


Value Co-Creation in the Era of Social Networking: Exploring the Social Commerce Value Creation Model Based on Xiaohongshu

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Abstract: This study delves into the mechanisms and operational models of value creation in social commerce, particularly highlighting its rapid development in the context of Web 2.0 and the COVID-19 pandemic, as well as how social commerce distinguishes itself from traditional e-commerce with its S2B2C business model. By adopting Xiaohongshu as a case study, this paper analyzes the key elements for successfully implementing social commerce strategies, including user engagement, content sharing, community building, and their promotion of commercial value and social impact. The research finds that through enhancing social interaction and user-generated content, social commerce platforms can not only improve consumers' shopping experiences and brand loyalty but also foster co-creation of value, thereby generating greater value for both businesses and consumers. This paper contributes to the field of social commerce by proposing a theoretical model for social commerce value creation, clarifying the relationship between user needs, platform strategy, and business models. For businesses and platforms aiming for success in social commerce, this research emphasizes the importance of promoting user participation, building a sense of community, and innovating platform technology and algorithms. Moreover, the study extends the relevant policy implications based on existing research.

1 INTRODUCTION

In recent years, influenced by the Covid-19 pandemic and the development of Web 2.0 (Ukpadi & Karjaluoto, 2017), the social commerce industry has experienced an explosive growth. According to Beccach et al., (2022), the size of the social commerce market in the United States is expected to reach \$79.6 billion by 2025. As shown in Figure 1, the social commerce market has rapidly developed in recent years (Beccach et al., 2022). Furthermore, the study indicates that people have a strong preference for purchasing goods in large quantities through applications and websites (Napawut et al., 2022). Social commerce differs from the traditional B2C (Business to Customer) business model adopted by e-commerce enterprises, following instead an S2B2C (Supplier to Business to Customer) business model. This means that goods are transferred from suppliers to community leaders through social commerce

platforms, and ultimately to consumers (Busalim & Hussin, 2016; Lin et al., 2017).

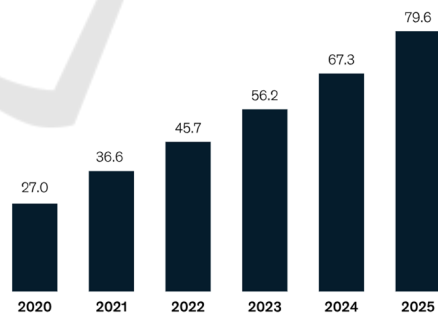



Figure 1: US retail social-commerce sales, \$billions.

Although the potential for growth in social commerce is significant, research on its value creation mechanisms and operational models remains relatively limited. This paper aims to explore the mechanisms of value creation in social commerce and

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its operational models, with a special focus on strategies for co-creating value through social platforms, enhancing consumer participation, and increasing commercial value. Considering the limitations of existing research, this paper adopts a case study approach, using Xiaohongshu as an example, to analyze its social commerce model and success factors, thereby constructing a theoretical model of value creation in social commerce. This paper not only reveals how to create commercial and social value through user engagement, content sharing, and community building but also provides theoretical support and practical guidance for businesses implementing social commerce strategies. Through an in-depth analysis of the Xiaohongshu case, this paper aims to provide a more comprehensive understanding of the value creation process in the field of social commerce, bringing implications and insights to the industry.

This study's structure is outlined as follows: initially, it presents the research context and rationale, succeeded by an exploration of pertinent literature to elucidate the notion of social commerce and its value generation mechanisms. Subsequently, employing a case study on Xiaohongshu, the investigation delves into its approach to social commerce and strategies for generating value. Following the case study findings, a theoretical framework for value creation within social commerce is developed. The study concludes with suggestions for the social commerce sector.

2 THEORETICAL BACKGROUND

2.1 Social Commerce

Social commerce, as described by Busalim & Hussin (2016), predominantly involves the use of online commerce mechanisms that integrate social media and Web 2.0 technologies. It is understood as the integration of social media conventions with Web 2.0 technologies, facilitating platforms that enable users to interact and disseminate business-relevant information. The construct of social commerce emerges from the confluence of three key elements: Web 2.0 technologies, social media platforms, and traditional e-commerce practices (Busalim & Hussin, 2016).

