

Analyzing The Advantages of User-generated Content Advertising Platform: A Case Study on Little Red Book

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Abstract: With the introduction of Web 2.0, internet users have become targets of information dissemination. Advertising based on user-generated content (UGC) has gained popularity. The purpose of this study was to investigate the benefits of the Little Red Book. Using Little Red Book as a case study, relevant data on UGC and the Little Red Book platform over the past five years, along with the 4Ps factors of marketing mix theory, were applied to analyze the three primary reasons why Little Red Book successfully occupied a large share of the UGC market and to provide three recommendations. First, Little Red Book's user verticality is high, accurately positioning the female market and the middle-to-upper-class demographic. Suggest increasing the number of users, penetrating a "shrinking market," and developing the economy. Second, Little Red Book UGC advertising is driven by content quality, which is advantageous for brand image formation. Propose establishing an online e-commerce business and a commercial closed-loop. Lastly, the UGC advertising investment cost for Little Red Book is low, and the return rate is high. It is advised to standardize the advertising pricing mechanism, increase the KOL threshold, and establish a brand cooperation system in collaboration with MCN.

Keywords: the UGC advertising, marketing mix theory, the Little Red Book

1. Introduction

1.1. Research Background

Professionally Generated Content (PGC) advertisements were prevalent on social media interactive platforms such as Renren and Douban in the early days. These advertisements were created by professionals and placed vertically by businesses. PGC refers to content created by professionals. Almost identically produced by traditional broadcasters as television programs. After entering the digital age (the Web 1.0 era: Web-people), the prevalence of this type of advertising has increased. Since the beginning of the web 2.0 era (person-to-person) and the emergence of social media platforms like Weibo, Tiktok, and Little Red Book, each user has become the target of information dissemination. Moreover, the KOL/KOC Internet celebrity economy has expanded rapidly [1]. The term for this type of advertising is UGC [2]. Little Red Book conformed to The Times's evolution, leveraging the platform's inherent advantages, and swiftly implemented a series of measures to

vigorously develop the UGC advertising model. It is currently the most popular platform for UGC advertising.

As a lifestyle platform and consumer decision-making entry point, Little Red Book has a natural advantage in developing the UGC market. Therefore, many scholars have conducted research on this issue. For example, Zhu studied the C2B business model of cross-border e-commerce based on UGC community marketing using the Little Red Book as the research object [3]. Chen and Yue took the Little Red Book as their research object to study the impact of UGC on users' Consumer behavior [4]. Xu and Liu compared and analyzed the cases of UGC social marketing on different platforms using three apps: Little Red Book, Dewu, and Dianping [5].

1.2. Research Gap

Although numerous studies on the Little Red Book and UGC patterns have been conducted, one issue has been neglected. The market for user-generated content is extremely competitive due to the proliferation of platforms. However, Little Red Book can ultimately defeat Tiktok, WeChat, and Weibo, which have a larger market size, and rapidly seize the vast UGC advertising market, making it the first choice for advertisers. It must have some benefits. However, there is still a lack of research regarding the benefits of Little Red Book as a platform for user-generated content.

In order to remedy this void, this article will examine in depth: Why has Little Red Book become a more popular platform for user-generated advertising? Awaiting the development of user-generated content advertising in the Little Red Book. Future development of UGC advertising on the Little Red Book platform will be aided by this topic's research, which will contribute to the improvement of the theoretical system relating to UGC and marketing mix theory.

1.3. Fill the Gap

Under the guidance of Jerry McCarthy's marketing mix theory, this paper will analyze the advantages of Little Red Book as a UGC advertising platform from three aspects: promotion, product, and price. And the horizontal comparison with other mainstream UGC platforms represented by Tiktok in the same period, so as to put forward suggestions for the development of Little Red Book's future UGC advertising layout.

2. Case Description

The Little Red Book is a lifestyle platform and consumer decision-making portal. Little Red Book has over 300 million registered users and is the largest lifestyle sharing community in China. The number of monthly active users has exceeded 200 million, and the number of daily active users is 60 million, ranking first in the nominating community [6]. Among them, female users account for over 70%, users in first and second tier cities account for over 50%, and 72% of new users were born in the 1990s, indicating high user quality [6]. It can be said that influential young high-net-worth users gather at Little Red Book.

Unlike other e-commerce platforms, Little Red Book was founded by the community. At the beginning, users focused on sharing their overseas shopping experiences with the community. Later, in addition to beauty and personal care, Little Red Book appeared on information sharing about sports, tourism, home furnishing, travel, hotels, and restaurants, touching on all aspects of consumption experience and lifestyle.

