge amount of money from advertisement, e-commerce purchases, platform commission etc. Finally, it dominates the social media field. Thus, there are three reasons for the reason why Little Red Book might dominate in the future. As indicated in Figure 1,

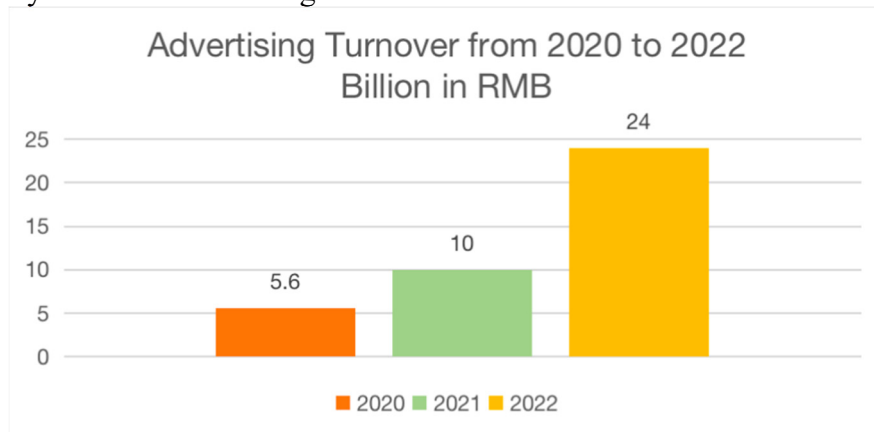


Figure 1. Advertising Turnover

4. Recommendation to Assure Success

4.1 Cooperations

To assure success of little red book, this paper has three recommendations to its operation pattern and interface. One is that Little Red Book could form more cooperation with other social media platforms in order to achieve inclusive growth. The reason why I come up with this recommendation is that I found that there is still a huge user difference between Little Red Book and other popular social media platforms like Wechat or QQ. The number of users in Wechat reaches up to 1.2 billion, but the user in Little Red Book is only 200 million, so the gap between is one billion. In order to reduce the gap, cooperation might be the best choice. Various platforms could advertise to each other and share the user resources. It is beneficial to act like that since it could enlarge the users of Little Red Book and create more revenue for it.

4.2 Big Data Analysis

Another recommendation is that it could use big data analysis to identify customer needs more accurately in the shopping interface. This recommendation is feasible since analyzing from economic perspective, there is more and more aggregate demand for the adjustment in the shopping interface, there are more investments in the development of the application. Once the company receives capital, it could make the adjustment. It is also advantageous as if Little Red Book meets the uses' demands, it builds a decent brand image. Its turnover might achieve dramatic growth in the future.

4.3 Risks

The last suggestion is to strengthen the quality control of the goods sold on the platform. That is because fake and low-quality goods could erode the reputations of both sellers and platforms. This recommendation is feasible since the risks could be reduced by increasing the number of regulators,

finding more reliable merchants, condition for entry and setting effective punishment mechanism, fining or suspending accounts for selling fake products. It is beneficial to take such actions as these could make Little Red Book build higher brand reputation and attract more users.

5. Conclusion

In conclusion, there are basically three reasons why Little Red Book might be dominant in the future. They are respectively multiple and sustainable business models, well-chosen marketing strategies and a quality user base. Then, based on these advantages, it is highly recommended to follow these three strategies: it needs to further develop cooperation with other social media companies, to identify customer needs more accurately and to strengthen quality control of commodities on platforms. These are beneficial for Little Red Book to further increase its number of users and turnover rate and also advantageous for government to better regulate the live-streaming commerce and e-commerce.

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