Moreover, the concept of social commerce extends to employing social networks or media to

enhance user engagement in various online commercial activities like marketing, information exchange, and purchasing (Zhao et al., 2023). This definition reflects the dynamic nature of social commerce, incorporating newer forms of interactivity such as live broadcasts and community-based commerce. Distinct from conventional e-commerce, social commerce prioritizes social interactions within online communities, leveraging electronic word of mouth (e-WOM) and user-generated content to foster a social shopping environment.

Furthermore, social commerce businesses cultivate trust and community feeling via social networks, providing tailored shopping journeys and adding value through superior customer service and engagement. Social media plays a crucial role in enabling users to exchange experiences and knowledge about products, significantly impacting their online buying behaviors and overall shopping experiences. Social commerce's distinctive features offer companies the chance to enhance customer relationships, yielding economic advantages like heightened sales and effective marketing strategies. By engaging in information-sharing activities, social commerce participants provide social support throughout the online purchasing process, contributing to brand loyalty and the development of active online communities (Lin et al., 2017).

2.2 Value Creation in Social Commerce

Per Teece (2010), the generation of value is seen as the process through which companies produce value for their stakeholders through the provision of products and services that satisfy these stakeholders' needs. Additionally, as previously discussed, social media facilitates the sharing of shopping experiences and product insights, impacting the purchase decisions and experiences of other users. Consequently, in the realm of social commerce, stakeholders encompass not just the social commerce platforms but also the users themselves. This study brings into focus the notion of value co-creation, defined as the collaborative effort between consumers and providers in the creative process of designing and developing new products or services (Yu et al., 2020). This approach highlights the transition from the conventional product-centric logic to a service-dominant logic that is centered around the customer, where customers evolve from being merely recipients to becoming active participants in creation.

Particularly in social commerce, the concept of value co-creation is further amplified within social media contexts, such as social networking sites, online brand communities, and discussion forums, which provide fertile ground for co-creation activities or a co-creation ecosystem. For instance, Schau et al. (2009) discovered that effective brand communities enhance brand value over time through a mutual value creation process with consumers. As mediums of interactive communication, social commerce platforms not only offer businesses abundant opportunities for engagement and interaction but also draw a wide audience and sustain a richness of information, thereby facilitating numerous collaborative possibilities.

Hence, the realization of value co-creation in social commerce is contingent upon user engagement, trust, and dedication. Social commerce platforms act as digital spaces where users can exchange experiences and information, engage socially, and utilize collaborative features that support group interaction, collaboration, and the achievement of collective goals through the platform. This illustrates that social commerce platforms serve not only as facilitators of value co-creation but also as catalysts in the value co-creation process.

3 VALUE CREATION ANALYSIS: TAKING XIAOHONGSHU AS AN EXAMPLE

Given the above analysis and research on value creation and co-creation in Social Commerce, the following section will further analyze the mechanisms of value creation in social commerce through a case study of Xiaohongshu.

3.1 Company Background

Xiaohongshu is a social media and e-commerce platform that offers users a space to share and discover products, lifestyles, and various experiences. Users can share their shopping experiences and product reviews through social interactions such as posting, commenting, and liking, and they can also purchase products directly on the platform. As of July 2019, Xiaohongshu's user base exceeded 300 million (Xiaohongshu, 2024), and as of September 2023, Xiaohongshu's monthly active users reached

approximately 199 million (Thomala, 2023), making it China's largest social commerce platform.

As a social media and sharing platform, Xiaohongshu allows users to post information and choose the sections where their posts will be published. Users can share articles about their travels, shopping experiences, lifestyles, and even complaints or mood essays (Eastward Media, 2023). Xiaohongshu provides a platform for all participants, including businesses, suppliers, and customers, to freely share any information.

This approach not only increases product visibility but also establishes a community-based trust system where genuine experiences and feedback influence purchasing decisions. These strategies allow suppliers to conduct precise market segmentation and personalized marketing, significantly contributing to a detailed understanding of consumer behavior (Zhong & Liang, 2024).