Little Red Book, as a popular social app among young people, has powerful social functions and strong platform interactivity. Users can post videos, images, and other content or communicate with others through comment areas, following publishers, and other means. The stickiness between users is strong, and the correlation is high. By recommending products through friends or nominating on

the platform, users can enhance their trust in the products and make it easier to trade them. It is an excellent platform for developing UGC advertising content.

At present, UGC advertising content is the biggest feature of Little Red Book. UGC, also known as user-generated content, refers to users actively sharing their lives, experiences, and insights on the platform, such as in tourism, food, fashion, and so on. The UGC content on Little Red Book is particularly popular and has become one of the most important means for brands to reach out to users and convey brand value.

In the second half of 2022, due to the impact of the objective environment and the tightening of the advertising industry, UGC advertising on platforms such as Tiktok will significantly decrease. However, in this market environment, the number of UGC advertisements placed by Little Red Book has doubled compared to last year, especially before major promotion nodes such as "618" and "Double 11". In May and October, Little Red Book's UGC advertising order volume showed a significant growth peak.

Obviously, UGC advertising has become an important source of revenue and a driving force for Little Red Book's development.

3. Analysis on the Problems

The marketing mix theory refers to the four fundamental marketing elements of Product, Price, promotion, and Place [7]. This theory, proposed in 1960 by the American scholar E. Jerome McCarthy, is one of the most significant in marketing [8]. Product refers to the goods or services produced or sold by an organization, including design, quality, function, and packaging. The price of a product or service, including pricing strategies, discounts, and promotions. Promotion refers to numerous publicity and promotional activities undertaken by businesses to promote their products or services, such as advertising, promotion, and public relations. Place refers to the distribution channels of a product or service, such as retailers, wholesalers, and online sales. The 4Ps of marketing mix theory is one of the most fundamental and essential theories in marketing, as it enables businesses to better understand the market and consumers and to develop sales- and profit-enhancing marketing strategies and promotional programs.

On the basis of the marketing mix theory, numerous academicians have conducted extensive research on marketing and other related topics up to this point. In her paper titled "Research on Bili Bili's Marketing Strategy Based on Marketing Mix Theory," Miao examined the marketing strategy of a short video platform using Bili Bili as an illustration [9]. Zhu and Wang also used this theory to analyse CHI FOREST's marketing model using Internet-based reasoning [10]. Zhou also discussed CHAYAN YUESE's marketing strategy for Generation Z based on the 4Ps marketing mix theory [11].

3.1. Promotion Target Strategy

Little Red Book users have higher verticality, more stable user groups, focus on women, and take the middle and high-end marketing route.

Little Red Book is a social e-commerce platform with a purchasing and life-sharing focus. Its consumers are predominantly young women who place a premium on quality and customization. Therefore, Little Red Book is appropriate for intermediate and advanced routes.

Approximately 70% of Little Red Book users are female, and the predominant age range is between 25 and 35, primarily in first- and second-tier cities [12]. It will be simpler to operate from a commercialization standpoint [12]. The content creation on Little Red Book focuses more on specific target audiences and can better transform them into target users. Little Red Book accurately divides beauty, personal care, and clothing into the three main categories [12]. Little Red Book is comparable to a living room: girls converse, gossip, share, and users have a strong desire to purchase targeted

products. In terms of scope, Little Red Book cannot compete with platforms such as Tiktok. Little Red Book follows the high-end line in the subdivided industry. It will perform better in the upper field than Tiktok, and its user base will be more stable.

Little Red Book focuses on high-quality beauty, skin care, clothing, and other products that are relatively expensive and suitable for young people who pursue quality and individuation. Little Red Book also focuses on product research and development and brand cooperation to provide more quality product choices. For example, Little Red Book has cooperated with a number of well-known brands to launch co-branded and limited-edition products, such as limited-edition lipstick in cooperation with Chanel and limited-edition eyeshadow plates in cooperation with Fenty Beauty, attracting more high-end users. In addition, Little Red Book will also attract users through some activities and lucky draws, such as the "Internet Celebrity Festival" and the "Little Red Book Beauty Festival". This also provides an opportunity for Little Red Book to take the middle- and high-end routes.

3.2. Production Content Strategy

The little red book provides high-value product content, and the long-tail effect is obvious, which is more helpful to help enterprises accumulate brand equity.

The Little Red Book's content value is its driving force. From the perspective of user browsing patterns, this indicates that when users open the Little Red Book and peruse notes, they do so with a greater sense of purpose, exploration, and discovery. In summary, users of the Little Red Book seek valuable information, so the platform is optimized for high-quality content, and the long-tail effect is readily apparent.

