The Market Strategy Analysis for the Two-Sided Platform Xiaohongshu and Tiktok as the Case

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Abstract. Two-sided platforms are platforms that connect multiple groups simultaneously and benefit from interactions between those groups. Xiaohongshu and Douyin are typical two-sided content platforms. This paper is concerned with the marketing strategies of such content two-sided platforms and uses the 4P model to analyze them in detail from the aspects of product design, pricing, promotion, and channels. Our analysis shows that the core of XiaoHongshu marketing is to encourage users to share content, while the core of Douyin marketing is to make content fun.

Keywords: market strategy · 4P theory · content platform · two-sided platform

1 Introduction

A two-sided platform caters to two different interacting consumers kinds simultaneously, such as viewing and advertising. Both are drawn to one another because consumers employ consumption to obtain commodities from providers, and vice versa. Currently, the two-sided platform is highly well-liked. According to quest mobile, the MAU for one of the platforms, XiaoHongShu, topped 130 million in August. Additionally, advertising generated between 600 and 800 million in revenue. TikTok is another highly well-liked website. Both XiaoHongShu and doujin make extensive use of video to communicate with their respective user bases. But both platforms' capabilities and user targeting are distinct. Therefore, we are attempting to identify some of the distinctions and traits between the two well-known platforms, Xiaohongshu and Tiktok. As I already stated, in august, XiaoHongShu reached 130 million MAU. Additionally, 50.8% of China's population will have a Tiktok account by the year 2022. These two important platforms attracted a large number of users and clients. Even celebrities need to use these platforms to increase their notoriety because it controls the capital. Understanding how these platforms employ marketing strategies to achieve and draw customers, celebrities, and suppliers is crucial. We're applying a traditional 4P model to employ a standard technique to comprehend and further study the digital marketing strategies both 2-sided platforms use. Product, Place, Price, and Promotion are collectively known as 4P. By using the 4P approach, we will analyze and contrast both systems.

2 Literature Review

The previous paper mainly focused on the strategy of two-sided online platforms, such as the fair recommendation that has been discussed in Patro, G. K., Biswas, A., Ganguly, N., Gummadi, K. P., & Chakraborty, A [1]. Their strategy is to novel map the fair recommendation problem to a limited form of the problem of fairly allocating indivisible goods. Yan, H. also researched we-media platform pricing and service strategy based on two-sided market theory [2]. It found out that the essential aspects of platform operation are designing unique content productions and enhancing service levels based on network externality impacts. To apply these strategies, Ren, D., & Liu, X. built a precision marketing model in line with business development to effectively use big data information [3].

The marketing strategy of TikTok, a successful two-sided platform, is also widely discussed. For instance, Wang, R. studied how TikTok increased its user growth and business value [4]. TikTok used three strategies including building necessary product features based on users' preferences, designing unique marketing activities, and increasing social media celebrities on the platform. Weilin, Y. also used the 4P theory (product, pricing, place, and promotion) to study TikTok's marketing strategies [5]. TikTok is a free app and uses the advertising revenue model. The place is online and the promotion is the effect of celebrities, brand cooperation, and advertising. The product was designed using targeting youth, intelligent algorithm recommendation, immersive video experience systems, and the new short video mode. This conclusion of strategic choices of products that differentiated TikTok is as same as Wu, J [6]. Ziyi, M. E. N. analyzed the business model of TikTok [7]. The live broadcast, e-commerce, and video delivery were being explored and improved. Zhang, Z. researched how would TikTok transform its infrastructural process and alter the power of platform ecosystem participants [8]. The result is that TikTok was shifting from an entertainment platform to an integrated platform. Zhao, Z. discussed TikTok recommendation algorithms, which use the hierarchical interest label tree, partitioned data buckets, and user personas [9]. Zhang, X. conducted an in-depth study on TikTok's marketing strategy, which is inclusive and obtains as many users as possible [10]. Liu, L. also analyzed the marketing strategy of TikTok, which is to encourage users to create high-quality content [11].

Another two-sided platform that will be discussed in this article is Xiaohongshu. Song, R., & Lu, H. analyzed Xiaohongshu's business model and shortcomings that the community should be more diversified [12]. Lian, K., Chen, Z., & Zhang, H. studied the link between the growth of Xiaohongshu and feminism. Xiaohonghu targeted females and provides emotional values for them [13]. Tian, W., Xiao, Y., & Xu, L. discovered three attributes of Xiaohongshu: social media, software service, and sharing platform [14]. Gong, S. investigated how Xiaohongshu's marketing strategies related to the current society. The finding is that the success of Xiaohongshu is based on the correct uses of business strategies and response to female values [15]. Wang, J., & Gao, M. researched the innovation business model of online platforms using the example of Xiaohongshu [16]. Xiaohongshu has appeared as a new internet community for young people to communicate with lives, and post notes and videos.