Moreover, Xiaohongshu's social commerce model, by establishing a content and community-driven platform, deepens the interactive relationship between brands, suppliers, and consumers. It serves not just as a place for information sharing but also as a bridge for interaction between Key Opinion Leaders (KOLs) and consumers, directly influencing consumers' purchasing decisions through the sharing and feedback within the community. Content creators on Xiaohongshu, by posting genuine experiences related to product use, provide references for other users, thereby fostering a trust-based purchasing environment (Zhong & Liang, 2024). Additionally, the data analysis tools on the Xiaohongshu platform offer businesses the possibility of targeted marketing (Zhao & Zhou, 2023), enabling them to tailor marketing strategies based on consumer behavior and preferences, further driving product innovation and market expansion.

3.2 Analysis of Customer Engagement on Xiaohongshu

In the studies by Wang et al. (2022) and Zhong & Liang (2024), an in-depth exploration was conducted on the impact of user-generated content on Xiaohongshu and its influence on the decision-making process in a social commerce environment. These studies reveal that users on Xiaohongshu are both consumers and content creators who not only engage in content creation and sharing but also participate with suppliers in the design and development of new product activities. Consumer

behavior is significantly influenced by other users' comments and shared content, especially for those lacking knowledge in specific areas, relying more on information within the community. The studies emphasize that content and language of posts have a deeper impact on consumer behavior than images, with active users and frequent content creators having the most significant influence on consumer preferences. Further, Zhong & Liang (2024) focused on how community leaders and the platform itself play a key role in shaping consumer behavior and preferences through active content creation and frequent interactions with suppliers and consumers. These studies collectively showcase the crucial role of user-generated content in shaping consumer decision-making processes, highlight the importance of interactive modes in a social commerce environment, and how these interactions enhance connections between consumers and content creators, promoting the co-creation process of new product activities.

Moreover, in the study by Wu (2023), the uniqueness of Xiaohongshu as a social commerce platform was explored, especially its significant differences from other social commerce platforms. The research points out that user engagement on Xiaohongshu goes far beyond simple sharing and communication; users actively participate in value co-creation activities based on group relationships. This indicates that ordinary consumers, influenced by the community, are likely to become content producers, actively sharing their insights and experiences. This transformation blurs the traditional roles of community owners in social commerce, suggesting that every user has the potential to become a community leader, thus participating in the co-creation process. This finding reshapes our understanding of community dynamics and user engagement models in social commerce, emphasizing that on platforms like Xiaohongshu, value co-creation is not the exclusive domain of a few content creators or community leaders but a process in which all users participate and shape together.

Furthermore, the platform actively interacts with community leaders, sellers, and consumers to ensure the quality and authenticity of the content posted, and at the same time motivates users to produce high-quality content (Jin & Yu, 2021). Therefore, for social commerce, the platform's role is not limited to regulation but also involves ensuring the quality and authenticity of the content published by users (suppliers, businesses, customers).

Platform management also affects consumer behavior. The study by Lin and Shen (2023) utilized the SOR model to deepen the research on the purchasing intentions of consumers in social commerce, where user trust needs to be obtained through platform supervision, and platform management's reinforcement of content management measures can positively increase users' purchasing intentions.

In summary, Xiaohongshu differs from other social commerce platforms in that the platform transitions from generating demand within general communities, choosing merchants on the community platform, or randomly selecting merchants for purchases, to creating value through targeted marketing and fixed traffic flow. This means transitioning from user A or a community leader posting content, directing traffic to user B or other merchants in the value co-creation process. Accordingly, Xiaohongshu's social commerce operation model can be summarized as shown in Figure 2.

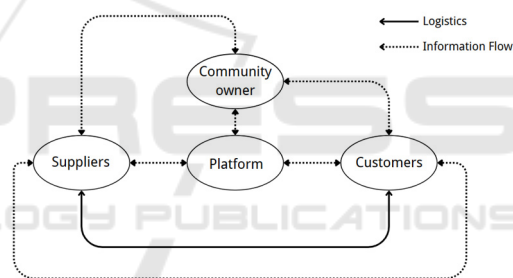


Figure 2: Xiaohongshu social commerce operation model

In summary, this model explains Xiaohongshu's Social Commerce Operation Model, where dashed lines represent the flow of information, indicating the sharing of information among platforms, suppliers, and community owners within the social commerce operation mode of Xiaohongshu. Each participant involved in this business model influences each other and collaborates in the conception of products' operational activities, as well as in their design and development. Suppliers, the actual producers of the products, can deliver goods directly to consumers and engage with them in customer service or after-sales work. This also reduces the supply chain and complex distribution processes, improving the operational efficiency of producers and reducing profit loss during the product delivery process.

