

The Analysis of XiaoHongShu's Marketing Strategy Based on STP Theory under the Internet Era

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Abstract: Competition between China's e-commerce platforms is becoming more and more intense, with many companies trying to enter the market for a share of the pie. As an emerging social platform, XiaoHongShu has already achieved great success in e-commerce and is now one of the most popular social media platforms in China. In this paper, we applied the Segmentation, Targeting, Positioning (STP) theory to analyze the marketing strategy of XiaoHongShu in the Internet era. Our analysis of this platform is about its strategy for market segmentation. It's clear that this platform has a great understanding of its special market, i.e. female market. Then we examine this platform's precise scanning to find young women as its target consumer. This platform uses its social media advantage to connect its consumers and uses big data to find everyone's needs and hobbies. Last but not least, this paper analyses the market positioning, that is, the content community of XiaoHongShu.

Keywords: social media, media markets, content community

1. Introduction

In recent years, the rapid development of the Internet has contributed to the evolution of the media. Media forms have become more diverse as a result of media convergence (the merging of previously distinct media technologies and platforms, such as traditional media, print media and the Internet, through digitization and computer networking). Much of the social media we use today, such as Facebook, Instagram and, as we will discuss in this article, XiaoHongShu, can be considered part of media convergence. However, different social platforms target different directions. Facebook, for example, focuses on connecting and communicating with family and friends, while Twitter is used by businesses, media influencers, journalists, politicians and brands. As for XiaoHongShu, it is a social platform that combines e-commerce. Many of the posts in the XiaoHongShu are User-Generated Content tips (UGC) on life, travel and products they recommend. These high-quality UGC creates a unique and hard-to-imitate community atmosphere. Many young Chinese turn to XiaoHongShu for advice on fashion, beauty and lifestyle, rather than listening to advertisements.

One of the problems faced by all social media is how to convert the huge amount of traffic driven to the platform into revenue. Advertising and e-commerce would be a smart choice for the vast majority of platform companies. XiaoHongShu is not exempt from this. In recent years, it has started to develop e-commerce in addition to its advertising business, hoping that its unique and sticky users

will lead to better transaction conversions, and the market is hoping that this will happen. XiaoHongShu's e-commerce structure can be divided into three parts: First, there is an official shopping platform operated by XiaoHongShu, similar to Amazon. The second is the flagship shops of other brands introduced by XiaoHongShu, these brands can sell their products directly to XiaoHongShu users. The third is the access to other e-commerce platforms, which are set up by merchants on Xiaohongshu.

In this paper, we will take an in-depth look at the unique XiaoHongShu community and analyze its marketing strategy by investigating three parts: market segmentation, market targeting selection and market positioning. The rest of this paper is organized as follows. Section 2 discusses the related literature and gives a review of what we have found in these papers. Section 3 is the crucial part of the paper, in which we analyse the marketing strategy of XiaoHongShu. In the final section, we reach a conclusion based on our research.

2. Review

Our research is directly related to social media marketing and e-commerce. With the development of internet, consumers are increasingly searching for information about the products they intend to purchase. Klein claims that goods can be classified as search products and experience products. Search products are defined as those dominated by product attributes for which full information is available before purchase, like trousers or laptops. Experience goods tend to have more attributes that are only known after purchasing or using the good, or that are more difficult to obtain information about than direct experience of the good, such as dinners at new restaurants and travel products [1]. In addition, consumers' information costs of searching are quite different based on the characteristics of search vs. experience products. Bei, Chen and Widdows' study showed that while searching for information about experience products, consumers perceived online information to be more important, especially online information from other consumers (e.g., consumer grading, consumer opinion, and discussion with other consumers) and neutral sources (e.g., web articles). Consumers acquire more information for quality judgments, such as other's recommendations for experience products [2]. XiaoHongShu happens to be a social platform where people spontaneously share their notes through life experiences, diverse content and current trends. As a result, people can easily gain information about experience products on XiaoHongShu, especially in beauty and fashion field, while these information are relatively harder to find on other social platforms. This provides directions for XiaoHongShu's possible marketing strategies.

Bajpai, Pandey and Shriwas claims that social media marketing refers to the process of gaining website traffic or attention through social media sites, and the key of social media marketing is centering on efforts to create content that attracts attention and encourages readers to share it with their social networks [3]. Constantinides further pointed out two possible ways of social media marketing strategies: a. The passive approach focusing on utilizing the Social Media domain as source of customer voice and market intelligence. b. The active approach i.e. engaging the Social Media as direct marketing and PR channels, as channels of customer influence, as tools of personalizing products and last but not least develop them as platforms of co-operation and customer-generated innovation [4]. Saravanakumar and Sugantha Lakshmi show that social media is seen by marketers today as a great opportunity to boost market share figures. In order to avoid risk of damaging the brand image, the business should choose the profile of people that matches its target segment and communicate with them accordingly [5]. In our case, the user profile of XiaoHongShu is explicit and it has several distinctive features, one is that the users are highly educated, and the second is that the majority of users are young people aged between 20-35 years old. Hence XiaoHongShu can apply proper marketing strategies based on its user profile.

