Research on Imported Cross-border E-commerce Marketing Strategy—A Case Study of Little Red Book

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Abstract. With the development of the Internet economy, cross-border e-commerce platforms, as a new foreign trade mode and economic growth point, have huge market potential by introducing high-quality imported goods to gain the favour of domestic consumers. Taking the Little Red Book as an example, based on the study of the cross-border e-commerce industry environment, this paper explores the business model and competitive strategy of the Little Red Book. Then the current marketing strategy of the Little Red Book as a cross-border e-commerce platform is analyzed in detail. Finally, the article puts forward some rationalized marketing suggestions to sharpen the competitive edge of the platform by combining the developmental characteristics of cross-border e-commerce.

Keywords: Imported cross-border e-commerce; the Little Red Book; Community marketing.

1. Introduction

1.1 Research Background

According to the "2013-2021 China Cross-border E-commerce Market Research Report" released by iiMedia Research, the transaction scale of China's imported cross-border e-commerce market exceeded 3.5 trillion yuan in 2021, an increase of 15.6% compared with the previous year [1]. China's cross-border e-commerce market has always been ranked globally as the largest and most dynamic. With the development of the Internet economy, China's cross-border e-commerce market is transforming into a high-quality development stage.

In response to changes in the macro environment, imported cross-border e-commerce companies need to abandon traditional marketing thinking, create new models and business formats, and re-examine the development trend of marketing from the aspects of technology, society, and economy. In this context, the Little Red Book has risen rapidly with its unique business model of "social networking + e-commerce."

The Little Red Book entered the market from overseas travel strategies and built an overseas shopping sharing community at the end of 2013. It officially launched the imported cross-border e-commerce platform "Welfare Club," transforming from a community to e-commerce business and completing the business closed-loop in December 2014. In early 2015, the Little Red Book established its bonded warehouse in Zhengzhou, Henan Province. Shortly afterwards, a self-operated bonded warehouse was also put into operation in Shenzhen in June 2015. In July 2019, the number of users of the Little Red Book exceeded 300 million. The Book Creator Center was officially launched in January 2020 [2].

As of March 2020, the valuation of the Little Red Book was more than $5 billion after completing its Series E financing [3]. The reason why the Little Red Book has been able to make something in such a short period is inseparable from its innovative marketing strategy, which is also the original intention of this study. In the context of the transformation and upgrading of China's trade form and national consumption structure, this paper studies why the Little Red Book has been able to stand out from the fierce competition. Through the case analysis of the Little Red Book marketing and combining it with practice, strategic thinking and marketing strategies conducive to brand development are proposed, which will make valuable recommendations for other imported cross-border e-commerce platforms.
1.2 Literature Review

In the research on the development of imported cross-border e-commerce, domestic and foreign scholars mainly focus on comparing cross-border e-commerce and traditional e-commerce, as well as the competition and existing problems faced by cross-border e-commerce. Bstrella et al. (2014) comprehensively analyzed the advantages of cross-border e-commerce and traditional e-commerce in terms of cost and information. They proposed that cross-border e-commerce brings new opportunities and challenges to small and medium-sized enterprises (SMEs). Haohao Zheng et al. (2016) analyzed the reasons for the rise of imported cross-border e-commerce, the current development situation, and the problems of tax collection and management, transaction payment, cross-border logistics, and information asymmetry faced by cross-border import e-commerce [4].

In the research on the marketing strategy of imported cross-border e-commerce, most scholars start from the business model and conduct research by analyzing consumer behaviour. Xiaoxue Tan (2015) analyzed Ymatou based on the 4P theory and concluded that the current marketing should be consumer-centric, and word-of-mouth communication should shift from mass to interpersonal communication [5]. By summarizing community marketing practices and theories, Huafang Wang (2022) proposed that community marketing improves the accuracy of interacting with target customers, the positioning of target markets, and the humanization of sales promotion [6].