3.3 How Xiaohongshu Constructs a Value Co-Creation Circle in Social Commerce

Next, as shown in Figure 3, the value co-creation circle formed by the social commerce business model on Xiaohongshu.

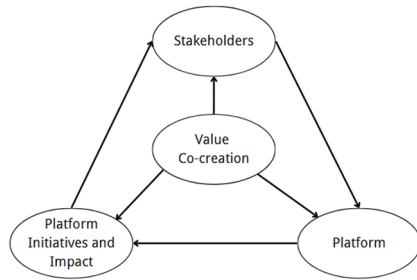


Figure 3: Xiaohongshu social commerce value co-creation circle.

In this model, the platform refers to the social commerce platform, which is Xiaohongshu. It provides the digital infrastructure for business, content sharing, and community building. Then, Platform Initiatives and Impact represent the technology and marketing methods of the platform, including technology and algorithms. This includes incentivizing users to post high-quality content and making recommendations based on data, which also enhances the consumer's purchasing experience (Zhao & Zhou, 2023). The stakeholders are participants in the platform, such as suppliers, customers, or community owners. As previously mentioned, the platform's profit-driven algorithm recommendations stimulate users, turning more of them into content creators. The high-quality content produced by these creators attracts more consumers to make purchases, boosting sales and cultivating a vibrant content ecosystem for the platform.

The core of this value creation circle is co-creation of value, where all parties contribute to and derive value from interactions and exchanges within the ecosystem. According to Wu (2023), for consumers among the stakeholders, their experience with the platform is enhanced due to personalized content and a sense of community. For businesses, this leads to increased brand awareness, consumer insights, and higher sales conversion rates. Content creators gain more opportunities for monetizing their traffic and audience growth due to the platform's promotions. Finally, the platform itself benefits as the quality of

content created by content creators gradually improves, and user engagement increases with the quality of the community (Wu, 2023); ultimately translating into profits for the platform.

3.4 Xiaohongshu Social Commerce Value Co-Creation Conclusion Model

Based on the analysis above, the Social Commerce value co-creation model shown in Figure 4 can be derived, which explains how Social Commerce generates value. In the following analysis, this model's value creation mechanisms will be detailed, using Xiaohongshu as a template.

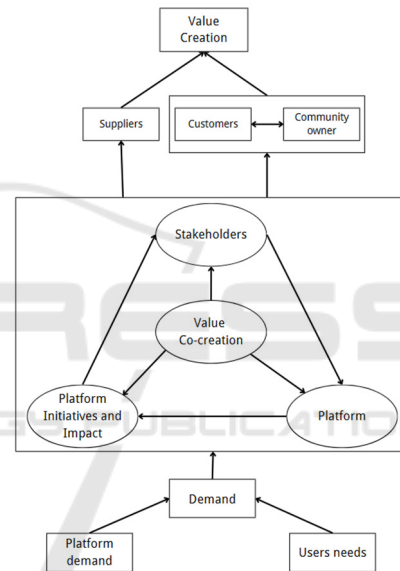


Figure 4: Social Commerce Value Co-Creation Model Based on Xiaohongshu.

3.4.1 Users Demand Analysis

In this model, demand is divided into user and platform needs, where the popularity of social media allows users to showcase their desire for self-expression on a broader stage, and online communities provide participants with a platform for expression (Liao et al., 2023). Forums that allow free expression of opinions promote users' desire to express, thus motivating consumers and suppliers to co-create value for the community.

In the field of e-commerce, research by Amin et al. (2016) delved into the needs of participants, finding that both merchants and consumers focus their

core needs on improving shopping efficiency. Specifically, consumers seek a convenient and efficient shopping experience, requiring ample product information to make informed purchasing choices. This reflects a high demand for information accessibility and simplification of the shopping process. On the other hand, merchants aim to connect with consumers more effectively by integrating the internet, smart technologies, data analysis, and social media tools, aiming to enhance marketing efficiency and customer satisfaction. This indicates that both suppliers and demand sides view improving shopping efficiency as a core need in the e-commerce environment. Therefore, participants in e-commerce need to focus on optimizing the shopping process and information delivery mechanisms to meet the market and individuals' dual pursuit of efficiency and convenience.

