Research on the Digital Business Model of Xiaohongshu under the Background of the SHE Economy

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ABSTRACT

Xiaohongshu, a popular platform for sharing information and shopping under the background of SHE Economy, appears to be the top few apps in China nowadays. As technology develops, social media becomes an indispensable element in people's daily lives. Meanwhile, women have an increasingly higher social status. So does their consumption power. The success of Xiaohongshu cannot be achieved without appropriate marketing strategies corresponding to the current society. This article analyzes the business models used by the platform in the way to enhance their values built from females and therefore, promote the company's reach by applying marketing strategy theories. The research finally concludes that with the advantages of both good uses of business approaches and responses on female related values, Xiaohongshu is placed at the frontier of the industry of digital platforms.

Keywords: SHE Economy, Social Media, Business Model, Marketing Strategy, Xiaohongshu

1. INTRODUCTION

The digital economy never stops growing these years. Especially because of COVID-19, the worldwide pandemic catalyzes the popularity of the use of social media. At the same time, the economic power of women's consumption takes a great part in the global economy. According to the research on buying power, US\$31.8 trillion of consumer spending was performed by females in 2019 while Asia has an annual consumption of US\$13.4 trillion [2]. This indicates that women's consumption power around the world is more than twice that of Asia. Because of the enhancement of females' economic power and social status, a concept called "SHE Economy" appears in society. The term "SHE Economy" refers to the potential female market, particularly online. Women have a large demand for consumer products such as skin care, healthcare, and clothes. During this era and benefitting from the background, companies find ways to catch people's attention and attract more and more users. They start their services and design products from a female's perspective. As the consumption that follows the thread is a representation of being modern and fashionable, combined with the help of social media, a lot of products become popular, which pushes the online female economy to be unprecedentedly prosperous. Xiaohongshu, a combining platform of social media and shopping, is a typical example that catalysts the development of the SHE Economy.

This article analyzes the business models utilized by Xiaohongshu based on their focus on important values to females. This is necessary to dig down because as a platform placed in the front, Xiaohongshu currently is set as a model studied by the emerging companies. The analysis on the success of the app in the aspect of business strategies during the SHE Economy era helps improve the service of the apps in the similar category. Platforms would attract more, and the users would have a better experience.

2. XIAOHONGSHU

Firstly, to study the inside of Xiaohongshu, it is necessary to learn the basic information about the platform as an audience so that the development of the app would be easier to understand.

2.1 Background

SHE Economy has reached an unprecedented level of influence in society contemporarily. Women's economic

independence and self-values have been placed in an important place in people's minds.

Adhering to the slogan of "Marking my life", Xiaohongshu started as a social experience sharing platform. It covers topics from evaluation of products to daily life story sharing in a variety of areas such as clothes and beauty makeups. Since its inception in 2013, the company has earned ten billion CNY until 2017, and it has more than 300 million users in 2019. According to Qiangua, a data analysis platform in the same company as Xiaohongshu, about 90 percent of the account owners of Xiaohongshu are females by the end of 2020 [6].

Living in the digital world right now, social media platforms motivate users to participate in communications. Xiaohongshu provides an option for women to share their strengthens and visualize their ideal moments by viewing each other's posts. In this way, the consumption platform helps reflect women's independent side of mental state. Xiaohongshu can be better described as a place for consulting.

2.2 Contents Posted

A variety of kinds of posts people can create on Xiaohongshu. The most common ones are BLOGs and PLOGs, the original function when the APP appeared. People usually write in paragraphs or list explanations about the photos. It is the most popular kind because the audience can skim through the content and quickly catch the points they want to know such as the brand of a coat or the location of a café. Moreover, another way of sharing becomes prevailed these years is VLOG. By sending messages through videos with vivid scenes, the viewers can have a direct understanding of the topic. It is a way that vloggers are communicating with the audience. What's more, sometimes, when there is not enough formal information to form a blog or plog. A function called Moments is well-fitted. This is similar to the Story function of Instagram. Users can quickly share their life experiences through Moments or simply record their daily activities, such as clock in workouts.