By sorting out the research results of many scholars, it is found that the concept and classification of imported cross-border e-commerce are continuously refined with the continuous research on the cross-border e-commerce industry. Additionally, the issues discussed by scholars are also different. In recent years, community marketing has been introduced into cross-border e-commerce. The transformation of the cross-border e-commerce business model is one of the key topics of current research. However, realizing enterprise business model transformation is quite difficult, and researchers still lack a unified perception of the community marketing concept. Therefore, this paper hopes to research the community marketing strategy of imported cross-border e-commerce at the academic level and provides new ideas for the transformation of cross-border e-commerce enterprises.

1.3 Research Significance

This article takes the imported cross-border e-commerce platform - the Little Red Book as an example to analyze and study its marketing strategy, which will help imported cross-border e-commerce enterprises realize the value and significance of community marketing. Each platform can selectively try to build relevant user communities according to its business conditions to develop the community economy to drive the future development and operation of the enterprise. It proposes feasible suggestions for developing imported cross-border e-commerce platforms under the Internet economy to expand their influence through community marketing to obtain more business value. Through a combination of literature analysis and case studies, this article provides constructive suggestions for imported cross-border e-commerce enterprises to better establish competitive advantages through marketing strategies, which have practical meaning and significance.


2.1 Economic Environment

China's cross-border e-commerce platforms now have more prospects for growth thanks to the trend of global economic integration, which can help them open up new markets abroad and offer cutting-edge goods, technology, and management know-how. The overall trend of cross-border e-development commerce in the new economic era is positive. Consumers now frequently purchase abroad thanks to improvements in the home consumption structure, favourable national e-commerce policies, and supply chain technology that has been adjusted for global distribution. International online shopping users are growing in quantity and scope in China. The "home economy" of "working
and living at home" has developed since the new crown epidemic's onset. Amazon's 2021 China Imported Cross-Border E-commerce Development Trend Report states that during the epidemic, demand for "home-related" telecommuting supplies, indoor sports equipment, and kitchen supplies increased quickly, resulting in new cross-border consumption hotspots.

### 2.2 Political Environment

China has consistently pushed businesses to increase cross-border collaboration and support trade and investment liberalization and facilitation in recent years [7]. The implementation of preferential policies has also raised consumer spending, decreased the import cost of cross-border e-commerce, and achieved seamless online and offline purchasing. Additionally, the creation of the free trade zone and the national initiative to create a thorough pilot zone for cross-border e-commerce have created a significant amount of development room for it.

#### Table 1. New Content and Impact of China's Cross-border E-commerce Policy since 2019

<table>
<thead>
<tr>
<th>Policy</th>
<th>Issue Date</th>
<th>Main Content</th>
<th>Influences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand the list of imported goods</td>
<td>2019.12</td>
<td>Added 92 commodity categories, including alcohol, frozen aquatic products, etc.</td>
<td>The variety of commodities has increased, promoting the return of overseas consumption and improving the overall domestic consumption structure.</td>
</tr>
<tr>
<td>Expand cross-border e-commerce retail pilots</td>
<td>2020.01</td>
<td>More than 50 cities including Hainan Island and Shijiazhuang will be added.</td>
<td>The regional policy gap between regions has gradually narrowed, and cross-border e-commerce has shown a good development trend.</td>
</tr>
<tr>
<td>Allow some customs to carry out return business</td>
<td>2020.01</td>
<td>Cross-border e-commerce has opened three types of return services.</td>
<td>Effectively solve the problem of difficulty in returning goods and fully protect the rights and interests of overseas shoppers.</td>
</tr>
<tr>
<td>Expand retail import pilots and strictly implement regulatory requirements</td>
<td>2021.03</td>
<td>Cross-border e-commerce retail exports include all cross-border e-commerce comprehensive pilot zones, bonded logistics centres, etc.</td>
<td>The whole island of Hainan and 86 cities have entered the pilot program's scope with increased national support for cross-border e-commerce.</td>
</tr>
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### 2.3 Technical Environment

Affected by the COVID-19 epidemic, the logistics model of cross-border direct mail has been seriously hindered. To safeguard the supply chain, China has guided international e-commerce companies to build offshore warehouses and border warehouses to prepare goods in advance and distribute them efficiently to reduce the logistics costs of enterprises. At the same time, the operation of cross-border e-commerce depends on the cross-border electronic payment industry. In order to provide funds pooling and settlement services for cross-border e-commerce, many third-party payment platforms have joined the ranks of cross-border payment. Additionally, the application of big data enables businesses to gather enormous amounts of consumer data, map out consumption patterns and consumer demand, identify product demand faster and more accurately, diversify marketing activities, increase commodity turnover rates and maximize profits.
2.4 Social Environment