Wu (2023) identified that people naturally gravitate towards forming or joining groups driven by their social instincts. The collective experiences, stories, and feelings serve as the cohesive bond that envelops individuals, creating a communal "atmosphere" akin to a surrounding nebula, in which individuals find themselves deeply embedded. This effect is particularly evident among fans of various sports teams who come together. In the sphere of Social Commerce, this implies that individuals sharing similar purchasing goals are drawn together by the allure of group exploration, making such collective dynamics a cornerstone for building communities within social commerce. This insight sheds light on a novel way to comprehend how communities within social commerce take shape, emphasizing the critical importance of common experiences, emotions, and needs in fostering the formation of these communities.

3.4.2 Platform Demand Analysis

The investigation by Tajvidi et al., (2020) delved into the notion, drivers, and processes behind brand co-creation, along with the role of social commerce technologies and the social attributes in mediating the interaction between consumers and brands. This research highlighted the profound effects of information dissemination, social support, and the quality of relationships on the co-creation of brands, offering a model for fostering content-rich communities and enhancing user retention. Moreover, the study brought to light the critical role of

safeguarding privacy to preserve a robust social commerce ecosystem.

In the context of social commerce platforms, Tajvidi et al., (2020) underscored that elements like social interactivity, social support, and the caliber of relationships encourage consumers to jointly create brand value, markedly influencing their buying behaviors. These factors collectively contribute to boosting user retention by facilitating increased user engagement and satisfaction, ultimately improving the profitability of the platform.

Specifically for Xiaohongshu, the platform encourages user-generated content (UGC), with over 70% of posts created by users, fostering active participation and content diversity. The platform focuses on sharing authentic experiences, and this marketing strategy based on real user word-of-mouth constitutes the cornerstone of Xiaohongshu's community marketing success. Through high-quality community operations and product experience sharing, Xiaohongshu continually enhances content quality and trust in the platform (Chernavina, 2022). Thus, building a high-quality content community and enhancing user stickiness are key to Xiaohongshu's success, with the platform continually innovating and developing in this direction.

Additionally, research by Zhao et al. (2023) discussed the key features of social commerce, such as platform compatibility, relative advantage, and user trust, and their importance in increasing user purchasing behavior. By improving the operational efficiency of the platform, these features' performance can be enhanced, thereby increasing user satisfaction and purchasing intentions. Moreover, social influence mechanisms, like subjective norms and critical mass, can also be strengthened by enhancing platform efficiency, further promoting user purchasing behavior.

In conclusion, as a social commerce platform, how to stimulate consumers' desire to purchase is key to maintaining the platform's survival and development. By building high-quality content communities and increasing user stickiness, as well as improving the platform's operational efficiency, consumer purchasing intentions can be effectively enhanced, thereby bringing more profits to the platform. Xiaohongshu has achieved user growth and brought significant economic benefits to the platform through strategies such as algorithm adjustment and encouraging high-quality content creation (Thomala, 2023).

3.4.3 Social Commerce Value Creation Analysis

Research by Wu, (2023) deeply analyzed that in the era of "She Economy," with the improvement of women's education level and the enhancement of independence consciousness, female consumers have become the core driving force of the consumer market. In this era, women's consumption concepts show more open and diversified characteristics, especially on the Xiaohongshu platform, where female users tend to share and purchase content related to maternity and baby care, beauty and skincare, clothing, etc. This not only reflects their emphasis on self-expression but also their desire for a high-quality life. Xiaohongshu effectively meets the self-expression needs of female user groups through its social and e-commerce functions, while also providing a platform for the economic independence and social status enhancement of women, reflecting the growing influence of women in social and economic fields.

Moreover, the primary age distribution of users on the Xiaohongshu platform is between 20 and 40 years old, whose shopping decisions are largely driven by collective emotions and are based on trust in other users in the community (Wu, 2023). This consumption model effectively improves shopping efficiency, transitioning from traditional comparative shopping to a trust-based decision process, not only enhancing the user shopping experience but also promoting profit growth for businesses. For merchants, the increase in the number of communities and the improvement in community content quality have enhanced consumers' trust in enterprises, encouraged more users to participate in purchasing, reduced dependence on traditional customer service, improved business operation efficiency, and reduced costs, demonstrating the significant potential of the social commerce model in promoting economic efficiency and social development.

