

Examining Network Effects and Platform Differentiation in Trend Community E-commerce: Case Study of Poizon

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Abstract: With the rapid rise of platform-based enterprises in the digital economy, particularly in the post-epidemic era, online sales have become the primary sales channel for trendy goods. Many platform-based enterprises that combine community and e-commerce attributes have flourished. This paper examines the network effect of community e-commerce platforms in the trend industry, using *Poizon* as a case study. The success of *Poizon* provides valuable insights for similar enterprises, and network effects are one of the keys to its success. However, *Poizon* still faces some challenges, which are analyzed from the perspective of network effects, and corresponding solutions are proposed. Chapter two provides an overview of network effects in the network platform economy, while chapter three analyzes the network effect of *Poizon* as a power-flow community e-commerce platform. Finally, chapter four concludes the paper.

Keywords: network effects, platform differentiation, trend community e-commerce, *Poizon*

1. Introduction

Under the premise that the country develops the digital economy energetically, the platform-type enterprise emerges as the times require. The development of this type of enterprise has attracted much attention as a model that can meet the personalized needs of users [1]. At the same time, in the post-epidemic era, online sales of trendy goods have changed significantly. All platform-based enterprises that combine community attributes and e-commerce attributes have gradually become the soil for developing China's trend culture and important online platforms for trend consumption [2]. Due to the need for more research on the network effects of an e-commerce community platform-based economy, *Poizon*, a representative platform combining community attributes with e-commerce attributes, is selected as a typical case. This paper studies the network effect of tidal current community e-commerce platform and, based on the SWOT analysis results, suggests some development suggestions for similar enterprises in this industry [3]. Whether it is the tide of e-commerce start-up platforms or the wave of community start-up platforms, their community and e-commerce functions have met some difficulties. The success of *Poizon* provides representative enlightenment for the development of these enterprises, and one of the critical factors of the success of *Poizon* is its network effect. Even so, the company needs some help. This article will start with the analysis of the network effects of *Poizon* for similar enterprises to provide a solution to the problem. The second chapter will review the network effect of the network platform economy. The third chapter will take the case of *Poizon*

to analyze the network effect of the tidal current community e-commerce platform and put forward some development suggestions. Finally, in the fourth chapter, the conclusion of this paper is drawn.

2. Literature Review

Currently, there are two forms of social e-commerce in China: one is a social function based on the e-commerce platform, and the other is an e-commerce function based on the social platform. *Poizon* is one of the latter. Researchers such as Van Rocks and Ning change have found that community building enhances user trust and promotes platform user consumption [4]. In the research on the network effect, Li Feng et al. found that some platforms expand the network effect of enterprises by attracting users to use the platform to achieve the impact of rapidly increasing the platform scale [5]. Grossmann et al. suggests that some enterprises can compensate for their disadvantages through network effects to improve their competitiveness [6]. Lin Yongjia et al. found a non-linear network effect in the relationship between enterprises' digital transformation and Green Innovation [7]. In the research on the role of platform users, Du Huayong and others think that the value of a community e-commerce platform is affected by platform design and user groups [8]. Liu Ziyu and others proposed that for the community e-commerce platform supply chain value co-creation process, the active participation of consumers will have a positive effect on it [9]. Liu's research suggests that users are more likely to use Crowd psychology when viewing content created by other users, thus contributing to consumer behavior [10].

3. Case Study

3.1. Case Description

Poizon is a trendy e-commerce platform founded in 2016 and headquartered in Shanghai, China. The platform aims to create a social, entertainment, and shopping-based fashion culture community through interaction and communication to help users understand and purchase the latest fashion trend products. *Poizon* has gone through the following stages:

First of all, *Poizon* developed as a trendy community and experimented with many new features, such as photo social, but the business grew little during this period. Secondly, *Poizon*, on its trading links, explores and explores constantly, while the shoes experienced rapid development in the secondary market. Finally, *Poizon* completes the brand upgrade, moving from a single sneaker e-commerce to a trendy online shopping community.

