

Analysis of Xiaohongshu's Marketing Strategies

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Abstract. In the context of the continuous development of the Internet and the close cooperation of the international economy, Xiaohongshu, as a cross-broad e-commerce company, is exploring its best marketing strategies. This article analyses the threats and drawbacks of Xiaohongshu through SWOT and then put forward related suggestions. While Xiaohongshu is constantly trying new marketing plans, it should also improve and correct the shortcuts to respond to the risk of the competition in the same field and promote its e-commerce to further extension.

Keywords: Marketing; SWOT; State; Improvement; Overseas market.

1. Introduction

Xiaohongshu was established in 2013. It is a comprehensive e-commerce application for life and shopping with a polygon mechanism. At first, it aimed to provide users with a platform to share their shopping experience overseas. Later, it developed into a platform that can let people share information or experience mainly for beauty and personal care, sports, travel, furniture, learning, etc. With the slogan "Inspire Lives to share and discover the world's wonders," Xiaohongshu allows users to record the moments of life through short videos, pictures and texts. Xiaohongshu forms an interactive community based on users' interests by sharing lifestyles. Instead of sharing experiences on Xiaohongshu, users can also follow their favourite KOLs to receive recommendations. Moreover, Merchants spend money to promote their products with soft advertising on the platform. Recently, Xiaohongshu has been trying to expand its e-shop scale.

2. The current situation of marketing in Xiaohongshu

2.1 Use big data to accurately profile users

Female orientation, youthfulness, and strong spending power are still the most important features of the Xiaohongshu platform. Nowadays, Xiaohongshu has more than 200 million monthly active users and more than 43 million sharers. The main consumer group of Xiaohongshu is still female users in first- and second-tier cities. However, under the trend of diversification, the development of neutral content such as food and travel, as well as male-oriented content such as sports events, home appliances, and digital products, has also made more and more male users than before. In terms of age, Xiaohongshu covers a wide range of ages, and the number of users post-90s has reached about 82%, and most of the users are mainly concentrated in 18 to 24 years old, accounting for 46.4%. The proportion of users over 2005 has gradually increased to 13.4%. Young and high-consumer groups continue to empower the platform. The data are shown in Figure 1.

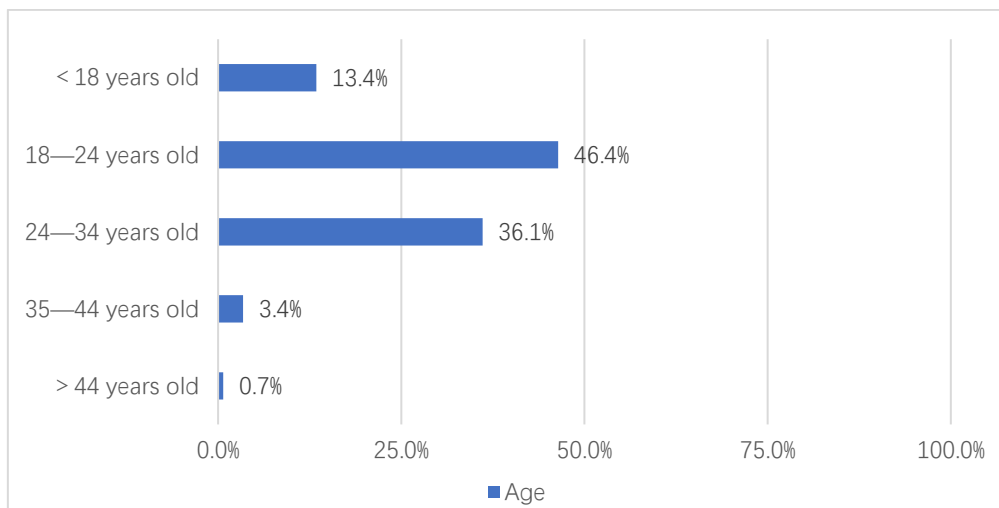


Fig. 1 The age percentage of users of Xiaohongshu (Data from: Qian-gua Data)

In addition, Xiaohongshu also summarized the six major crowd labels of platform users, and each crowd label can see different crowd characteristics. And due to the diversity of people themselves, some users may have more than one crowd label. In this way, Xiaohongshu can approach customers and reach the target group by disassembling users' personality labels and behavior preferences [1].