Within Social Commerce, the decision to engage with social commerce platforms is significantly influenced by both technological aspects (such as the tools and features of social media) and social elements (including perceived value, pleasure, social impact, and interaction) (Zhao et al., 2023). Therefore, platforms continuously innovate to improve user retention rates. As mentioned earlier, Xiaohongshu enhances user experience by actively interacting with platform users, merchants, etc., and ensuring the production of high-quality content, and it also utilizes

new technologies and algorithms to ensure accurate content delivery (Zhao & Zhou, 2023). These measures have led to a series of explorations and innovations in the Social Commerce field, driven by profits to innovate and explore new business models.

In the context of Social Commerce, platforms like Xiaohongshu demonstrate how the digital market transcends mere economic transactions to create vibrant community environments (Wu, 2023). By integrating user-generated content (e.g., "unboxing" videos), these platforms engage users in a cycle of interaction and consumption that is deeply rooted in shared emotions and community bonds. This process not only enhances consumer experience by providing a sense of belonging and identity but also increases commercial value by intertwining commerce with social participation and community building (Wu, 2023). Moreover, this interaction fosters a sense of belonging and identity among users (primarily the younger generation), who actively participate in content creation and consumption. Through these activities, the platform not only facilitates economic transactions but also strengthens social bonds and community cohesion, showcasing the ability of Social Commerce to combine business objectives with social significance, thereby making a positive contribution to social welfare.

In the realm of Social Commerce, consumer status is elevated through an ecosystem that integrates user-generated content, fostering an interactive platform where consumers transcend traditional roles to become co-creators of value. This paradigm shift underscores a more inclusive economic model, valorizing consumer insights and contributions. Hence, Social Commerce significantly democratizes value creation, transforming consumers from passive recipients to active participants in brand development and innovation, thus enhancing their societal and economic status (Wu, 2023; Liao et al., 2023) [16,20].

Social Commerce facilitates the fulfillment of self-presentation needs by providing individuals with a platform for online expression and identity construction. Through participation in interaction and content creation, users can align their digital personas with their actual self-images. This not only enriches their shopping experience by making it more personalized but also enables them to actively participate in shaping brand stories, thereby strengthening their identity through recognition and sharing of products on social networks (Wang et al., 2024).

Furthermore, the promotion of self-presentation satisfaction becomes a key factor, allowing users to carefully craft and share content that aligns with their identity. This process not only allows for deep self-expression but also cultivates richer interactions with brands and their communities. Users actively participate in value co-creation with brands by contributing, sharing experiences, and feedback. This dynamic significantly enhances user engagement, loyalty, and the overall effectiveness of social commerce strategies, emphasizing the key role of self-presentation in the digital commerce environment (Liao et al., 2023).

3.5 Summary: Innovations and Achievements of Xiaohongshu in Social Commerce

This case study delves into how Xiaohongshu constructs a value co-creation ecosystem within the social commerce domain, unveiling the following discoveries and research outcomes:

(1) **The Central Role of User-Generated Content (UGC):** Xiaohongshu has successfully built an active community anchored on user-generated content, which not only promotes widespread user participation but also enhances the diversity and quality of content. Users engage in content creation and participate in the design and improvement of products through interaction, significantly influencing consumer decision-making.

(2) **The Drive of Platform Strategy for Value Co-Creation:** Xiaohongshu encourages the production of high-quality content through algorithm optimization and incentive mechanisms, increasing user stickiness and enhancing the platform's operational efficiency. The platform's technological innovation and marketing strategies enhance the consumer purchasing experience, stimulating users' passion for creation with precise content recommendations and rewards for high-quality content.

(3) **The Construction of Xiaohongshu's Value Co-Creation Circle Model:** Xiaohongshu's social commerce model integrates advanced digital infrastructure and algorithm optimization to promote the generation of high-quality user-generated content (UGC), and inspires users to transition from passive receivers to content creators. The platform brings together diverse participants such as suppliers, consumers, and community managers, forming a mutually beneficial content ecosystem. In this framework, consumers enjoy personalized content

and a strengthened community experience, businesses achieve brand promotion and sales growth, and content creators gain more monetization opportunities. Ultimately, this model not only improves the platform's content quality and user engagement but also significantly enhances its commercial value and profitability, offering a successful model for the social commerce field.