According to the statistics report by the China Internet Network Information Center, as of December 2021, the number of Internet users in China has exceeded 1.032 billion, with online payment users reaching 904 million and the scale of online shopping users reaching 842 million [2]. The growth of cross-border e-commerce has prompted a shift in the shopping habits of Internet users, allowing Chinese consumers to conveniently purchase high-quality goods from all over the world. The formation of users' overseas shopping habits has helped the online retail industry to take on a new format, which is a great opportunity to develop cross-border e-commerce.

2.5 Competitors

The development of cross-border e-commerce is promising, which also indicates that the industrial competition is more intense, as each e-commerce company is working to grow its customer base and persistently expanding its business. Cross-border platforms such as Tmall Global and NetEase Kaola started early and have stronger comprehensive strength. After Taobao acquired NetEase Koala in 2019, Tmall Global and NetEase Koala became the absolute leaders in China's imported cross-border e-commerce market. The Little Red Book currently only accounts for a small portion of the imported cross-border e-commerce sector. In addition, proxy shopping is prevalent in the industry. With some consumers purchasing overseas goods through proxy shopping, the popularity of the Little Red Book as a cross-border e-commerce platform needs to be improved.

Fig. 1 Market Share of B2C Imported Cross-border E-commerce in China, 2021
References: Netscape, Great Wall Securities Institute


3.1 The Differentiation Strategy of the Little Red Book

According to the current situation of China's imported cross-border e-commerce industry and the analysis of the competitive environment in which the Little Red Book is located, the best choice for the Little Red Book is to formulate a differentiation strategy. The "e-commerce + social networking" business model can meet users' needs while improving profitability and standing out from the fierce
competition. The differentiation strategy of the Little Red Book is mainly reflected in the following aspects.

3.1.1 Product Differentiation

The Little Red Book has a community formed by real users sharing content. Users combine product information in various ways, such as pictures, texts, and videos, to effectively recommend products or lifestyles to consumers, thereby occupying their minds and stimulating their purchasing interest, i.e., "content grass-seeding." Through the accumulation of user word-of-mouth and data statistics, the Little Red Book can accurately project user needs and then use user needs as the driving force to recommend relevant content according to users' browsing preferences with the help of big data and accurately match users' searches. For users with a clear shopping purpose, the Little Red Book has become their search portal with high-quality graphic notes, and real word-of-mouth facilitates users to obtain information intuitively and efficiently. For users without exact goals, the Little Red Book community has accumulated various notes, becoming an important channel for users to obtain information and "grass-seeding" suitable products. It also provides access to purchase channels simultaneously, reducing the steps and difficulty for consumers to purchase and increasing the probability of instant sales conversion.

3.1.2 Service Differentiation

After a user places an order on the Little Red Book, it creates its model of "direct overseas sourcing + self-operated bonded warehouse + international logistics system" to ensure users' best interests throughout the process. The Little Red Book has established warehouses in nearly 30 countries worldwide, accepting customs supervision throughout the delivery process and taking the initiative to apply for regular sampling monitoring by the national testing centre. It has more than 150,000 square meters of bonded warehouses in Shenzhen, Ningbo, and other places in China to ensure the logistics system and the key points are in its own hands. In addition, to ensure that the source of goods is picked up in the country of origin, the whole process implements 100% full inspection to monitor the goods in the warehouse, achieving data transparency in the entire process to providing users with a convenient, time-saving and guaranteed overseas shopping experience.

3.1.3 Brand Differentiation

The object of marketing is the masses, and effective marketing can be realized only by winning consumers' word of mouth. On the Little Red Book product interface are users' shopping notes and tips from Captain Shu, introductory comments, and quality certifications, providing consumers with comprehensive product information and the most authentic reviews. Relying on the word-of-mouth of real users, consumers will browse the comments from previous buyers before buying merchandise. User reviews can help consumers who have never purchased this product to make decisions on what to buy. The link between its community and e-commerce is just enough to meet customer demand. The Little Red Book has a significant competitive advantage by substituting word-of-mouth marketing for price comparison sales in the e-commerce business.