3 Market Strategy Analysis for Tiktok

3.1 Production Strategy

TikTok The main majority of users are under 35 years old, and users between 25 and 30 years old belong to the group with a higher proportion. These users are easy to produce stickiness to the product, but also are the main force for spreading product information. In other words, good users can save TikTok a lot of publicity costs. On the whole, the distribution of TikTok users is relatively balanced, all over the country, and the number of users in most cities is considerable, which also reflects the wide influence of TikTok. Through more detailed data analysis, it can be found that the number of TikTok users in the first and second-tier cities is large, and this user group is one of the most important user groups of TikTok. Users aged 17 to 20 also belong to the category of young people, but in the whole situation, most of them do not have strong consumption power; while those aged 25 to 30 have strong consumption power, because most of them are office workers and have a relatively stable source of income resources. Male users are more interested in short videos of cars and games; female users are more concerned, and short videos are very popular among female users. Many users use their fragmented time to watch short videos, with the most typical time points being 12 noon and 9 p. m. In addition, 7 a. m. and 6 p. m. are the time points when user activity begins to show a significant upward trend. Looking at these times, we can see that most users use TikTok as a tool to kill time or relax, after only watching a short video in 15 s.

3.2 Pricing Strategy

TikTok the pricing strategy can be divided into four points, the first point is to sell products, the second point is to receive advertising, the third point is to sell goods while shaking, and the last point is the live reward. The first strategy refers to selling products. The popularity of TikTok videos, such as "Doushang", continues the WeChat marketing profit organization "WeChat business" to become a new star in the era of the mobile Internet economy. Through this strategy, in terms of selling products, TikTok is favored in the e-commerce field. TikTok's self-built e-commerce shopping platform can also generate TikTok traffic. The second strategy is to receive advertisements, such as TikTok users with a high number of followers, who can earn publicity fees through the form of advertising. The third strategy is to take the goods while shaking and selling, and send videos at the same time, to their other businesses: for example, you see the Haidilao mentioned in TikTok. The fourth strategy is to reward it live. TikTok Bloggers of live broadcasting get rewards in various ways and get income. So how should TikTok be priced? Under normal circumstances, the goods below 30 yuan, several common price stalls are 9.9 yuan, 15.9 yuan, 19.9 yuan, 25.9 yuan, and 29.9 yuan. On such a price stall, when you go to find the last goods again, the customer unit price of the selected product is not too high and should be controlled within 30 yuan, convenient later pricing. Of course, if the blogger has his supply, he will control the price himself. For example, if the product commodity price is about 5 yuan, the price can be set as 9.9 yuan generally, this kind is drainage money, and a commission of 10% or so is acceptable.

3.3   Promotion Strategy

First, Tiktok sponsors a variety of shows to achieve large-scale exposure of brands, this way has verified the product development model and some user activation means, effectively avoiding the situation of large-scale and large-scale users. Second, only by creating PMF will it promote new products on a large scale and put them into multi-operation strategies to seize the market, which is closely related to the current user psychology. The main purpose of user activation is to make new users understand the value of the products and generate the power to reuse the products. TikTok Focus on the positioning of the music short video, and maximizing the display of the core function: build internal topic video challenges to stimulate the growth of the video library; hire professional dance or music experts to shoot videos and publish them to the mainstream video platforms for publicity and drainage.

3.4   Place Strategy

There are five strategies. The first is the TikTok Challenge. It is officially organized and pushed to users. For example, users can participate in completing the challenge according to the video and attract users' attention. The second type is search engine ranking. It is TikTok SEO, which is also an important channel for TikTok to acquire customers, which is our precise target customer resource. Because only customers in need will search for keywords related to us, it is very important who the first sight is found because people's habits are such, that first sight will be very impressed, so TikTok SEO is very necessary. The third strategy is video promotion to get customers. That is to say, through the video shot by TikTok to understand TikTok, because now is an era of big data, which can be seen by more people through promotion, to see the natural and accurate customers who are interested. The fourth point is to broadcasting customers, which can attract customers through live broadcasting so that customers can see intuitively and arouse interest, so this is also accurate for customers. The last point is to invite the talent to cooperate, through the talent to attract customers. This gives TikTok a wealth of consumers and users.