Poizon is aimed at young people, especially those born in the 1990s and 2000s, focusing on personality and quality, fashion, and culture. These young people usually pay more attention to brands, style, and personalized consumer needs, most living in large cities, high-educated, high-income groups. These users like to pursue trends, play fashion, and are willing to spend a certain amount of money and time covering first-tier cities and coastal areas widely distributed in the country.

Poizon's main competitors include mainstream e-commerce players like Nice, discernment, Vipshop, and Little Red Book. Excellent is the first image-and-tag-based social networking app in the country. It is mainly used by women from the post-1990s and post-1995 generation and has built a community around sneakers, fashion, and lifestyle. Discerning goods cover many commodity categories such as shoes and clothing, digital, beauty, home appliances, food and wine, fashionable play, bag and watch accessories, etc., is to help young people to solve consumer decision-making, product evaluation, and channel selection problems such as the trend of sports shopping decision-making platform. Vipshop mainly provides brand sales, discount goods, and an e-commerce platform for cross-border shopping and other services. Little Red Book is a social e-commerce platform with the theme of sharing lifestyle and shopping experiences. The primary users are young women, and the post-90s and post-00s are the main user groups. Users can share various life experiences, shopping

experiences, beauty and skincare, and fashion wear and match content directly on the platform to buy related goods.

3.2. Network Effects Analysis

Many users can produce more content and transactions, attracting more users and forming a virtuous circle. At the same time, highly personalized recommendation algorithms and social shopping experiences can improve user loyalty and retention. The social attributes of the platform can help users establish social circles, increase interaction and sharing among users, and improve the stickiness of the platform.

Poizon invests many resources to develop the authentication service provided by its platform is the core of the *Poizon* network effect. One of the critical drivers of *Poizon's* consumer base is its ability to gain recognition for its trendy image. Meanwhile, the cooperation between *Poizon* and the state-owned intermediate inspection company also has a series of measures to strengthen the position of its authentication authority, forming the impression in consumers' minds that *Poizon* is equivalent to a genuine article. The more consumers use *Poizon's* authentication service, the authority and scope of its identification services will continue to enhance for consumers to bring more robust genuine product protection.

With a large customer base, *Poizon* can easily attract social media influencers such as celebrities and influencers and established fashion brands, which bring much user-generated content to the community. At the same time, *Poizon* and the well-known brand co-innovation output of the trend of new products have significantly increased the stickiness of users to bring more consumer choices, further strengthening the network effect of *Poizon*.

To analyze the network effects of its competitors, Take Little Red Book as an example. On the social side, Little Red Book focuses on sharing lifestyle, while *Poizon* emphasizes promoting modern culture and trendy products. Although their community interactions and sharing are different, their network effects operate in the same pattern: the growth of new users leads to more high-quality content, more external collaboration, and increased user stickiness to bring a better user experience to the platform. However, regarding the attributes of e-commerce platforms, Little Red Book combines users' shopping experiences and social interactions through the social e-commerce model. The platform's product reviews and user feedback can impact other users' shopping decisions and increase users' purchasing decision-making basis. There are a lot of fakes and shoddy goods in the market of fashionable goods. The core of the network effect of *Poizon* in the e-commerce platform is based on its vigorous development of the authentic product appraisal service through the establishment of an independent authentication center and professional authentication team to provide users with authoritative authentication services to ensure that every transaction of goods is genuine, thus ensuring the safety and trust of users, not only improve the quality and credibility of the platform goods but also provide users with a better shopping experience, thus improving the retention rate and user stickiness. The appraisal service also brings a high conversion rate and buy-back rate, which becomes an essential source of competitiveness for *Poizon*.

3.3. SWOT Analysis-network Effects

SWOT analysis is a situation analysis method based on the research object's internal and external environmental conditions, summarizing the strengths, weaknesses, opportunities, and threats and then systematically combining the different categorical factors to draw a series of conclusions about the characteristics of the subjects. Using this method, the survey respondents can integrate the environ-

mental conditions of the survey respondents, make better strategies and decisions based on the conclusions of the survey respondents, and reduce risks, improve the competitiveness of the target enterprises and market share.