The Little Red Book forms a unique barrier with the help of users' self-created content and interaction while cultivating a group of key opinion consumers(KOCs) to ensure community stickiness and vitality, ensuring traffic. Only a handful of companies on the community track can achieve both user scale and user stickiness. Now, the Little Red Book has become a leader in user-generated content(UGC) social networking. And it is also at the forefront of the cross-border e-commerce industry, building brand awareness with its "social networking + e-commerce" platform. After creating a unique brand charm, it has gradually formed a positive cycle, consolidating the loyalty of existing customers and attracting new users simultaneously [8,9].

3.1.4 Channel Differentiation

The Little Red Book invites popular celebrities and key opinion leaders(KOLs) to settle in according to the brand characteristics. High-influence KOLs with more than 500,000 fans account for about 3% of the total creators, which activates the flow of fans. Its "decentralized" traffic
distribution logic gives small and medium-sized bloggers more possibilities to be seen and encourages waist KOL and tail KOC creators to output high-quality content, forming a prosperous "content" ecosystem. In addition, the Little Red Book launched "Little Red Store" on the WeChat applet to test the social e-commerce and added community lives broadcasts in the Little Red Book APP, both new monetization channels based on its higher-than-industry shopping conversion rate. It is committed to creating a diversified commercialization direction.

3.2 Competitive Advantage of the Little Red Book

3.2.1 Clear Positioning and Great Potential for User Consumption

The target users of the Little Red Book are mainly female consumers aged between 18 and 35, with more college students and white-collar workers [10,11]. Their education, income, and consumption level are all on the high side. They pursue a high-quality life, are receptive to new things, have a high awareness of overseas trends, and have great consumption potential.

![Fig. 2 Age Structure of the Little Red Book Users](image)

References: IFC Research Institute

3.2.2 High-quality Community Marketing that Brings Stable and Highly Sticky Traffic

The Little Red Book has formed a business model of "social networking + e-commerce," which is complementary to each other [12]. The community attribute enhances user viscosity and purchasing intentions, and the B2C e-commerce attribute is responsible for the final realization. This model can achieve a virtuous circle of sustainable development. By labelling users' lives and recommending them to new users, the Little Red Book rapidly expands the user group while resonating with the consumption needs of new users. The communication and sharing among users and the high-quality content created by users spontaneously enrich the Little Red Book's marketing model.

3.2.3 Create a Business Closed-loop of "Grass-seeding" and "Grass-weeding"

From brand promotion to sales, the B2K2C closed-loop link created by the Little Red Book has achieved a win-win situation from KOC to brand to the Little Red Book platform. For users, when consumers are "seeded" with each product through the pictures, texts, and short videos released by the KOC, they can immediately find the related products in the "Welfare Club" and place orders. For brands, the KOC recommendations increase the brand's exposure and improve consumers' decision-making efficiency to buy, and the real experience of consumers can feed back to the brand. For KOC, high-quality original content can become a channel for traffic realization while influencing its
consumption decisions through interaction with users. In addition, for the Little Red Book, adding brands can greatly increase users' retention rate and prevent the rapid loss of individual creators. With more and more brands on board, the Little Red Book has also accelerated commercialization and explored new ways to monetize traffic. As a result, the Little Red Book has formed a complete closed-loop ecological chain consisting of information, services, payment, data, and logistics [13].

3.2.4 Unite Each Layer to Promote, Setting Off the Bandwagon

Through the "pyramid" structure of the grass-seeding operation strategy, specific solutions are implemented for users with different characteristics, attracting other celebrities and users, and leading to secondary recommendations. At the same time, the following marketing resources are reasonably allocated to achieve the final marketing conversion. It has expanded the number of users of its platform and brought traffic and topicality to the Little Red Book, expanding its popularity and reputation.