The UGC model of Little Red Book is based on users' spontaneous sharing, evaluation, recommendation, etc., forming a virtuous cycle of content production and dissemination. The platform provides convenient sharing and communication channels, which can stimulate users' creativity and desire to share, resulting in more high-value UGC content. Little Red Book provides professional shopping guide services so that users can understand the detailed information and experience of goods through UGC content so as to make better shopping decisions. This kind of shopping guide service can improve the reference value and purchase conversion rate of UGC content, which will promote the generation of more high-quality UGC content. Little Red Book strictly reviews and manages the UGC content to ensure the quality and authenticity of the content. This review mechanism can improve the reference value and credibility of UGC content, thereby improving users' trust and dependence on the platform and promoting the production of more high-quality UGC content.

3.3. Price Value Strategy

Little red book UGC advertising has low investment cost and high return rate. The Little Red Book offers several forms of UGC advertising. For example, the brand can cooperate with the head user (KOL), and the KOL will pass the brand and product information to more potential users through sharing, evaluation, recommendation, etc. [13]. so as to improve brand awareness and sales. By cooperating with users, brands can gain more exposure and attention and improve sales results. Or, through live broadcasting, consumers can more intuitively understand the product and improve the conversion rate of purchase. Brands can choose different advertising forms and strategies according to their own needs and target audiences so as to better control advertising costs.

In addition, the degree of competition in Little Red Book is relatively low, and the brand can get more exposure and attention with relatively less investment, improving the sales effect. In contrast, other social e-commerce platforms have a relatively high degree of competition, and brands need to

invest more resources and funds to get the same exposure and attention. The reason for the relatively low level of competition in Little Red Book is that the user group of the platform is relatively specific, and the brand can be positioned according to the needs and interests of users so as to better control the cost of advertising.

Finally, Little Red Book KOL single powder is of higher quality and stickier. Loyalty, spending power, and conversion rates are far better than on other platforms. Just talking about the total number of fans is useless; the difficulty of Little Red Book achieving millions of fans is much higher than others. For instance, the fast-food fans attracted by TikTok's appearance-level sharing and funny jokes are different from the iron fans attracted by Little Red Book's serious output of dry product content, and the value and consumption willingness are different. Therefore, if the willingness to consume is strong, Little Red Book is the best. In other words, advertising of the same value in the Little Red Book will get a higher rate of return.

4. Suggestions

4.1. Promotions Target Strategy

Expand user scale, accelerate the generalization of user structure, open up a "sinking market", and promote the rise of the "his economy".

Little Red Book's founder, Qu Fang, once stated, "Little Red Book is a city. In this city, users of various genders and skill levels congregate due to the content, progressively forming a distinct community culture. The greater the number of users a community has, the more content and interaction it can provide, and the greater the value of the community's products. Expanding user scope and accelerating the generalization of user structure are the pillars of the community's long-term success.

4.1.1. Emphasize the Male Market

According to the data, after the number of Internet communities such as Tiktok, Kwai and Weibo have exceeded 100 million users, the proportion of men and women tends to be flat. The ratio of male and female fans of Tiktok, Kwai and Weibo Top10000 accounts is basically 1:1. Relatively speaking, the general impression of Little Red Book in the market is that it is a search engine that makes women beautiful, and the proportion of female users of Little Red Book once exceeded 90%. Male users will undoubtedly become the future trend of Little Red Book users. Overall, if Little Red Book wants to break through the bottleneck of user growth, the male market cannot be left behind.

4.1.2. Opening Up a Sinking Market

Compared to the urban consumer market, the growth rate of the sinking market is faster. The "Research Report on Internet Contact Habits of Internet Users in Emerging Markets of Third and Below" shows that 39.12% of users in the sinking market like or follow internet celebrities, which is basically the same as the first-tier cities with a proportion of 40.6%. [14]. The "00s" and "70s" are the further growing consumer groups in the sinking market, and the online consumption willingness of sinking users is also increasing. Although, according to the user profile of Little Red Book, the current users on the platform mainly come from first- and second-tier developed cities, this does not prevent the platform from targeting the sinking market. In order to see an "upward" opportunity in the sinking market week and usher in new economic growth points, the official Little Red Book has clearly pointed out the need to pay more attention to the sinking market. It has also conducted in-depth visits to users in third- to fifth-tier cities multiple times to understand the specific needs of users in these regions and made corresponding adjustments accordingly.

4.2. Production Target Strategy

Develop on-site e-commerce business and achieve commercial closed-loop.

The Little Red Book platform grew up in the form of UGC product sharing and has always been very close to commercial realization [15]. The two aspects of Little Red Book's commercial realization are advertising sharing and product e-commerce. Unfortunately, at the beginning of its establishment, Little Red Book lacked effective conversion logic within the platform. Users generally choose to browse Little Red Book's nominate notes to obtain corresponding product evaluations and then purchase through third-party platforms. Even for a period of time, under Little Red Book's notes, there was a link that could directly jump to Taobao's purchase page. Merchants are also smart enough to choose to attract traffic from small red books and harvests on Taobao. Merchants and content producers bypass the Little Red Book and make a lot of profits through strong cooperation. However, Little Red Book, which provides important channel value in the middle, did not receive revenue, which is indeed unfair to the commercialization process of the platform.

