Advances in Social Science, Education and Humanities Research, volume 517
Proceedings of the 6th Annual International Conference on Social Science and Contemporary Humanity Development (SSCHD 2020)

Research on Marketing Model of Social E-commerce Based on Customer Loyalty
——Take "Xiaohongshu" as an Example

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ABSTRACT
As the growth rate of China Mobile Internet users continues to decline, the scale reaches the top, and users' attention is further distracted, and the competition for users' attention will become more and more intense, entering the stage of stock competition. In this context, "Xiaohongshu" based on the user core to enhance user stickiness, build a community with a good atmosphere, and has a strong ability of "Planting grass" and "Carrying goods". In the fierce competition, "Xiaohongshu" has become a rising star in the e-commerce industry. This paper analyzes the "social + e-commerce" marketing mode of "Xiaohongshu" through case study, and uses 4R Theory to analyze it. It establishes a marketing closed-loop from establishing relationship with customers to retaining loyal customers and finally obtaining returns. Provide theoretical support for other social e-commerce and e-commerce socialization.

Keywords: *Social E-commerce, Customer loyalty, Marketing model, "Xiaohongshu".*

1. INTRODUCTION

With the continuous maturity of Internet infrastructure construction and e-commerce business, network channel is still one of the most effective consumption channels. However, according to the data, the growth rate of China Mobile Internet users has continued to decline, and the scale has peaked. The competition for users' attention in the market segments has gradually turned white hot. Users have completed shopping of different categories and purposes on multiple platforms. The market of e-commerce industry has entered the stage of stock competition, and the test for enterprises is sustainable realization. [1] In this context, the mobile social industry has always been the industry with the most users in the Internet field. With the blessing of "social +", the market share of the mobile e-commerce industry has risen.

From the perspective of people's needs, people's life scene is convenient because of the Internet, and loyalty is stronger because of social interaction. [2] The deep link between social functions and mobile e-commerce directly shortens the path of commercialization and is bursting out new energy and value. Home appliance manufacturers have been enriching their own content through content-based and social networking, grabbing users' attention, invigorating users, optimizing user experience and enhancing customer loyalty.

2. LITERATURE REVIEW

This paper is not a simple business model research, nor a complete study of user behaviour, but how social e-commerce "Xiaohongshu" establishes contact with customers and creates customer loyalty. This requires us to deeply understand what customer loyalty is and what factors affect customer loyalty, so as to know which actions can help enterprises retain customers and retain loyal customers. Secondly, we need to understand the characteristics of social e-commerce and what advantages it has in building customer loyalty and cultivating loyal users.

2.1. Customer Loyalty

Jill Griffin divides customer loyalty into four types from two dimensions of attitude orientation and behaviour orientation: ideal loyalty, potential loyalty, false loyalty and lack of loyalty. [3] Throughout the existing research, most of them pursue the high behaviour oriented customer loyalty, hoping to improve the customer's repeat purchase rate, so as to improve the revenue. But in fact, with the rapid development of the

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Internet, for major shopping platforms, especially for social e-commerce, user traffic has become an important factor for their survival, and the conversion between social context and consumption context is an important feature of social e-commerce. [4] In this context, on the one hand, we should put more energy into the potential loyal customer group. Because this part of users can not only bring huge traffic, but also may produce high purchase behaviour in the future, creating double benefits for the enterprise; on the other hand, we should find ways to improve the emotional attachment of the false loyalty customer group to themselves, and prevent this customer group from losing in the fierce competition.

The factors influencing customer loyalty can be divided into two perspectives: technology perspective and user perspective. From the perspective of technology, the quality of the system itself and the quality of information provided in the system will affect the user's experience or perception in the process of using, thus affecting the user's intention of continuous use and even loyalty. [5] From the perspective of users, this paper discusses which factors will affect the formation of loyalty. For example, Tao Zhou et al. tested the impact of immersion experience on user loyalty through empirical research. [6] Liu Xin and others put forward that social identity will affect customer loyalty. [7]

2.2. Social E-commerce

Social e-commerce social e-commerce is the addition of social elements to traditional e-commerce, which helps to attract user resources, improve user experience, establish and maintain customer relationships, so as to promote the development of e-commerce.