4. Marketing problems

4.1 Insufficient Supply of Goods and Deepening Degree of Product Homogeneity

Since the Little Red Book products are imported abroad, their turnover requires a process and consumes time. The Little Red Book has not yet completely covered all products, and the lack of inventory will result in more sales being lost for products with a solid reputation and significant sales volume. As an e-commerce platform, the Little Red Book sells highly accurate products through UGC sharing. However, at the same time, the disadvantage is more obvious. When consumers do not find target products in the shop, they will choose other shopping channels based on users' purchase notes, which will easily lead to a large amount of"water army" entering and releasing a variety of advertisements. Nowadays, cross-border e-commerce has drawn the attention of many small and medium-sized enterprises and entrepreneurs. Many of these businesses have agents and designated suppliers on various platforms for their high-demand and lucrative items. The phenomenon of product homogeneity is very troublesome, especially for products in high demand, such as makeup and maternal and child products. Due to the various business models of merchants, they will engage in a price war to pursue profit maximization and form their competitive advantages, which will also impact the sales of the Little Red Book products.

4.2 Rising Marketing Costs and the Logistics Supply Chain Is Not Yet Perfect

Chinese government's cross-border tax reform policy was released in April 2016. The tax rate on cross-border imported goods has been adjusted, including maternal and infant products, health care products, and other low-value products [14]. For some brands or suppliers without cooperation, the cost of purchasing is rising, and the price advantage is not remarkable. The firm must spend a lot of money to enter the bonded region by relying on a large number of hoarding items, which will have an adverse effect on how the Little Red Book functions. The goods of the Little Red Book must go through the bonded zone before reaching the domestic market. According to the procedures, cross-border products must be declared in the customs clearance process. The products must go through customs inspection, tariff collection, distribution, delivery, etc. However, China's customs inspection process is more rigorous. Poor timeliness and slow rate of cargo turnover are unable to offset the lack of timely commodity inventory.

4.3 Narrow Product Sales Channels and Lower Platform Awareness

The sales channel management of the Little Red Book has not been perfect enough. The Little Red Book's e-commerce platform does not receive a significant percentage of new foreign customers, indicating that the consumer base is small and does not draw in a sufficient number of new customers and users. There is still much room for improvement in terms of brand awareness. Most of the products sold by the Little Red Book are daily-use products. Foreign consumer groups have not yet
been provided with related products or local services abroad, while the sales breadth of other platforms has expanded to include international tourism as well as retail. A self-built sales network cannot adapt for a long time due to the complexity of managing online marketing, which causes some sales channels to be inefficient and expensive.

4.4 Poor After-sales Service, Poor User Shopping Experience

Cross-border e-commerce is currently growing quickly, and the unreliable market monitoring system permits many fake and subpar products to profit from the market. The cross-border e-commerce market is rife with problems such as the mixed sale of real and fake goods and the suspected sale of fake goods. The Little Red Book has also encountered counterfeiting problems reflected by consumers. The reliability and excellence of their products have come under fire from some customers. They believed the product quality was inconsistent, and some claimed to have contacted customer service to return or exchange the goods. However, the Little Red Book did not promptly act on the issue and could not get an explanation and treatment. These unfavourable reports also damaged the credibility of the platform and decreased patron loyalty.

5. Suggestions on the Marketing Strategy of the Little Red Book

5.1 Improve Product Supply Chain and Win Homogeneous Competition

The entire supply chain needs to be strengthened to create a better brand image and establish a competitive advantage among homogeneous products. In order to give consumers more shopping options, especially in the sectors of beauty products and baby and maternal products, where there is a high level of domestic demand, it can broaden the scope of cooperation, establish diverse cooperation channels, and find suppliers or distributors of marketable and well-known brands. The availability of items for consumers can be increased by multi-brand collaboration, expanding consumption opportunities and preventing customer loss as a result of insufficient product categories. While assuring a steady supply and raising consumer satisfaction, streamlining the product supply chain can reduce the strain on inventory. What’s more, strengthening the monitoring and inspection of items during direct overseas sourcing is necessary.