2.2 Community content meets users consumption needs

The content of the Xiaohongshu community covers various areas of life, like fashion, beauty, food, mother and baby, fitness, etc., collects the "dry goods" needed by consumers, and generates more than 7 billion note exposures every day, of which 95% is UGC content [2].

Xiaohongshu starts from real users' evaluations, allowing users to get the most real experience sharing, which is the biggest word-of-mouth advantage. Consumers are happy to browse real customer reviews before purchasing a product, search for shared notes from other users, and for consumers who do not have the experience of purchasing this product, Xiaohongshu's notes can also help them make a quick purchase decision. It can be seen that the bridge between the Xiaohongshu community and e-commerce is to meet the needs of consumers [3].

2.3 The platform invites celebrities to settle in to expand their visibility

Xiaohongshu invited Zhao Lusi, Ouyang Nana, Zhang Jiani, Kim Kardashian and other well-known stars at home and abroad to settle on the platform, and so far 1181 stars have joined Xiaohongshu. Most of them use live streaming with goods, note sharing and other ways to evaluate and recommend good things, record their lives, narrow the distance with fans, and promote the Xiaohongshu platform [4]. With the help of star effect, the marketing strategy of Xiaohongshu not only saves publicity costs, but also expands the visibility and influence of the platform. Secondly, the fans who use Xiaohongshu because of their own celebrity settlement also convert into Xiaohongshu users, increasing user activity and loyalty, continuously enhancing content dissemination capabilities, and increasing platform visibility [5].

2.4 Try a new retail model that combines online and offline

While operating the online self-operated e-commerce platform - Welfare Society, Xiaohongshu is also actively deploying offline experience stores. Since the concept of "new retail" came out, major cross-border e-commerce platforms have joined the new marketing model of online and offline linkage. In 2018, the first offline experience store – Red home, was established in Shanghai, and then opened a number of stores in Suzhou, Hangzhou, Beijing and other regions. Xiaohongshu will divert some customers from online to offline, create an offline community, and use many advanced technologies to let users feel different dimensions of services, improve efficiency in the form of O2O

(online to offline), and meet the new shopping experience of users in a real transaction environment [6]. This new retail model that combines online and offline, users can not only buy genuine guaranteed and preferential price products in the welfare society, but also visit the offline physical store to buy goods, take photos with friends and family, and then enhance their trust in the brand of the Xiaohongshu platform.

3. SWOT analysis of Xiaohongshu's marketing strategy

3.1 Advantage analysis

3.1.1 Outstanding users' Word-of-mouth marketing

Xiaohongshu starts from the real user's reputation so that users can get the most real use experience sharing, which is the biggest reputation advantage. Ordinary users can also find their trusted Key Opinion Leader (KOL) or star users to receive recommendations on the Xiaohongshu platform. Through the accumulation of public praise, Xiaohongshu has also achieved better spread and development. Word-of-mouth marketing is the basis for the success of Xiaohongshu's community marketing. The community can effectively use word-of-mouth marketing to directly bring good benefits to the development of e-commerce enterprises [7]. Users share their real feelings in the community, and the latest transaction orders will appear at the top of each commodity page of the purchase interface to stimulate users' consumption behavior. In addition, some users' real experience provides consumers with the most complete and true feedback.

3.1.2 High-quality community operation

Although Xiaohongshu started as an overseas e-commerce provider, after the poor effect of the overseas e-commerce strategy, Xiaohongshu developed a community operation mode. The relationship between users is not between buyers and sellers, which makes their communication more authentic. The high-quality community operation and users' sharing of product experience have enabled users to continuously improve the content, accumulate the content, form a better reputation, and make users trust the platform.

