

Business Model Analysis of Community E-commerce Platform Based on New 4c Theory —Take Xiaohongshu as an Example

Ruixuan Song* and Haijun Lu

School of Economics and Management, Beijing Jiaotong University, China

**Corresponding author. Email: 1469225806@qq.com*

ABSTRACT

With the rapid development of the mobile Internet economy, the community economy as the carrier has gradually developed, and increasing enterprises have begun to pay attention to the consumption characteristics of users in the era of mobile e-commerce. Managing users in a community way has become a new way of customer relationship management in the new era. In order to provide reference for the development of social e-commerce platform enterprises, this paper takes Xiaohongshu as research object, analyzes its business model platform with new 4c theory, finds its successes and shortcomings, and puts forward suggestions.

Keywords: Xiaohongshu, New 4c theory, Community e-commerce platform.

1. RELATED NOTION

1.1 New 4c Theory

The new 4C theory means that we can connect people by using the network structure of the Community in a suitable Context, aiming at a specific community, through the Content or topic with communication power, and quickly realize the diffusion and dissemination of information, so as to obtain effective commercial dissemination and value. The new 4C marketing is the thinking path in suitable scenarios where consumers and consumers' needs will be more concentrated, and the group's mood and state will be more convenient for marketing.

2. INTRODUCTION TO XIAOHONGSHU

Xiaohongshu is a social e-commerce platform founded by Qu Fang and Mao Wenchao in June 2013. It is mainly composed of two sections. The first section is UGC (User Generate Content) mode life sharing platform. Users can mark and share their daily shopping and good life through words, videos, notes, etc. Xiaohongshu matches massive people and information through machine learning accurately and efficiently. The other one section is Xiaohongshu Mall, including Xiaohongshu's self-operated "Welfare Society" and the third-party platform+merchants. Among them, the

self-operated "welfare society" implements self-built bonded warehouses and logistics, and the goods are delivered to consumers directly through bonded warehouses or overseas direct mail. The combination of the two modes makes consumers' choices more diversified. According to the official website of Xiaohongshu, as of July 2019, the number of users of Xiaohongshu has exceeded 300 million, and 70% of users are after 1990s. The great success of Xiaohongshu in just a few years is worth pondering.

3. BUSINESS MODEL ANALYSIS OF SOCIAL E-COMMERCE PLATFORM BASED ON NEW 4C THEORY

3.1. The Community of Xiaohongshu

"Community" originally refers to people who live in the same area and have contacts with each other. In the Internet age, community refers to a group of people who share common values or common regional relations and have group cohesion. In community e-commerce, sense of participation, sense of accomplishment and sense of respect are three common and recognized senses. A good community not only needs users to participate in it, but also needs users to experience a sense of accomplishment and respect. Users can feel respected in their participation, while the difference in identity can

make users have a sense of accomplishment. Xiaohongshu personifies the image of users with cute "sweet potato babies" and divides them into 10 grades. Only by publishing more original pictures, texts, short videos, etc. can users have more fans, get more praises and collections, then reach a higher level. Furthermore, the release of these contents improves the sense of participation of "sweet potatoes". If more people agree and pay attention to their own opinions or videos, the users' sense of accomplishment and respect will also be improved. It can be seen that by letting users participate in the use of products and creating a sense of identity difference among users, the frequency of users using the products can be enhanced, the stickiness of users can be improved, and greater benefits can be brought to enterprises.

3.2. The Community Scene of Xiaohongshu

The development of Xiaohongshu can't be separated from studying and adapting to users' shopping scenes in a timely manner. In 2013, cross-border travel became popular. In December of the same year, Xiaohongshu APP was officially launched. Its original intention was to provide users with an overseas shopping sharing platform. Customers who have had can share on the platform, so that more users can know which overseas products are worth buying. After the trip, they can also publish their shopping experience in Xiaohongshu to help more people with shopping needs. In this way, users' trust and use frequency of "Little Red Book" are cultivated, and gradually using xiaohongshu becomes a habit. At the end of 2014, under the situation that users' purchase demand is getting stronger, Xiaohongshu officially launched the e-commerce platform "Welfare Society", upgrading e-commerce from the community and completing the business closed loop. In the second half of 2016, under the situation that the SKU of "Welfare Society" could not meet the needs of users, Xiaohongshu expanded the third-party platform and stores, and the SKU of all categories grew rapidly. In June 2018, in the shopping scene where new retail has become mainstream, Xiaohongshu opened the first offline experience store RED HOME in Jing' an Joy City, Shanghai. At the beginning of 2019, under the scene of huge increase of users and chaotic advertising, Xiaohongshu implemented the cooperation among brand, KOL talent and MCN organization. Every step of Xiaohongshu's change closely follows the change of the scene and do the right thing in the right scene, therefore Xiaohongshu will always walk at the top of the wave of community e-commerce.