In recent years, with the research of social e-commerce more and more in-depth, at the same time, as people pay more and more attention to the user resource, there are more and more researches on social e-commerce users. By combing the relevant literature, the current research on the user behaviour of social e-commerce mainly focuses on social related theory, incentive theory and behaviour theory. Although the research on social e-commerce is diverse and focuses on different aspects, we can still find some common points. To become a viable or even successful business model, we must first realize sustainable profitability, which is the premise of normal operation of business model. Secondly, because social e-commerce integrates some socialized attributes, user size and user activity become important sources of value creation. How to improve the user experience and establish a good customer relationship has become very important.

2.3. "Xiaohongshu"

"Xiaohongshu" is a lifestyle platform for young people. It was founded in June 2013 and has developed rapidly into China's largest community e-commerce platform in recent years under the development strategy of "Internet plus" in China. "Xiaohongshu" can stand out in the fierce competition of e-commerce platform, which is closely related to its unique "social + e-commerce" mode. The division of labor between these two functions is clear, closely linked and inseparable. The sharing of the content community is the "advertising area" and "publicity platform" for shopping, providing users with the user experience closest to life, and customers will naturally enter the mall to place orders after they have the desire to buy. For most users, the core requirement is to search and view the content of notes. On the basis of meeting this demand, "Xiaohongshu" has successfully "zhongcao" and generated a desire to purchase through personalized recommendation. "Xiaohongshu" has opened up the e-commerce sector for these users and established long-term good relations with customers through one-stop service. This paper takes "Xiaohongshu" as an example to study the marketing mode of social e-commerce, and the analysis is mainly based on the 4R rule.

3. ANALYSIS ON THE MARKETING MODE OF XIAOHONGSHU BASED ON 4R THEORY

4R Theory takes relationship marketing as the core, pays attention to the long-term interaction between enterprises and customers, and focuses on establishing customer loyalty. 4R Theory not only pays attention to the interests of manufacturers, but also pays attention to the needs of consumers, which is more in line with the actual situation and is often more effective in the competition. [8]

3.1. Relevancy

In the Internet market full of changes, it is the key to retain customers, improve customer loyalty and win a long-term and stable market by establishing effective relationship with customers in business and demand. Thus, the enterprise and the customer are linked together to establish a relationship of interdependence and mutual support, which greatly reduces the probability of customer loss.

Today's consumers are no longer just passive recipients of information. Young people's consumption has been gradually upgraded from product consumption to emotional consumption. They have unprecedented discourse power. Therefore, businesses should regard consumers as individuals with independent thinking, personalized needs and distinct ideas. "Xiaohongshu"

conforms to the trend of this era, focusing on the use of interactive communication between users, assisting consumers' online shopping, and establishing association with users through user generated content. Its community takes the deep content as the link, attracts the specific interest crowd to consume the content and the depth exchange. User generated content is a kind of "decentralized" new network information resources creation and organization mode, which can improve user experience through user participation and collaborative creation. [9] In this way, users can not only realize customer value by putting forward value demands, but also actively become the provider or marketer of platform content and become the main body of innovation.

In addition to unilaterally generated content, interactions within user groups and between users and other participating enterprises are also the most important characteristics of social e-commerce. [10] The interaction between users can form a social network and produce social influence within a certain range, so as to use the community to enhance social connection, enhance user stickiness, and then affect user behaviour decision-making. At the same time, the optimization of social capital can promote users to create more and better innovative content.

3.2. Response

After the 21st century, with the faster and faster pace of social and economic activities, users' demand for time is higher and higher, and the main factor of competition is time. [11] This requires enterprises to find and understand customers' needs and expectations in time, change their role from "Persuading" to "listeners", and make timely responses and responses to meet the needs of customers, reduce complaints and reduce the probability of customer turnover.

The rapid response of “Xiaohongshu” to customer demand is reflected in the whole process from forecasting demand to after-sales service. The rich content of the community makes "Xiaohongshu" have inherent advantages in grasping the market demand, and it is convenient and targeted to recommend content for users. Through the introduction of various lists, "small hearts" scoring system and "small hearts big appreciation" lists, "Xiaohongshu" transforms the real use experience and evaluation of real consumers into product parameters, which can be used as a reference for other users and help them make more efficient decisions. In order to deliver goods to consumers as soon as possible, we need strong supply chain support. Xiaohongshu has built an international logistics system solution, adopting the logistics mode of free trade zone delivery. At the same time to ensure the speed, but also to ensure the quality, so as to establish a high reputation in the community. The management of customer relationship has not ended after the purchase behaviour. In order to ensure the user's good experience, "Xiaohongshu" also takes the lead in implementing after-sales services such as "30 days without reason to return and exchange goods", which also reflects its high attention to user experience.