4   Market Strategy Analysis for Xiaohongshu

4.1   Production Strategy

Xiaohongshu's product design is focused on personalized information flow recommendations. Thus, they need to investigate deeper on user surveys when they design products, and we analyze the users of Xiaohongshu from the type of users, the object of the user to use it, and the feature of the user.

The types of users of Xiaohongshu mainly include some famous actors and people, various bloggers, and normal users who do not publish their works. From the point of view of the purpose of use, in some way, a huge amount of user thinks of Xiaohongshu and treat it as a search engine. Users use Xiaohongshu in two ways: Reading information and Searching for things.

As to the feature of user, in the research report of Nielsen (a data analytics company), there are 5 top usage scenarios which are:

– 40% of users will search product or topic they are interested in proactively.
– 37% of users will use it for looking at the appraisal of a product.
– 36% of users use it for know fashion nowadays.
– 33% of users use it for inspiration.
– 30% of users are because the sharing from others.

In conclusion, the user's characteristics of Xiaohongshu mainly include: having a strong share desire for an interesting life, content about popular things in the present, sharing by the user spontaneously, such as the Olympic games or a popular film, having certain spending power.

– 63% of users are people who have high spending power (company executives……) and the others are students or people from other jobs, the person who is married or pregnant (of the 66% suspected married, 90% were pregnant).

4.2 Pricing Strategy

Xiaohongshu is free in the APP store, and it can get benefits and pricing in two ways: advertising and the transaction of E-shop.

The Advertisements in the Xiaohongshu are divided into two ways: Publishing notes and feeding delivery. Publishing notes means the Xiaohongshu popularize the advertise and it will change by the number of fans and the number of likeness and collection. Feeding delivery: It is the companies enrolling by recharging at least 2000 RMB on the official platform and publicizing by themselves. They also can choose to let the agent do this.

Xiaohongshu also profits from the e-shop, buyers, and sellers publish notes about the product (always to be positive) on the Xiaohongshu, then it will stimulate people's buying desire. Thus, the seller can get benefits, and Xiaohongshu can get profit from it too, and it is the main channel of Xiaohongshu to get the benefit. For people shopping on Xiaohongshu, the platform has opened three membership systems: annual card 、 seasonal card 、 monthly card. The annual card needs 199 RMB, which means it just needs 16.5 RMB monthly, so it is suitable for people who want to buy things on it for a long while. At the same time, the monthly 、 seasonal card is suitable for people who just would like to buy things in a short period, and they add "limited time" to promote users to buy them. In addition, the membership can help user to save about 3865 RMB. Thus, in conclusion, it is worth it for users to buy it in a sense.

4.3 Promotion Strategy

The promotion strategy of Xiaohongshu is including three ways: 1. Publicizing by oral communication. 2. Inviting a famous person to publicize 3. Sponsoring programs.

Oral communication publicizing is depending on users telling other people, and people always recommend something good to others. At the same time, it usually happens between family and friends. Thus, there is a very high level of trust. At the same time, this way of the object not only is the APP but also the product 、 service 、 some activities and events which are related to it. The Xiaohongshu also invited famous people to publicize. It invited some actors/actresses or people like Yuqi Zhang 、 Jelly Lin to join in and let

them share some products online, then the fans of these people are most likely to use it. It is an effective idea. Sponsoring programs is another important promotion strategy for Xiaohongshu. It follows some upsurge of the talent show and sponsors, such as 《Idol trainee》 and 《Creation 101》. In addition, the program spectator corresponds to the user which is a youngster and the people which have strong purchasing power, and then, Xiaohongshu will publish their topic, which is "Xiaohongshu – Record my life", during the program. They also require the player of the program to join the Xiaohongshu, then they will attract the fan to use it too.

4.4 Place Strategy

Place strategy has three ways: Baidu searching, Taobao, and the APP store recommend. Baidu searching means Baidu will push the notes on Xiaohongshu priority when you search the keyword for beauty content on it. The idea of Taobao SEO is similar to Baidu searching. The "Taobao Experience" channel matches Xiaohongshu keywords based on search keywords. For example, if we search "facial cleanser" on Taobao, it will show the note on Xiaohongshu. Xiaohongshu also appears in the recommended list from the downloaded application which comes with mobile phones. One can search and download it on the APP store application directly.

5 Conclusion

In this paper, we analyzed the marketing strategies of Xiaohongshu and TikTok based on the 4P theory. It can be found that the marketing strategies of these two platforms have certain similarities. For example, there is a strong focus on content operations and community operations for these two platforms. But there are also some differences between the two platforms. The core of Xiaohongshu's marketing is to encourage users to share, while the core of Douyin's marketing is to make the content interesting.

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