This further indicates that relying solely on UGC advertising revenue is not a long-term solution. If Little Red Book wants to truly monetize traffic, creating a closed-loop business on the website has become a necessary choice [16].

In fact, on-site e-commerce is a good export. To develop on-site e-commerce, it is necessary to keep traffic within the station. The first thing to do is to cut off the external chain function of Taobao. Prohibit users from guiding transactions outside the site in personal pages, comments, private messages, and other scenarios. Officially implementing the "integration of account and store" policy, customers who open a store can insert products in their notes, and a zero-threshold store opening policy is introduced to attract start-up brand merchants to join. Send a clear signal with practical actions: Little Red Book no longer welcomes Content creation or businesses to divert outside the station. Merchants and creators who are unwilling to delve deeper into content and only use Little Red Book as a "free drainage tool" will be rejected. On the one hand, this measure restricts businesses and Content creators from sharing good content more realistically; On the other hand, it also allows the platform to take the initiative at the commercial level.

4.3. Price Target Strategy

Standardize advertising pricing mechanisms, raise KOL thresholds, and collaborate with MCN to establish a brand collaboration ecosystem.

The UGC ads for Little Red Book vary in price depending on the number of followers and data provided by the blogger. The minimum cost for a single article is 50 yuan, and the KOL promotion for influencers ranges from a few hundred to several hundred thousand yuan. Due to fierce internal price competition on the platform, some KOLs falsify fan data. However, Little Red Book lacks a scientific evaluation system to accurately evaluate and predict KOLs influence and appeal, leading to inappropriate or ineffective choices and triggering a crisis of trust among merchants on the Little Red Book platform.

Only by raising the KOL threshold, standardizing pricing mechanisms, and establishing a high-quality, efficient, transparent, and just brand cooperation ecosystem can it create a more beautiful, authentic, and diverse platform ecosystem and regain the trust of merchants and users.

According to the regulations of the Little Red Book platform, only brand partners can release commercial promotion notes. Although it cannot exceed 20% of the total number of notes per month, it has become an important source of income for many KOLs. Previously, with a fan base of over 1000 and an average exposure of over 1000 notes in the past month, one could apply to become a brand partner on the Little Red Book platform.

Little Red Book's most recent "Upgrade Instructions for Brand Partner Platform" set higher standards for fan base and monthly exposure. KOLs that do not meet the requirements will be disqualified as brand partners. The new standard stipulates that the admission conditions for brand partners will be changed to have a fan count of 5,000 and an average exposure of 10,000 notes in the past month. Brand partners who meet the standards need to sign a real-name contract with the Content Collaboration Network (MCN) [17].

5. Conclusion

In the Web 2.0 era, due to the evolution of internet technology, everyone is a producer and disseminator of information. Numerous internet celebrities with significant fan bases, known as KOLs, have emerged on the internet. They have a high level of user trust and online discourse influence, making them outstanding advertising carriers. This form of advertising that relies heavily on user-generated content is known as UGC and is becoming a new trend in the advertising industry. Little Red Book, as the most eye-catching platform for merchants on the UGC advertising market, has received extensive attention from the industry.

This article analyses the unique advantages of Little Red Book as a UGC advertising platform from three perspectives using the marketing mix theory of 4Ps factors: Production target strategy, Production content strategy, and price value strategy. In terms of production target strategy, Little Red Book users have greater verticality, more stable user groups, a focus on women, and a middle-to-upper-tier marketing approach. Little Red Book provides high-value product content in terms of production content strategy, and the long-tail effect is objective, which is more advantageous for enterprises seeking to build brand equity. Little Red Book user-generated content advertising has a minimal investment cost and a high return rate. Little Red Book has taken the lead in the fiercely competitive UGC advertising market and become the most preferred advertising platform for businesses due to these advantages.

This article once again demonstrates that the marketing mix theory can be applied to analyses issues related to enterprise marketing layout. Taking Little Red Book as an example, it analyses the advantages that a popular UGC advertising platform in the market should have, providing a reference for other social media platforms to develop the UGC advertising market in the future. The analysis in this paper is limited by practical conditions and levels, and there are still many shortcomings. For example, the data in the article mostly comes from relevant literature and enterprise reports from recent years without conducting on-site research. In future research work, the researcher will continuously improve its practical level and exploring ability and more closely reflect the data conclusions drawn from field research rather than relying excessively on existing data.

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