(4) This research thoroughly investigates the processes of value co-creation within social commerce by examining the case of Xiaohongshu, leading to the development of a theoretical framework that clarifies how user demands, platform policies, and mechanisms for creating value interact. Crucially, the insights and foundational elements of this model extend beyond just Xiaohongshu, offering valuable lessons for various social commerce platforms. The generalization of this theoretical framework emphasizes how the proliferation of social media has ignited users' desires for self-expression, while online communities offer platforms for participation, encouraging both users and suppliers to co-create value for the community. Moreover, an innovative aspect of this theoretical framework is its proposal of an integrated perspective, considering the crucial roles of technological and social factors in user engagement on social commerce platforms, as well as highlighting the role of female consumers as the driving force in the market under the "She Economy" backdrop. The theoretical contribution of this research lies not only in deepening and expanding existing theories of social commerce but also in providing a comprehensive framework for analyzing and understanding the value co-creation process on different social commerce platforms in future research and practice. By emphasizing the broad applicability and innovation of the theory, this study offers new perspectives for academic research and practical application in the field of social commerce.

4 LIMITATIONS AND OUTLOOK

This paper mainly focuses on the domestic market in China, overlooking the dynamics and impact of Xiaohongshu and similar platforms in the international context. This limits the understanding of global social commerce trends and the possibility of extrapolating findings to other regions. Additionally, the case study method specifically targets Xiaohongshu, which operates mainly in China. This narrow focus may not capture the full spectrum of

social commerce practices or the diverse business models adopted by platforms in different countries. As a result, the findings may not be fully applicable or reflective of the global social commerce landscape. Moreover, the study faces significant challenges in obtaining precise revenue data related to social commerce activities on Xiaohongshu. The platform's revenue streams, especially those arising from the complex web of user interactions, content creation, and sales transactions, are intricate and not easily quantifiable. The lack of such data hampers the ability to fully assess the economic impact of social commerce on the platform's overall performance. Furthermore, given the multitude of merchants on the platform, conducting a comprehensive study covering all merchants operating on Xiaohongshu is impractical. This limitation means the analysis might not fully represent the diverse strategies, challenges, and successes experienced by different merchants within the platform ecosystem.

Considering these constraints, it's important to approach the results of this study cautiously. Future investigations could mitigate these constraints by including data from international markets, broadening the case study to cover a larger selection of platforms, gathering more in-depth financial data, and performing a thorough analysis of the diverse merchants present on Xiaohongshu.

5 CONCLUSION

This paper systematically explores the theoretical background of Social Commerce, the process of value creation, and a specific analysis of Xiaohongshu as a case study. The article first defines the concept of social commerce, highlighting the integration of three core elements: Web 2.0 technologies, social media, and e-commerce, providing users with an interactive online shopping environment characterized by user-generated content. By delving into the role of value creation in social commerce, this paper reveals the importance of co-creation of value, i.e., how businesses, consumers, and other stakeholders collaboratively work through social media platforms to jointly participate in the innovation process of products and services. The case analysis of Xiaohongshu further demonstrates the practical application of this theory, especially how value co-creation is achieved through establishing trust and a sense of community, providing personalized shopping experiences, and enhancing customer

service and interaction. Additionally, through specific analyses of customer engagement and platform strategies, this paper discusses how Xiaohongshu successfully built a social commerce ecosystem that fosters business innovation, improves efficiency, enhances consumer status, and meets the needs for self-expression.

Drawing from these findings, companies and platforms aiming for success in social commerce should prioritize enhancing user involvement, fostering community bonds, and advancing technological and algorithmic innovations. To begin with, platforms and businesses ought to boost brand trust and loyalty among users by better managing community interactions and promoting the creation of user-generated content (UGC), thereby streamlining the value co-creation process. Moreover, there should be a focus on improving data analysis capabilities and tailoring recommendation algorithms to improve both the shopping experience for users and the accuracy of market targeting and marketing tactics for vendors. Additionally, given the scope limitations of this study, future investigations should include a wider variety of social commerce platforms and explore international markets for deeper insights. Lastly, to remain competitive and achieve long-term growth, businesses and platforms must stay attuned to the evolving needs of social commerce users, continuously refining their business approaches and technological solutions.

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