3.3. Relation

"Relevancy" means to attract customers through unique marketing methods, while "Relation" pays more attention to the maintenance of customer relationship, keeps customers to the maximum extent and creates customer loyalty. With the increasingly obvious emotional needs of customers, the competitive strategy adopted by enterprises has shifted from product-centered to customer experience-centered.

In the community created by "Xiaohongshu" for customers, customers can not only meet their own needs for information, emotion and other content through mutual interaction, but also realize value co-creation by publishing content and actively participating in community activities. It can improve the experience of each user and establish a relationship network among customers, so that customers have a sense of belonging. The customer-oriented ability to create value together has become an important way for "Xiaohongshu" to win customers and gain competitive advantages in the fierce competition. On the other hand, the direct interaction between brand and customer is also the key to improve customer satisfaction and cultivate customer loyalty. The function of "brand number" launched by "Xiaohongshu" aims to provide one-stop service from content marketing to transaction realization for brands, so as to help them interact with users more effectively and achieve win-win results. At the same time, it also connects the creator and the brand directly, which can not only help the brand to choose the suitable creator more efficiently, but also help the creator to turn his personal influence into reality. By means of membership system and hierarchical system, "Xiaohongshu" can make users more interesting and active. With the higher and higher level, the relationship between users and "Xiaohongshu" will become closer [12], so as to retain customers, cultivate loyal customers of enterprises, and establish a long-term relationship with customers.

3.4. Return

The ultimate goal of any organizational activity is to pursue and obtain benefits. Return is the driving force of marketing development. The constant pursuit of efficiency is the eternal theme of an enterprise, and it is also a necessary condition for the survival and development of an enterprise. The pursuit of return includes cost and win-win. [13]The development of

network solves the contradiction of information asymmetry,[14] enables enterprises to seize the opportunity in the fierce changing market, better meet the needs of customers, reduce marketing costs, so as to achieve the lowest cost investment and obtain the maximum return.

"Xiaohongshu" adopts the strategy of "free & charging". The free and rich content has accumulated a large number of users and won a good reputation for the Xiaohongshu. Attract and retain customers by reducing the cost of information and services users need. The free and high-quality content for the "Xiaohongshu" to earn enough attention, the charging strategy can create profits for it. The revenue can continue to invest in content production, technology update and system maintenance, so as to provide users with a better use experience.

However, due to the fact that "Xiaohongshu" has not yet been listed and the relevant financial data has not been disclosed to the public, this paper uses the scale of users to express the return of "Xiaohongshu". From official website of "Xiaohongshu", we can clearly and intuitively see that the number of users of "Xiaohongshu" is constantly increasing, especially since June 18, the growth rate is very high. By July 2019, the growth rate is 200%. As of October 2019, the monthly active users of "Xiaohongshu" have exceeded 100 million. As of April 2020, the installation times of "Xiaohongshu" app in the community app market of HUAWEI application market is as high as 1.7 billion times, second only to "Zhihu" 1.8 billion times, far ahead of other apps. What's more, the valuation of "Xiaohongshu" has reached 5 billion, which shows that the future return of "Xiaohongshu" is still considerable.

4. THE 4RS MARKETING CLOSED LOOP MODEL OF XIAOHONGSHU

In this way, the whole marketing process has formed a closed-loop with customers as the starting point and falling back on the customers again. (Figure 1) Starting from the establishment of relationship with customers, we can attract customers by creating value for customers to meet their information, social and shopping needs; Secondly, through speeding up the response speed of customer demand, customer experience and customer dissatisfaction in the whole process, improve customer experience and customer satisfaction, so that customers are willing to stay; Thirdly, through relationship marketing, we can establish long-term interaction and transaction relationship with valuable customers to increase customer stickiness and create customer loyalty; Finally, return will be realized. However, it should be noted that in social e-commerce, the return here not only refers to the return of economic benefits, but also includes users' login time, voluntary generation of content, participation in community interaction, etc. the economic returns obtained can help enterprises to operate better, improve all aspects of their interaction with customers, and the high-quality content obtained will become the basis for establishing connections with other users.

