Assessment and Optimization of Social Media Marketing Strategies: A Case Study of Xiaohongshu

Yiyang Zhao[a]
Industrial Engineering, Nanjing University of Finance and Economics, Nanjing, Jiangsu, 210046, China

Abstract: This paper investigates the marketing strategies adopted by Xiaohongshu, a popular Chinese social e-commerce platform, focusing on user targeting, content creation, and collaboration with key opinion leaders (KOLs). The study explores that the platform's user base consists primarily of young female consumers interested in fashion, beauty, and lifestyle. It examines the effectiveness of strategies such as user-generated content (UGC) marketing and KOL collaborations in enhancing brand exposure and driving sales. Research methods include case analysis, literature review, and qualitative analysis. By deeply examining Xiaohongshu's marketing strategy cases to understand its performance and impact in the market, reviewing relevant literature to support and enrich research arguments, and conducting meticulous analysis of cases and literature, the study delves into the implementation, effects, and significance of Xiaohongshu's marketing strategies. The research findings show that Xiaohongshu's personalized recommendation algorithm significantly improves user experience and purchase conversion rates. However, the platform faces challenges such as over-reliance on advertising revenue and the need for diversified profit strategies. Research conclusions include recommendations to reduce dependence on advertising, establish realistic revenue targets, and strengthen data analysis and risk management to ensure sustainable growth in the competitive field of social e-commerce.

1 INTRODUCTION

Social e-commerce, as an emerging model in the e-commerce field, is gaining prominence in the market with its unique advantages and characteristics. In this realm, Xiaohongshu, as one of China's influential social e-commerce platforms, has attracted considerable attention and engagement from users with its distinctive content sharing and shopping experience. However, with intensified competition and market changes, effectively formulating marketing strategies and enhancing user experience have become significant challenges for Xiaohongshu and other social e-commerce platforms.

Xiaohongshu is a popular social e-commerce application in China, dedicated to connecting users, content creators, and products. The app aims to provide users with a platform to share life experiences and purchasing insights, covering various domains such as beauty, fashion, lifestyle, and travel. Users can share their shopping experiences, product reviews, life tips, and engage in interactions with other users on Xiaohongshu.

Currently, Xiaohongshu has some areas that need improvement, manifested in several gaps. Firstly, the user profile lacks diversity, primarily concentrated on young females, lacking broad coverage of other demographic groups, resulting in a relatively homogeneous user profile. Secondly, there is insufficient purchasing conversion capability. Although users gain shopping inspiration on the platform, they often complete purchases on other e-commerce platforms, leading to a low purchase conversion rate for Xiaohongshu. Thirdly, there is room for improvement in content promotion and social interaction. Despite having certain advantages in content creation and sharing, Xiaohongshu still has room for improvement to increase user stickiness and enhance platform activity.

This paper aims to delve into the marketing strategies of the Xiaohongshu platform and analyze and evaluate their impact. Firstly, the paper will focus on introducing the user positioning and profiles of the

---

[a] https://orcid.org/0009-0008-3858-9902

Xiaohongshu platform, as well as its content creation and publishing strategies, including user-generated content (UGC) marketing strategies, KOL collaboration strategies, target positioning strategies, and word-of-mouth marketing strategies. Secondly, through studying the impact of marketing strategies, this paper will explore the effects of these strategies on user engagement, loyalty, and brand awareness, thereby revealing the strengths and challenges of the marketing strategies of the Xiaohongshu platform.

The research methods mainly include literature review and case analysis. By collecting and organizing relevant literature data and actual case data of the Xiaohongshu platform, the application and effects of different marketing strategies on the platform will be analyzed, thus providing suggestions and optimization directions for the marketing strategies of the Xiaohongshu platform.

The goal of this paper is to provide references for social e-commerce platforms, promote the development of the social e-commerce field, and stimulate the innovation and optimization of marketing strategies. By strengthening the understanding of user behavior and market trends, this paper aims to provide more accurate marketing decision-making basis for enterprises, promote academic research, and disseminate knowledge.

2 MARKETING STRATEGIES

We strongly encourage authors to use this document for the preparation of the camera-ready. Please follow the instructions closely in order to make the volume look as uniform as possible (Moore and Lopes, 1999).

Please remember that all the papers must be in English and without orthographic errors.

Do not add any text to the headers (do not set running heads) and footers, not even page numbers, because text will be added electronically.

For a best viewing experience the used font must be Times New Roman, on a Macintosh use the font named times, except on special occasions, such as program code (Section 2.3.8).

2.1 User Positioning and Profiles

Xiaohongshu's user positioning and profiles primarily target young female demographics, especially those under 30 years old. These users typically have interests in fashion, beauty, lifestyle, among other content categories, and enjoy sharing their shopping experiences, life anecdotes, and beauty tips on the platform. They seek inspiration, social connections,

and new brands/products on Xiaohongshu. Additionally, Xiaohongshu users tend to pursue personalized and quality lifestyles, emphasizing emotional resonance with brands and community identity.

