How Does Xiaohongshu (Little Red Book) Influence Users Consumption Choices

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*Abstract:*The growth of the digital platform economy has changed the framework of the world economy and the lifestyle of people. This has led to platforms having vast amounts of user data. Platforms combine this data to deliver information to users, deeply influencing their consumption decisions about fashion. Such a phenomenon is prevalent across platforms globally, and this essay takes the Chinese social + e-commerce platform, Xiaohongshu, as an example. It explores how Xiaohongshu has gradually emotionalised users' consumption behaviour through (1) a UGC-based "social + e-commerce" platform (2) the idol effect (3) the KOL marketing model. However, the pitfalls behind the success will be brought up in the "discussion" session.

Keywords: Platform Economy; Social E-Commerce; Homogenised Aesthetics; Consumption Behaviour; Xiaohongshu

Introduction

The development of the Digital Platform Economy (DPE) has altered the worldwide economy's framework and people's lifestyles (Acs, 1984). Millions of individuals have grown more reliant on platforms and applications to labor, socialise, study, and play as a result of the unexpected advent of the COVID-19 epidemic and following blockade of metropolises (Nieborg, 2020). Steven Levy (2020), a journalist of Wired, notes that at, platforms sustain our declining lives and we desperately rely on what they have built. Our dependence stems from the fact that they increase the efficiency of our lives in terms of working, socialising, learning, entertaining and shopping. This is because, on the one hand, platforms provide a structure to create effective matches by leveraging low search costs; on the other hand, platforms increase user efficiency by reducing search costs and lowering replication and verification costs (Goldfarb, Tucker, 2019). Furthermore, users' reliance on platforms has led to platforms having a large number of user profiles and platforms combine this data to deliver information to users, deeply influencing users' aesthetic and consumption decisions about fashion (Broeck, et al, 2017). Such phenomena are prevalent across platforms globally, but only a few US and Chinese companies account for the majority of revenue from platform-based apps (Gerlitz, et al, 2019). These platforms include Xiaohongshu, which has achieved a valuation of over US$3 billion in multiple iterations in just a few years, and China's Premier, Li Keqiang, has acknowledged Xiaohongshu's unique e-commerce model, a 'social + e-commerce' approach based on user-generated content (UGC), saying, "As a community e-commerce platform, Xiaohongshu will play a very important role in promoting the development of new e-commerce trade formats" (Huanqiu News, 2015).

This essay firstly analyses how Xiaohongshu has made users' consumption behaviour gradually emotional by (1) UGC-based 'social + e-commerce' platform (2) idol effect (3) KOL marketing model. However, behind the success lies a number of pitfalls, which were raised in the 'Discussion' session while summarising highlights and indicating the future research path in the 'Conclusion' session.

1. Emotional Consumption

Xiaohongshu exploits the herd mentality and voyeurism of users, combining user profiling and data-driven algorithms to drive more and more users to accept the aesthetic standards of fashion led by Xiaohongshu and to drive them into the realm of consumerism "painlessly".

2. UGC-based 'social + e-commerce' platform

Xiaohongshu's UGC-based 'social + e-commerce' platform has successfully transformed its users into consumers. This pure UGC format is very much in tune with the needs of the word-of-mouth marketing era and is an important reason why the Xiaohongshu community has been able to maintain a high level of activity, trust and bring about high conversion rates. Moreover, this UGC content has increased user stickiness and successfully evoked the desire to buy. Thus, Xiaohongshu quickly closed the loop by adding an important section of "e-commerce", integrating social and shopping in one platform, 'forming a shopping - sharing - reshopping ecological business loop' (Chen, et al, 2020). However, in Xiaohongshu's self-operated e-commerce platform, the selection of products is based on two ideas: one is to follow the trend and select products with high exposure to the community; the other is to guide consumers through information and trends to explore potential pop-ups (Chen, et al., 2021). The strong user sharing community base makes it easier for Xiaohongshu to select products than other e-commerce platforms, and for Xiaohongshu, the community part remains the same but with the addition of a 'Mall' business. The natural addition of the 'Mall' section satisfies the original community users' desire to shop after browsing the notes, and drives their emotional spending.

2.1 Idol effect

With the addition of the 'Mall' section, Xiaohongshu leveraged the 'idol effect' to attract more users, creating a flow advantage and increasing the purchasing power of users (Jin, Yu, 2021). The brand exposure and user growth for Xiaohongshu brought by sponsoring the variety show is remarkable. According to data from Ariadne, since the show began, the number of monthly unique devices on Xiaohongshu increased by 4% in January, jumped to 20.9% in February, and increased by 38.4% in March, resulting in a strong lead generation effect (Tecent News, 2021). This is because the contestants in "Create 101" are a good fit with the core user group of Xiaohongshu, as they all emphasise 'being yourself'. These highly topical celebrities, variety shows and TV dramas have become one of the means by which Xiaohongshu enhances user stickiness, generating fresh topics within the community, ensuring the richness of the content, and attempting to bring the user together through a more entertaining marketing approach, promoting further emotional consumption and maintaining the ecological closure of the community.

2.2 KOL marketing model

In addition to the huge community traffic and star power, Xiaohongshu has supported many early adopters to become KOLs (Key Opinion Leaders) to better connect with the audience, enabling different levels of users to be converted into consumers. Unlike celebrity spokespersons, KOL marketing has created a new model of brand marketing with its rapid growth in the e-commerce era (Koay, et al, 2022), which refers to mass media marketing communications involving influential people in a particular field (Liu, et al, 2020). They flexibly integrate life, advertising, products and sales, and gain a large number of brands with low cost and efficient conversion. This type of marketing was once considered to have a higher conversion rate than traditional celebrity marketing and potentially less risky (Serazio, Duffy, 2018). Furthermore, Xiaohongshu KOL marketing is a focused model (Zhou, 2022), which refers to marketing campaigns that use the influence of vertical KOLs to focus on key demographics in a specific area, it can concentrate on driving sales conversions (Tan, 2017). This is because the positioning tone of vertical KOLs has a certain degree of focus and expertise, and building a matrix of KOLs within the vertical for marketing campaigns allows for a more focused campaign (Xiong, et al, 2021). For example,

Estée Lauder partnered with Xiaohongshu when launching its Platinum Skin Foundation, selecting dozens of beauty bloggers in the vertical to form a product promotion matrix with the intention of reaching the corresponding female user group. With the theme of "Seasonal foundation review" and "Skin nourishing foundation review", the brand personalised the marketing content according to the characteristics of each KOL to give users a comprehensive understanding of the product and to realise the promotion. The KOL marketing campaign took approximately one month, and the foundation sold 10 million copies on Xiaohongshu (Jing Daily, 2019). Based on the 'community + e-commerce' operation model, combined with the idol effect and KOL marketing, Xiaohongshu drives emotional consumption by users.

3. Discussion

While Xiaohongshu, which relies heavily on celebrity and KOL marketing to draw in revenue, has been successful in shaping its marketing and reaching its audience, the negative image of the celebrities or KOLs may also push it into the abyss. For example, the earliest celebrity to be featured on Xiaohongshu, Fan Bingbing, was fined RMB 800 million for tax evasion, and Xiaohongshu, which is tied to her, has been deeply affected by this causing the platform's share price to fall (Chinatax, 2018). In addition, Xiaohongshu's usage of users' personal data and behavioural data involves the privacy and security of users. This is an ethical and legal challenge that many companies are facing (Joshua, Hannah, 2014). Therefore, Xiaohongshu must also strike a fine balance between the use of consumer data and the protection of consumer privacy if it is to sustain consumer goodwill.

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