3.1.3 Accurate positioning of users and marketing direction

Xiaohongshu's main users are urban women from their 10th to 30th generations. However, before developing into a community platform, Xiaohongshu gathered many users who love overseas shopping in its early days. They shared good global goods and shopping experiences on Xiaohongshu, which attracted many users who were unfamiliar with overseas shopping, and then gradually developed into the current user group. Xiaohongshu roughly classifies the shared notes on the platform, and also randomly pushes the categories that users don't read often. This move creates differentiation by breaking the rules and plays the role of large-scale recommendation.

Accurate customer group positioning and relying on big data make Xiaohongshu's notes have strong recommended ability. And relying on Star recommendation, the promotion of Key Opinion Leader (KOL) and Key Opinion Consumer (KOC), the brand exposure has been effectively strengthened.

3.2 Disadvantage analysis

3.2.1 Few categories in the mall

Because Xiaohongshu is transformed into an e-commerce platform, the mall's development is incomplete, and Xiaohongshu's positioning is mainly community, the business of the mall is an extension of the community. Therefore, there are few categories in Xiaohongshu mall, the shopping channel has great limitations, the external chain is in a closed state, the relationship between the community and the mall is scattered and not close enough, resulting in a certain negative feeling the user's shopping experience. From the Aimei analysis report, only about 30% [8] of the users use Xiaohongshu for the purpose of purchasing goods. From the side, it can be seen that the development

of Xiaohongshu mall is incomplete, there are fewer types of goods and closed purchase ways. Due to the lack of malls, users do not have a strong dependence on Xiaohongshu mall.

3.2.2 Irregular supervision

Xiaohongshu relies on Key Opinion Leader (KOL)'s content creation to attract users' consumption, but the screening mechanism of Xiaohongshu is imperfect, the quality of Key Opinion Leader (KOL) is unstable. Some Key Opinion Leaders (KOL) will directly contact businesses across the platform for advertising promotion, and implant a large number of advertisements into the notes, so that there are more advertisements and less effective content in the notes. In addition, some agent teams send "advertising notes" in the notes of Xiaohongshu. The notes with poor content quality also flow into the market, resulting in the dissemination of any false information to mislead consumers, which will greatly reduce the reputation of Xiaohongshu and reduce users' trust in Xiaohongshu.

At the same time, Xiaohongshu's after-sales service system is small and incomplete, and the after-sales service of self-operated stores is difficult to keep up with the rapid growth of business demand, resulting in the lack of supervision and management of Xiaohongshu's logistics, including slow logistics and untimely delivery, which affect the sense of user experience [9]. The most serious problem that Xiaohongshu needs to supervise is the overlord clause and refund, of which the overlord clause accounts for 50% of the complaints, indicating that Xiaohongshu has serious supervision problems on such problems.