Recently, there are some newly invented functions on the app. Live streams become increasingly popular because the hosts and their followers can have live-time communication through live streams. Some may share their stories and meanwhile get feedback from the comments of the listeners. Others will simply open the camera and chat with their fans or do live-time Q&A to maintain their fans. A more company welcome way of live stream is selling products, which grows to be popular during the pandemic. As people are not able to go out regularly to buy products because of the coronavirus, buying items online is a convenient way. Under this circumstance, some brands have collaborations with the social media platform and hosts that the discount during live streams are bigger and the number of deals is limited.

In this way, more and more people are attracted and would join the live stream to get greater discounts, which helps the platform become more well-known.

2.3 Values Behind

Besides the different functions mentioned above, Xiaohongshu's success depends on the values it tries to convey to the public. The main values not only draw more attention to female rights but also empower women's social status and improve gender equality.

On one hand, it decreases females' sense of loneliness due to the algorithms. In ancient China, women were placed at an inferior level in society. They were not allowed to study, work, or even go out to attend any activities. The only reason is that they were females. Women in ancient times had few friends or people they knew very well except their family members. The sense of loneliness had greatly influenced their mental health. Although hundreds of years have passed, the problem has still not been eliminated. According to the study in "Global variation in the prevalence and incidence of major depressive disorder: a systematic review of the epidemiological literature", the probability of females facing depression was 5.8 percent while there were only 3.5 percent of males had the same trouble [3]. The root cause of depressive disorder is the psychological pressure of emotions. Fortunately, Xiaohongshu provides a forum for females to express themselves. According to their recommendation, the more viewers are interested in, the more posts of similar content would be recommended to the homepage of the app. This means that people who have similar interests or hobbies are pushed to each other. Therefore, they have more opportunities to discuss the issues that are important to them. Knowing people in the same fields would give females a sense of not being alone.

On the other hand, the general atmosphere of Xiaohongshu greatly promotes females' positive energy to the public. The platform provides as much as it can to support women. It is a place for women to speak out that their strengths in various aspects including capabilities, knowledge, economic powers, and social status. Taking a step further, with the promotion of positive energy among the general public, not only the audience would pay attention to females' potential, but also women would become confident in themselves. The increasing sense of independence encourages women to be more outstanding. On the way to growing to be a success, Xiaohongshu provides a platform for individuals to express themselves and find their audience. Account-holders can attract several followers by showing their strengths out and realizing their self-values while the viewers would also have progressed by learning from the others' experiences. A typical example is that many bloggers share tips on doing makeup and recommend helpful products on Xiaohongshu. The great number of

fans fosters their career, and the followers can learn a lot from the content which helps them to find their fitting makeup styles and make-up to be more beautiful. Thus, individuals on both sides are improving themselves, so the system is in a virtuous cycle.

3. MARKETING STRATEGIES

With the above in mind, Xiaohongshu is operated by a company, so how does the company run the platform? The three approaches, the strategy pyramid, saturation advertising, and collaboration, mainly applied are important to study.

3.1 The Strategy Pyramid

The Strategy Pyramid emphasizes the practical significance of developing a strong marketing structure. According to Tim Berry, it is built up with three main levels, Strategy at the top, Tactics in the middle, and Programs at the bottom [1].

Firstly, Strategy means narrowing down the company's target market and customers. Xiaohongshu has a clear goal of serving females' needs. Secondly, Tactics are the ways or plans that the company can do to achieve its goal. For example, the company conducts training, enhances the safety of its networking, or determines its values. Finally, Programs are the footstones of the above. They are the specific actions that can be implemented. It can be holding different activities for advertising. Xiaohongshu does not simply focus on advertising through the influence of celebrities. They also put effort into finding normal people for support. Because of these ordinary people, Xiaohongshu becomes increasingly popular. Expanding influence among citizens can better maintain the loyalty of the users.

3.2 Saturation Advertising

The concept means making advertisements everywhere so that people can easily remember them. The strategy spreads information widely and frequently by placing a company's memorable slogan and logos at various places including online and offline [5].

It is an effective method that most companies implement. So does Xiaohongshu. Some posters are hung at bus stops and shopping malls while they also post their advertisements online by registering their official accounts on other social media platforms. In this way, more people would notice Xiaohongshu's message.