3.3. The Community Connection of Xiaohongshu

In the community 3.0 era, the community aims to connect everything, which is not only the aggregation of

people, but also the carrier of connecting information, services, content and goods. In the era of mobile Internet, the business model of connected thinking brings many business perspectives to enterprises. The original intention of Xiaohongshu is to connect shopping needs and shopping information. From its foundation to the present, Xiaohongshu has connected people, people and things, things and things.

Connection between people and things: On Xiaohongshu's community platform, users can upload their own evaluation of products, and users who want to buy the products can see the evaluation through Xiaohongshu's welfare community and finally decide whether to buy the products. The content source of the section "What do the little sweet potatoes say" is the community notes, which are completely copied to the comment system of the mall. In this way, products of Xiaohongshu can be closely connected with users.

Connection between people: In early 2019, Xiaohongshu opened a marketing platform for brand, KOL (Key Opinion Leader) and MCN (commonly known as online celebrity Economic Company). If the three parties want to achieve cooperation, they can negotiate on their own, so as to connect people well.

Connection between things: With the advent of the Internet of Things era, the connection between things has entered an unprecedented stage. Things and things here refer to the "things" in Xiaohongshu community, that is, brands and consumers. In order to help the brand better connect with consumption and help consumers get better shopping experience, Xiaohongshu officially launched the "Brand Number" in March 2019, aiming to open up content and transactions, so that the brand can complete one-stop closed-loop marketing through content, marketing and transactions in Xiaohongshu. Xiaohongshu empowers brand owners with the power to operate fans, helps brand owners to better contact customers, and embodies the thinking that things should be connected together in the community.

3.4. The Social Content of Xiaohongshu

There are four modes of community e-commerce: content type, shopping type, KOL distribution type and native small program type. Xiaohongshu belongs to content-based community e-commerce. On one hand, Xiaohongshu enables users in the community to learn more about brands, products or services through UGC content, and gradually deepens consumers' dependence on UGC content. On the other hand, sharing real user experience increases the credibility of the product, and also increases the intimacy.

In addition to UGC, there are gradually more PGC (Professional Generate Content) contents in Xiaohongshu. For the platform, these PGC contents can be regarded as original advertisements, that is,

advertisements that customers can't see are advertisements. Moreover, BGC (Brand Generate Content) is also a content creation method that has to be mentioned since opening up brand owners and content. The platform side empowers the brand, and the brand can operate its own content.

Generally speaking, UGC occupies an important position in the content creation system of Xiaohongshu, but attention should also be paid to the integration with PGC and BGC. Because of the construction of content needs long-term and extensive accumulation, once the content ecology is established, it will become a solid guarantee for community e-commerce enterprises.

4. PROBLEMS IN XIAOHONGSHU'S SOCIAL BUSINESS MODEL

4.1. UGC Motivation in the Content of Xiaohongshu Community is Suppressed

The original intention of Xiaohongshu is to bring real shopping sharing to users, but now it tends to be labeled as material and false. Today, when interests are paramount, the tonality of Xiaohongshu's content gradually moves towards vanity, comparison and high price, and UGC power is suppressed. Famous brand lipsticks, perfumes and bags can be seen everywhere on Xiaohongshu sharing platform. Even some bloggers use fake goods as genuine products in order to satisfy their vanity. These bad values are flooding people's minds, which greatly incites the blind worship of money and vanity of the masses.