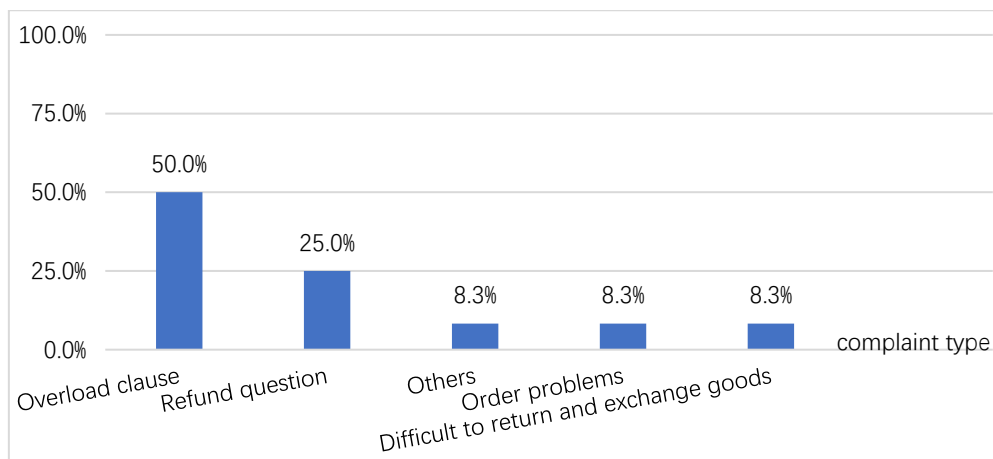


Fig. 2 Proportion of 2021 complaint types [10] (Data from: Dianshubao)

3.3 Opportunity analysis

3.3.1 Development of the Internet

With the continuous upgrading of smartphones, the development of the Internet is also very rapid. From 3G and 4G to 5g, our network speed and the popularity of the Internet have been continuously improved, which provides a prerequisite for users to use Xiaohongshu. Meanwhile, the technology of big data analysis is also making continuous progress. Analyzing data can grasp the preferences of Xiaohongshu users, push them accordingly, and give users a better user experience. The continuous development of the Internet and various technologies are conducive to the use and development of Xiaohongshu.

3.3.2 Opportunities for developing overseas markets

Through close cooperation between countries, Xiaohongshu can try to further develop its overseas operations. With the continuous improvement of China's status, it has also developed a lot of business cooperation with many other countries in the world, and the continuous transparency of international information is conducive to Xiaohongshu's overseas development. Moreover, the tightening of the national customs policy has affected many small e-commerce platforms and private purchasing and imposed more restrictions on many overseas shopping categories. However, this does not affect

Xiaohongshu, which is self-operated [11]. Compared with many sellers on Taobao, where there are many irregular sellers, the Xiaohongshu platform can guarantee consumers' overseas shopping. In addition, the policy reduces the tax of cross-border e-commerce, shortens the export process, and improves the efficiency of customs declaration, which greatly facilitates cross-border e-commerce.

3.4 Threats analysis

3.4.1 Homogeneous competition is serious

The difference between Xiaohongshu's mall and "Taobao", "Jingdong" and other head enterprises is not obvious, and the entry time is relatively late, these head enterprises occupy a larger market and have a monopoly trend. Users still prefer to choose these cross-border e-commerce platforms for online shopping, and the variety of product types and purchase channels also makes the migration cost between users close to zero, and user loyalty gradually declines [12]. In recent years, many platforms other than Xiaohongshu have observed the development prospects of cross-border e-commerce and have opened up related projects, which has made the market competition increasing. For the overseas market, while Xiaohongshu tries overseas operations, there are also many platforms in the same industry that are trying to develop overseas, which has caused a certain degree of blow to Xiaohongshu's overseas development.

3.4.2 The offline experience store operation is not effective

All offline experience stores established by Xiaohongshu after 2018 announced the closure of all of them in January 2020. Although Xiaohongshu has been operating very well in terms of online platforms, only the user experience is insufficient if it wants to turn the online operating advantages into offline competitive advantages [13]. The beauty and skin care brands operated by Xiaohongshu on the online platform have always been in a leading position in the ranks of cross-border e-commerce brands, so the continuation advantage of offline experience stores is also dominated by affordable beauty and skin care products. Xiaohongshu uses advanced technology in store settings to bring users a sense of fresh experience, and to a certain extent breaks through the barriers of traditional retail stores. However, in this field, some old offline cosmetics collection stores such as Sephora and Watsons still have advantages over Xiaohongshu in terms of the number of stores and operating experience.

4. What can be improved

4.1 Adding more brands and starting in-person stores

It cannot attract more customers if Xiaohongshu only sets up offline experience stores. Xiaohongshu mainly focuses on online shopping, so it can communicate with the brands already settled on the Xiaohongshu platform to collaborate in offline shops. Although offline brand collection stores are currently popular, due to the low credit of other stores, consumers are afraid of buying counterfeit products, so the credibility of Xiaohongshu is more competitive among brand collection stores.