3.3 Collaborating with Others

This can be building up collaborations with other companies or individuals, a good way to compete with other similar companies in the market. For example, Perfect Diary, a newly emerged makeup brand in China,

uses the method effectively. According to He, Perfect Diary has significantly expanded its fame by forming cross-industrial collaboration [4]. Many of their products are jointly signed by the company and either another brand, designer, artist, or celebrity. This approach makes Perfect Diary a difference among the brands of the makeup industry in China.

As an online shopping platform and social media, it is unavoidable for Xiaohongshu to have communications with others. Brands, besides their official website, need different channels to connect and expand the volume of their potential customers, so collaborations between Xiaohongshu, the social media platform, and brands, companies of specific products, are win-win for company operations.

Collaborating with individuals is an essential part of Xiaohongshu's success. As an increasing number of idols, TV and movie stars, and other celebrities start to appear on the Internet, young people appear to be enthusiastic about famous people. The fans would listen carefully to what the celebrities recommend and follow their behaviors. Accordingly, more famous people are invited, more followers would join.

4. MEDIA CONVERGENCE

Simply starting from theoretical models is not enough for certain. Keeping up with the evolution of society is also essential for an up-to-date app. As technology develops, changes in ways of consumption start to emerge in modern culture. Consumption is no longer a simple process of economic development but a combination of purchase and communication. Xiaohongshu works hard to find content and spread its influence to improve its media convergence.

4.1 Starting from Females' Angle

To begin with, as a social media platform that closely focuses on females. They develop the app mostly in a way of females' perspective. According to the main values conveyed introduced in section 2, being independent but not lonely is the users' common demand. Instead of determining the contents of the leading thread by itself, Xiaohongshu gives the important right to ordinary people. There is no priority. No matter the users are normal citizens or superstars, they have the same opportunity to express what they want. The company just does basic supervision on the regular operation and makes sure no extreme sentences are spread. Consequently, the decentralization policy of letting the users share and view what they want is the root cause that helps the app attract more and more users.

4.2 A Combined Platform of Sharing and Shopping

In addition, introduced above, Xiaohongshu acts as a sharing platform for people to post their experiences and ideas, but it is not only a social media but also a place for shopping. The team works hard on putting the communication forum and online consumption together, which is a unique feature of the app. While people are viewing the posts, links of similar or even the same products are shown below. Although it seems to be a small point, the function brings great help to the users that they do not need to switch to other searching engines and spend time on finding the items. The majority of the app's initial focus is female-related, such as makeup, skincare, and bags. The companies that produce these items also target their main customers as females, so it is easy to build collaborations between the stores and the platform. Henceforth, as the merchants have deals with it, Xiaohongshu earns money and expands its fame at the same time.

4.3 Online and Offline Distributions

Finally, the company does not slack off either online or offline. Spreading online is significantly important because as a social media and online shopping platform, catching online users is the core to success. According to the theory of saturation advertising, Xiaohongshu advertises by sponsoring the others. For example, it sponsored TV shows named Idol Producer and Chinese Produce 101, which are influential variety, especially among young people. As the mass of potential customers, young people are extremely important to the success of digital media. Xiaohongshu is a combination of posting and purchasing, a new form of social media different from being chatting tools. Meanwhile, the company is focusing on offline distribution. Xiaohongshu has its office building. It designed some souvenirs such as bags, bottles, and cushions with logos on them. They invite users to visit their company offline periodically. The company also starts to set flash stores in different cities around China for Xiaohongshu users to meet each other and the culture behind is being spread as well.

5. CONCLUSION

To sum up, Xiaohongshu has developed in an effective way to be both a digital communication forum and a shopping platform based on the inspiration of the SHE Economy. The values behind are influencing every crowd of users and helping them look better either inside or outside. This article just focuses on discussing theoretical models and analyzes from a social perspective. More authentic statistical data is needed to foster. It is true that the app is not perfect so far because some of the words posted are extreme and misleading. Nevertheless, the company continues working on it. Policies and supervisions of the posting community are always updated, so the system is improving healthily. Combining the valuable information discussed on social media with the useful business models and marketing strategies, Xiaohongshu would grow to be a successfully integrated platform. Therefore, SHE Economy would also enter more and more people's vision, which aids the concept of girls' power to be spread further and foster gender equality in the end.

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