Singh shows that people has become incredibly proficient in filtering traditional and digital methods of advertising, soft advertising on social media is more acceptable [6]. Sun and Ly show that word-of-web (WOW) today has become crucial to exchange marketing information between customers via online platforms [7]. Burgess, Sellitto and Cox show that there is a paradox for the level of trustworthiness and reliability that can be associated with UGC – they can be trusted because they are real experiences by real people who are independent – but can also be seen as untrustworthy because the content that is posted may be faked by someone with a vested interest [8]. XiaoHongShu is a great platform for soft advertising because a big reason people use it is to search for posts about fashion, life advice, travel, etc. as a reference. So companies can disguise their promotion posts about their products as normal recommendation posts for the purpose of advertising.

3. Analysis

3.1. Market Segmentation and Market Targeting

Nowadays, the application market is highly competitive, and many apps would like to build their “garden wall” to prevent consumers from using other apps. Later apps usually hard to compete with these mature apps. However, many apps find new tracks that segment the market to find more precise target consumers. The XiaoHongShu is one example of a newer app using market segmentation to find its target consumers and then use social media to target communication.

3.1.1. Market Segmentation of XiaoHongShu

The first step is making the segmentation of the market. The sketchiest segmentation is male, female and child. In Internet time, the segmentation usually needs to be more precise because everyone is unique. Everyone could find a comrade on the internet to talk about one minority topic. But at the same time, everyone has barriers to understanding others. Even though they are all females, women in rural areas may have a thinking blind zone about women who stay in cities. Different live experiences, educations, economic situations and other factors cause people to have different thoughts, and so this provides chances for companies to find or create one more precise segmentation for their target consumers.

According to its official website, as of October 2019, the monthly active users of XiaoHongShu have exceeded 100 million, of which 70% are post-90s. Most of these users are young women, and so these people are its target consumers in the first layer. In the past, because of the social model, females are more like to pay for their husbands and families. Now, because of the development of society and the change in people’s minds, females are more like to pay for themselves for happiness. According to the data of the "2021 XiaoHongShu Active User Portrait Trend Report", 90.41% of the active users of XiaoHongShu are women and urban professional women with certain economic abilities, and strong consumption power and consumption demand constitute the main user of XiaoHongShu. These people usually have more willing to invest in clothes, cosmetics, fashionable things and etc. This application encourages its customers to share their feelings, experiences, and everything in their lives. People can easily find every topic about females on this platform. Compared to its competitors, it’s more precise and accurate. When one female uses this app to scan the information, she usually can find her wants and other interesting topics and messages to attract her to spend more time on it. The content is the most crucial part of this platform. The content creator won’t sell products directly, and they only are responsible for sharing these products unconsciously.

In traditional marketing, the results of market selection are usually consumer groups with certain key characteristics. However, in the Internet era, XiaoHongShu applies big data analysis to make a deeper and more precise market targeting based on users' online behavior. Next, we will further analyze the Precision screening and community marketing of XiaoHongShu.

3.1.2. Precision Screening

The number of users is huge, so it is important to find target consumers precisely. So this platform uses the new technology to achieve its goals. Big data is very important in the framework of the system, and XiaoHongShu uses the label function to achieve everyone's goal. People just need to input keywords when they want to search for information, and relevant tag notes related to this keyword will appear, and users can sort the latest hottest comprehensive. Then big data will collect the information from the user and analysis her hobby for further push content. "Each reader's notes will participate in the ranking, and the system will randomly distribute them to the reader. Distribute by testing each reader's reaction. According to the click-through rate, the number of likes and the quality of the evaluation determine the quality of the content and then remove the rough. After improvement, the platform will push some content that users have never paid attention to on the user's home page or association page to test user preferences. Through this continuous interactive push and recommendation, the platform will judge the most favourite content of users so as to better understand user needs." [9]. By using the spermatic big data algorithm, the platform could promise to push the most interesting topic to every consumer. When consumers read the pushed content, the platform will try to attract them to their e-commerce website.

3.1.3. The Core is "Community."

XiaoHongShu uses the user-generated content as the core of its community. For this mode, the user engagement is the most important metric. Its slogan, "Mark my life," encourages everyone to share their lives with others on this platform. This is also one step to selecting its target consumer, which is finding the people who like to share. Its core target consumer is females, and many females like to share their lives, and usually, this ratio is larger than males. So, sharing lives with others and getting positive feedback on this platform could also increase the engagement of target consumers. On the other hand, this community admires authentic communication among ordinary people. Compared to other social media, content creators usually are normal people, and they hope to share their real thoughts and experiences in this community. When idols come to this platform, they also need to show one kind of "normal people" feeling to consumers. Content creators like to use "dry cargo" to boast their content, meaning that their content is real and there is no nonsense. This could also help select one kind of consumer who hopes to find useful content and is tired of direct advertisement.