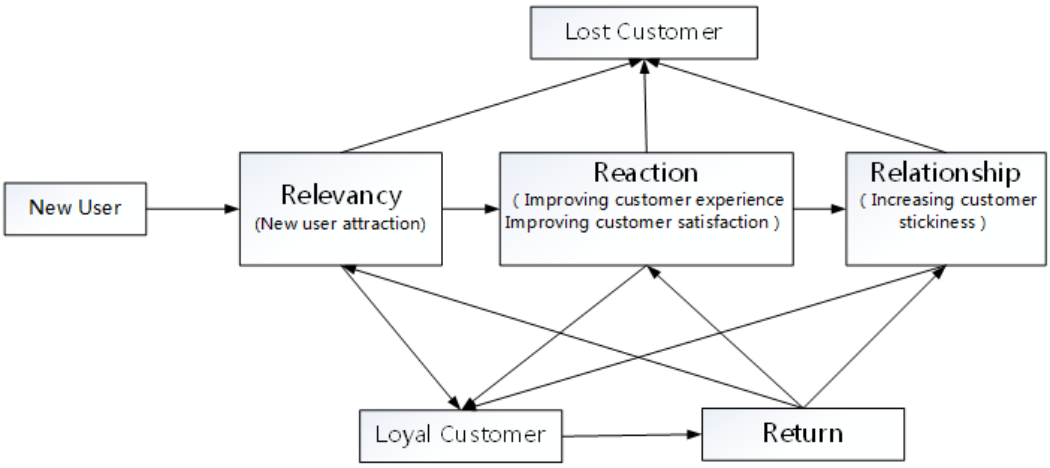

Figure 1 The 4Rs marking closed loop model.

5. CONCLUSION

Xiaohongshu can stand out in the fierce competition of e-commerce platforms, and has achieved such brilliant results in just several years, which is closely related to its unique "social + e-commerce" model. The community is the "advertising area" , providing users with comments, which are shared by others .As soon as they have needs , they can enter the e-commerce platform to shopping. The Xiaohongshu started with community content. Community content is like spring water. Only when the spring water keeps flowing, can the "seed" of e-commerce grow into a towering tree.

This paper analyzes the "social + e-commerce" marketing mode of xiaohongshu through case study method, and establishes a marketing closed-loop that starts from establishing relevancy with customers, responds quickly to customers' needs, and establishes long-term relationship with valuable customers, so as to retain loyal customers and finally get returns.

It enriches the research content in the field of social shopping. The domestic academic research on community e-commerce now is still in its infancy. Most researches are focused on the exploration of virtual community business model and the word-of-mouth marketing of community e-commerce. The rules of both e-commerce and community are still being explored. Xiaohongshu is a typical example of social e-commerce, which integrates e-commerce and social networking. And it can provide reference for other social e-commerce.

6. DEFICIENCIES AND PROSPECTS

Since the "Xiaohongshu" has not yet been listed, the relevant data is difficult to obtain. This study only focuses on the marketing mode of "Xiaohongshu", which is lack of quantitative analysis, and can be further improved in the future.

There are various forms of social e-commerce, such as the cooperation between Taobao and Weibo; Social networking platforms are becoming more electronic too, so many brands are using the official account or small program on WeChat platform to conduct electronic business activities. This study only selects "Xiaohongshu", which has limited representativeness of social e-commerce, and lacks comparative analysis with traditional e-commerce, so it has certain limitations.

AUTHORS' CONTRIBUTIONS

Firstly, this paper enriches the research of social e-commerce. At present, the research on social e-commerce in China mainly focuses on the exploration of non-transaction virtual community business model and the word-of-mouth marketing of social e-commerce. However, the research on the user loyalty of social e-commerce is relatively limited and not deep enough.

Secondly, at present, the growth rate of domestic mobile e-commerce is sluggish, the market expansion space is extremely limited, and the anxiety continues to spread. All major platforms are looking for mode innovation in order to have a better way out. Starting from the community, "Xiaohongshu" has always been user-centered, focusing on providing users with a better experience. Through the analysis of "Xiaohongshu" business model, it can provide reference for other social e-commerce.

ACKNOWLEDGMENTS

Thanks to my school, Beijing Jiaotong University, my teachers, which have not only taught me rich knowledge and various skills, but also broadened my horizons. I really feel the pleasure of being a student of business management major and the focus of academic research. Thanks for the contribution of previous scholars in the research of social e-commerce.

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