4.2 Crackdown on bogus notes

Users on Xiaohongshu often can see pop-up ghostwriting notes similar to copy-writing, which makes users feel deceived and mislead consumers to the wrong product. Therefore, Xiaohongshu should strengthen the supervision of posting notes, enhance the double-check of notes, and strictly examine whether there is plagiarized content to improve the user experience [14]. The primary purpose of users using Xiaohongshu is to learn or exchange experiences of the products, not to be pushed advertisements. If companies want to advertise their brands, they could send their product to the KOLs on Xiaohongshu and ask them to post their true feelings about the product to attract customers, enhancing the link between the platform and consumers.

4.3 Trying to explore the overseas marketing

Among a series of competitors, the most conspicuous advantage of Xiaohongshu is its ability to develop overseas markets. Therefore, Xiaohongshu should expand overseas markets after improving its existing functions. Recently, several foreign celebrities have come to Xiaohongshu, which is very beneficial to Xiaohongshu's overseas influence [15]. The operation of Xiaohongshu is similar to Instagram. Users can share experiences, and daily lives and KOLs or celebrities can promote products on the platform. Compared to other competitors, such as Douyin and Weibo, Xiaohongshu has more considerable competitive power. In addition, Xiaohongshu also started as an online shopping e-commerce business. With a precise understanding and foundation of overseas markets, it will be relatively easy to develop in this regard.

4.4 Improve online self-operated stores and after-sales service

Launching offline brand collection stores also advertises Xiaohongshu for self-operated online malls. Consumers can place their orders online and pick up the goods offline, which is convenient for consumers to check if the goods are the ones they want and check the goods have no damage. Moreover, Xiaohongshu should supervise the supplier of the goods more carefully, and control the source of the goods strictly to make sure the goods are genuine. Xiaohongshu should also pay attention to their after-sales service of the e-commerce platform, solve consumers' doubts such as "difficulty in returning goods" and "slow reply", therefore to improve the user's purchasing experience and protect its own reputation.

5. Conclusion

5.1 Key findings

Cross-border e-commerce is constantly developing. The marketing scope of Xiaohongshu is not only e-commerce activities, but also cross-border trade and note content. Xiaohongshu community meets the needs of many users and covers a lot of content. Constantly explore marketing methods and improve marketing strategies through star entry, online and offline combination, and the overall development prospect is fairly good. The analysis of this article also mentioned some marketing problems of Xiaohongshu, including the small variety of goods in the mall, non-standard supervision, and the threats faced by some Xiaohongshu, including homogeneous competition and poor operation effect of offline stores. These problems also remind Xiaohongshu that it needs to strengthen team building, improve the after-sales system, and constantly improve its shortcomings while expanding the marketing scale.

5.2 Future studies

While developing the domestic market, Xiaohongshu also puts its overseas operation in the strategic planning and deployment. At present, that strategy still needs continuous investigation and research, it will also face many problems and unknown factors that need to be solved. For example, other apps in the same industry mentioned in the article are also trying to explore overseas markets. Among them, byte beat launched a product sharee similar to Xiaohongshu in Japan in early 2020. Now it is called lemon 8, which means fresh meaning. We hope users can share new things. The number 8 means infinite meaning. At present, lemon8 has begun to expand to Southeast Asian markets such as Thailand and compete with Xiaohongshu. However, from the perspective of Xiaohongshu's strategic positioning, its resources, and core competitiveness, Xiaohongshu also has a certain advantageous position in the future overseas market expansion. Therefore Xiaohongshu should constantly innovate, seize the opportunities of the times and continue to develop in overseas markets, leading to the strong competitiveness of the platform and great user stickiness. In this way, Xiaohongshu will raise its popularity and stand out from various platforms of cross-border e-commerce.

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