4.2. The Trust Crisis in the Community Connection of Xiaohongshu

The community can survive for a long time, relying on trust. There is no doubt that trust is the link that all connections can be sublimated. However, in recent years, with the rapid development of Xiaohongshu, there is also a crisis of trust. It is common to write "notes on planting grass", falsify data, fake e-commerce and sell illegal drugs. Not only that, Xiaohongshu even has the phenomenon of brushing powder, brushing quantity and improving search ranking. In addition, due to the technical and management deficiencies of Xiaohongshu team, users frequently complain about information leakage. On August 1, 2019, Xiaohongshu officially confirmed that the APP was removed from the shelves, and the rectification contents were fully launched.

4.3. "Cocoon House" in Xiaohongshu Community Scene

Everyone has different opinions about beauty. However, some scenes in Xiaohongshu have the same understanding of beauty. More and more girls are

looking for notes on how to face-lift, resist aging and wrinkle, and everyone is publishing some tips on whitening and slimming. As soon as I opened Xiaohongshu, I seem to fall into the cocoon house scene of "live exquisitely even if I am poor" and "be thin or die".

5. IMPROVEMENT MEASURES OF XIAOHONGSHU'S SOCIAL BUSINESS MODEL

5.1. The Community Scene of Xiaohongshu Needs To Play Its Own Corporate Social Responsibility

If an enterprise wants to become bigger and stronger, it must exert its social responsibility. As a content dissemination platform with 300 million users, on one hand, Xiaohongshu should strictly control the content published by users and pay attention to the quality of the disseminated content. It has to actively carry forward the socialist core values and spread healthy, positive and progressive "positive energy" content to the public. On the other hand, Xiaohongshu should immediately change the content push system based on "algorithm", strengthen industry self-discipline, and take the initiative to assume the social responsibility of Internet enterprises.

5.2. The Connection of Xiaohongshu Community Needs to Strengthen the Supervision of Enterprises Themselves

The E-Commerce Law of the People's Republic of China has been officially implemented since January 1, 2019. While accelerating its commercialization process, Xiaohongshu, as a platform operator, should strictly abide by the E-Commerce Law, fulfill all responsibilities and obligations stipulated in the E-Commerce Law, strengthen the supervision and management of its own platform, identify the enterprise positioning, improve the enterprise efficiency and protect the legitimate rights and interests of consumers. And as a platform, it should strictly screen suppliers to dispel customers' doubts about the authenticity of products.

5.3. The Community Scene of Xiaohongshu Needs to Be Diversified

Now it has entered the era of scene fragmentation and traffic fragmentation, and consumers are living in a personalized, pluralistic and dynamic state. Xiaohongshu should appear around consumers in a timely manner, and design different consumption patterns in different scenes, so that consumers can be moved in scenes close to nature instead of deliberately

selling. For example, if the user wants to travel to Hainan, Xiaohongshu should expand the scene channel, recommend suitable sunscreen to the user, and inform the user of some sunscreen skills. Of course, if we want to diversify the channels of community scenes, we need Xiaohongshu platform to build a powerful database system and more complex personalized recommendation.

6. CONCLUSION

Based on the new 4c theory, this paper analyzes Xiaohongshu's business model platform, finds its successes and shortcomings, and puts forward some suggestions on this basis. In the era of mobile Internet, if Xiaohongshu, a community e-commerce, wants to develop better, it should pay attention to the three aspects. First, the community should pay attention to its own corporate social responsibility; second, community connection needs to strengthen the supervision of enterprises themselves; finally, the channels of community scenes should be diversified. Nowadays, it has become an irreversible trend to use community to develop e-commerce. Only by constantly adapting to the

requirements of users and achieving a better community experience can this platform achieve a longer-term development.

REFERENCES

- [1] Zhang Fan; Jiang Li. Xiaohongshu: From Shanghai "Red" to Wuhan "N". Pivot, 2018.
- [2] Chen Keyuan. Xiaohongshu refinanced after two years. E-commerce Yingfengkou. Beijing business today, 2018.
- [3] Liu Mengxuan. Research on business model based on virtual community [D]. Beijing University of Posts and Telecommunications .2018.
- [4] Liang Xuyan. Scene Communication: A New Transformation of Communication in the Mobile Internet Age. ".t7. Publishing and Distribution Research, 2015, (07).
- [5] Jin Shao, Ni Ning. Communication characteristics and business model of "community economy". T7. Modern Communication, 2016, 38.