As the above, XiaoHongShu tries to select young professional women as its target consumer. These females are used to using e-commerce as their first choice to buy products. Depending on the active community, this platform could guide consumers to its online shopping mall. Now this platform also uses some professionally generated content and brand-generated content, but the essence of these contents is using real experiences to attract consumers who like to read. Real and interesting content is the most crucial key for this platform to sustain attraction from its target consumers and to have differences from its competitors.

3.2. Market Positioning

XiaoHongShu uses content community as its market positioning, and designs products in a targeted manner according to the user profiles provided by market segmentation and market targeting. The following discusses the operation strategy of XiaoHongShu in detail.

3.2.1. Operate E-commerce Platform with Content Community as a Carrier

In the early stage of development, XiaoHongShu was operated in the form of a community, and accumulated a lot of experience in content operation and content resources. Initially, the topics

discussed in the community were mostly beauty and individual care which can catch the attention of young women, and nowadays it has been expanded to various fields including photography, travel and catering, etc. covering all aspects of the target users' lives. Users exchange their shopping experiences to help improve their shopping success rate. On this basis, XiaoHongShu introduced e-commerce as another core profit mechanism of the platform in addition to advertising, forming a unique "zhongcao" and "bacao" model. One of the important content categories in XiaoHongShu is the recommendation of good things. In this community, recommending products to others is called "zhongcao", and generating interest in buying and implementing consumption behavior through recommendation is called "bacao". Lots of well-known brands as well as personal brands have opened online stores in XiaoHongShu, while another part of merchants choose to place other e-commerce platform entrances in the content of XiaoHongShu. Users watch the community content that may contain soft ads and are "zhongcao", and then buy products through the platform e-commerce, realizing the closed loop of sales of the platform. In this process, the traditional word-of-mouth marketing works efficiently online, and users complete their consumption decisions and even purchase behavior through content socialization.

3.2.2. Sharing Young Trendy Life Is the Keynote of the Community

The content creation style encouraged by XiaoHongShu and the products selected for promotion and sale are mostly exquisite and fashionable, showing a beautiful lifestyle which can meet the interests of its main users, namely white-collar women and young people. These users have strong spending power, are willing to pay for better quality and more fashionable style, and are willing to try new products. XiaoHongShu digs deep into their social habits and shopping motives, and captures their desire for quality life and sharing spirit to build a community that emphasizes individuality and aesthetics. Past studies have shown that higher-quality images on social media get more attention [10], and in the face-oriented platform environment of XiaoHongShu, publishers often need to attract users' attention more through images with strong visual impact to further showcase their content, which accumulates to consolidate the platform's style. XiaoHongShu itself has also strengthened such brand features in its operation design such as UI design, event materials, and official content design. As the influence of XiaoHongShu continues to expand, its core concept has also attracted a wider range of groups to participate in community life, including residents of second- and third-tier cities who pursue quality of life, elderly people who love fashion, men who admire taste, and so on. XiaoHongShu is influencing the public with its platform style, and is cultivating the market while conforming to it.

3.2.3. Combination of KOL and KOC

The content creation of XiaoHongShu is carried out by key opinion leaders (KOL) and key opinion consumers (KOC) together. Netflix recommendations can have a positive and obvious impact on the marketing effect [11]. So XiaoHongShu makes full use of the power of KOL to produce high-value content. On the one hand, XiaoHongShu has platform weblebrities, represented by Cheng Shian, who create pendant KOL through the platform and weblebrity agencies to connect brands and recommend products to consumers. On the other hand, XiaoHongShu also has many celebrities on board, using the celebrity effect to stimulate consumption behavior. For example, Zhang Xiaohui's first live broadcast on XiaoHongShu received nearly 600 million views and over 50 million total sales. In addition, many brands have officially opened XiaoHongShu accounts in recent years to communicate directly with consumers, for example, fashion brand MLB has more than 170,000 fans. From the perspective of KOC, XiaoHongShu supports the public to share their lives and produce content, while giving business support policies to creators with a medium to small number of fans to help them gain revenue through their content. The support for KOC is in line with the user-centered philosophy of

the platform, and also promotes maximizing the business value of brands, platforms and creators at a practical level. Overall, both KOL and KOC hold important and unique positions in the production and commercial profitability of XiaoHongShu content.

4. Conclusion

This paper has studied the Internet marketing strategy of XiaoHongShu from three aspects: market segmentation, market targeting, and market positioning. The study shows that in terms of market segmentation and market targeting, young women with certain financial ability are the main user group of XiaoHongShu. The platform accurately pushes content to audiences focusing on different field segments through tagging, in which big data plays an important role. In terms of market positioning, XiaoHongShu creates a cross-border e-commerce platform with a content community, and creates community content through a combination of KOL and KOC.

At the same time, some challenges of XiaoHongShu should also be seen. Firstly, in the actual operation of e-commerce, the XiaoHongShu platform lacks significant advantages over other platforms, specifically in terms of overall high pricing and lack of quality assurance. Users are often interested in getting information of products from XiaoHongShu, but do not always end up completing their purchases on this platform. In addition, the authenticity of XiaoHongShu's content has been criticized, and the creators have a tendency to over-glamorize the content, which indirectly affects the public's trust in its promotion and sale of goods. In the future development, these problems need to be solved.

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