For e-commerce platforms like *Poizon*, the network effect is a vital competitive force because the network effect can lead to an increase in user size, user activity, and platform value. Therefore, through SWOT analysis of the network effect, we can more comprehensively evaluate the competitiveness and future development potential of *Poizon* to provide a reference for strategic decision-making of *Poizon*.

From a user group perspective, most of its customers are young and trendy, with a strong focus on fashion and culture, personality, and quality. By offering a wealth of modern goods and social features, *Poizon* attracts many young and trendy consumers, and the interaction and sharing between these users further enhance the network effect of *Poizon*.

The increase in the number of *Poizon* customers is a positive sign, but there are also issues of declining word-of-mouth and loss of customers. As the number of users increases, so does the volume of transactions on the platform and the number of trade disputes. Suppose the company's customer service team needs to resolve disputes promptly and accurately. In that case, it could affect the customer's shopping experience and reputation, leading to a loss of customers. At the same time, with the increase in the number of users, counterfeit goods and return rates will be more prominent. On the one hand, the appearance of fakes will reduce customers' trust in the platform. On the other hand, the high return rate will increase the platform's operating costs and hurt its profitability.

The opportunity for the company is the growing trend in the consumer market and the increasing ability of young people to express themselves, which provides a broader market for the company. As customers continue to move in, the network benefits of the platform are increasing, with an explosion of new content available to customers, making it even more attractive to new customers. This creates a growing positive feedback loop that brings a lot of traffic value to *Poizon*.

The threat of the *Poizon* network effect comes mainly from the pressure of competitors. *Poizon* has more and more competitors. E-commerce platforms, including Taobao, jd.com, Paili Doddo, and other second-hand trading platforms, are all developing their trendy e-commerce sectors. Thanks to these giants' colossal user base, their media's network effects are also far more potent than those of Verizon, which could face user churn and a drop in platform value if it does not stand out from the competition.

3.4. Recommendations

Poizon can enhance its social attributes and increase user engagement by organizing community activities, online and offline events, and other forms of interaction. This will improve user retention and loyalty. Additionally, *Poizon* can meet customer demands by increasing the variety of products and suppliers on the platform, enhancing its commercial value, and boosting customer retention.

Poizon should encourage users to participate and contribute content to strengthen community building, improving user stickiness and platform activity. This will consolidate and enhance *Poizon*'s position in the hearts of users. To expand the market, *Poizon* should actively seek to improve the platform's impact and market share by collaborating with high-quality brands and merchants and improving product quality and customer satisfaction. *Poizon* should also pay close attention to competitors and market dynamics and adjust its platform strategy promptly to better deal with market competition and regulatory pressure. This will further improve the user retention rate.

4. Conclusion

Network effect is a critical factor for the development of platform-based Internet Enterprises, and the network effect of *Poizon* has established a solid user base for it, the network effect of *Poizon* platform is mainly embodied in three aspects: the community content that platform users bring to other users by sharing the platform's content, the psychological security brought to users by the authentication of authentic products, and the cooperation of famous brands attracted by the platform to bring more choices to platform users; With the development of the current commodity market, the social environment and national policy have got the advantage and opportunity for the existing e-commerce platform enterprises such as *Poizon*, and injected a large number of user groups into it, however, with the emergence of negative public opinion and the rise of a large number of competitors has also caused a particular impact on the development of enterprises, *Poizon* and other community e-commerce platforms should be aware of the existing disadvantages and threats, and timely improvement for the problem, for the future of their own sustainable development to provide more possibilities.

The success of the platform depends in large part on the network effect of the forum. Still, this paper only discusses the impact of the network effect on the platform and puts forward corresponding suggestions. There needs to be an analysis of the possible network effects on other platforms. In the future, the research on the network effect should be more comprehensive and put forward more concrete and detailed suggestions for developing enterprises to effectively promote the vigorous development of this industry in our country.

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