5.2 Solve Tax and Logistics Issues and Reduce Marketing Costs

As a cross-border e-commerce platform, a new type of cross-border third-party logistics firm can be established to be fully accountable for monitoring the functioning of cross-border logistics, reducing the cost of the logistics system and facilitating specialization and performance of logistics because of the high cost of taxation. For international direct mail items, the Little Red Book needs to enhance and upgrade the logistics information system to give consumers reliable logistics update information. It can improve cooperation with international suppliers and warehouse service providers, engaging with each other to design preferential measures or marketing strategies to mitigate the rise in purchase costs resulting from the tax reform policy. Additionally, it can employ international direct mail to compensate for the tax expense of storage in bonded warehouses.

5.3 Broaden Sales Channels and Develop Platform Competitiveness

The Little Red Book focuses on selling daily necessities such as skincare and makeup, maternal and baby products, and health care products. In the early days of its establishment, it was inspired by people’s enthusiasm for travelling abroad and shopping overseas. The Little Red Book can consider diversifying its sales channels to include internet travel goods and services, which may bring new business opportunities. Users share the experience of purchasing products, detailed travelogues, and cross-border travel suggestions. The majority of users are avid outbound travellers who have an inherent edge when it comes to creating tourism-related businesses. The Little Red Book also has to boost the frequency of repeat purchases and expand its product advertising channels. It can
utilize social media marketing to spread relevant product or brand information on platforms like Weibo, WeChat, and forums in order to discover more potential customers and boost platform popularity, particularly around promotional events. Celebrity publicity echoes, relay from Weibo, and WeChat Public Account promotion can all achieve the effect of efficient publicity at a low cost. Moreover, most of the consumers in the Little Red Book are from medium-to-high income groups. Therefore, in the age of Internet marketing, it can focus on first-tier cities with higher consumption levels, and the customer group development will be more likely to meet the market positioning of the Little Red Book.

5.4 Improve After-sales Service and Enhance Consumer Experience

After-sales service is a crucial step to enhancing consumer satisfaction and loyalty, which is helpful in building a positive corporate reputation. The Little Red Book is supposed to emphasize regular staff training and evaluation, which can be accomplished through e-commerce exchange workshops or sharing marketing strategies to increase the all-around competence of personnel. In general, client complaints and criticisms can be essentially avoided by handling after-sales issues in a fast and efficient manner, which is conducive to maintaining the brand image of the Little Red Book. Because consumers have more options when shopping online, the Little Red Book must also comprehend the purchasing patterns of each consumer group and constantly enhance the quality of its services. Paying attention to product after-sales service can help establish competition barriers. Only with improved service levels can it avoid extreme customer dissatisfaction and complaints.

6. Conclusion

6.1 Key Findings

The interaction between consumers and brands is becoming more and more complicated as cross-border e-commerce and the Internet evolve. Enterprises and brands should put the needs of consumers first place in their marketing. Nowadays, major platforms are increasingly involved in community marketing, which effectively expands user groups, increases user stickiness, and promotes consumption. This paper has analyzed the environment of the imported cross-border e-commerce industry in China and deeply analyzed the case of the Little Red Book to form specific new marketing strategies and thinking that conform to the times, providing marketing ideas and inspiration for brands and enterprises.

As a successful example of community marketing for an imported cross-border e-commerce platform, the experience of the Little Red Book is worth exploring and learning. The Little Red Book uses the community strategies to grasp the core of communication, uses the big data strategy to enhance the efficiency and effectiveness of marketing, uses the experience strategy to create the ultimate user satisfaction, and establishes a differentiated strategy in terms of products, services, brands, and channels to create its unique competitive advantage.

6.2 Future Studies

The cross-border e-commerce industry has much room for development and is becoming more and more diversified. In the future, more and more companies will participate, so that the competition will be more intense. The key to competition is the control of the quality, the use of new technologies to promote the development of cross-border e-commerce, starting from both user acquisition and user experience, increasing the number of user interactions, and using social methods to expand offline sales channels, thereby expanding the reach of consumers. In the future, consumers will shift from passively receiving information to actively participating in production and consumption roles. With the changing marketing environment, how to adapt to the changing role of consumers and how to communicate with them on supply and demand to realize the transformation of profits is the primary issue that enterprises need to address. To occupy a place in the fierce competition, imported cross-
border e-commerce companies need to follow the pace of the times, constantly pushing the boundaries and making use of community marketing.

References