According to QianGua Data's "Xiaohongshu User Active Profile Trend Report," Xiaohongshu currently boasts over 200 million monthly active users, with post-90s users accounting for 72% of the total user base, and users from first- and second-tier cities comprising 50% of the total (QianGua Data, 2022). Generation Z users, born between 1995 and 2009, a group heavily influenced by the internet, occupy a significant portion of Xiaohongshu's user base (Gao, 2020). One reason Xiaohongshu targets young female users is due to their significant purchasing power and influence in the social e-commerce domain, making their activity and user experience crucial for Xiaohongshu's development.

2.2 Content Creation and Publishing Strategies

2.2.1 User-Generated Content (UGC) Marketing Strategy

UGC refers to content created by ordinary users rather than brands or professional creators, including photos, videos, comments, posts, etc. (You, 2024).

Xiaohongshu encourages users to share content related to life, beauty, fashion, food, and more, showcasing real-life experiences and consumption insights through UGC. This content attracts attention from other users, fostering community engagement and growth. For example, Xiaohongshu initiated a theme challenge called "My Wonderful Life Moments," encouraging users to share delightful moments from their lives. Users participate by uploading photos, videos, or written descriptions, tagging relevant products or brands. Such activities not only inspire users to share moments from their lives but also strengthen emotional connections between users, the platform, and brands. UGC empowers ordinary users with more voice and participation opportunities, making them not just consumers but also creators and sharers of content, thereby enhancing user engagement and loyalty.

2.2.2 KOL Collaboration Strategy

KOLs (Key Opinion Leaders) are individuals or accounts with influence and expertise in specific fields or on social media platforms. They typically have a large following and their opinions and

recommendations carry significant weight among their followers (Li, 2023).

Xiaohongshu employs KOL collaboration strategies to promote brands and products. It collaborates with influential KOLs in beauty, fashion, lifestyle, and other fields, allowing them to publish content and recommend products on the platform. These KOLs often share their shopping experiences, product reviews, and usage tips, attracting considerable attention from their followers. Through collaborations with KOLs, Xiaohongshu leverages their influence and fan base to rapidly increase brand exposure and awareness while attracting more users to the platform and purchasing promoted products.

2.2.3 Target Positioning Strategy

Target positioning strategy involves segmenting the market into groups with similar needs and characteristics. It also involves selecting one or more of these groups as target markets to meet their needs and expectations. This enhances marketing effectiveness and sales conversion rates.

Xiaohongshu achieves personalized recommendations through user behavior data and algorithms, providing users with content and products that best match their interests and needs. The platform's target users mainly fall within the 25-35 age range, actively sharing content across various life domains on the platform. By analyzing users' browsing history, likes, and saves, Xiaohongshu understands their preferences and recommends relevant content and products. This personalized recommendation approach enhances user engagement and purchase conversion rates, making it easier for users to find content and products of interest, thereby enhancing user experience and platform attractiveness.

2.2.4 Word-of-Mouth Marketing Strategy

Word-of-mouth marketing is a strategy that promotes products or services through user recommendations rather than brand-led advertising (Zhu, 2023).

Xiaohongshu fosters word-of-mouth marketing by establishing rich interest communities, encouraging user interaction and communication, thereby promoting community formation and word-of-mouth spread. Users share their shopping experiences, product reviews, and usage tips on Xiaohongshu, while other users interact and provide feedback through likes, comments, shares, etc. This word-of-mouth dissemination helps enhance users' trust in products and brands, increase the reference value of purchase decisions, and bring more exposure

and awareness to brands. Through word-of-mouth marketing, Xiaohongshu leverages users' real experiences and recommendations to enhance product reputation and brand reputation, thereby promoting sales and user growth.

3 THE IMPACT OF MARKETING STRATEGIES

For the mutual benefit and protection of Authors and Publishers, it is necessary that Authors provide formal written Consent to Publish and Transfer of Copyright before publication of the Book. The signed Consent ensures that the publisher has the Author's authorization to publish the Contribution.

The copyright form is located in the authors' reserved area.

The form should be completed and signed by one author on behalf of all the other authors.

3.1 Driving Forces of Marketing Strategies

By collaborating with KOLs and leveraging user-generated content, brands can gain more exposure and awareness on the Xiaohongshu platform. KOLs typically possess a large following and influence, and their recommendations and shares can help brands rapidly increase their visibility among target audiences. Additionally, user-generated content is often more authentic and relatable, making it easier to resonate with other users and deepen their awareness and affinity towards the brand. Such brand strategies result in increased brand exposure and enhanced customer awareness.

Features such as community interaction and personalized recommendations greatly enhance user engagement and experience on the Xiaohongshu platform. Users can share insights, exchange experiences, and discuss topics with other users, thereby fostering tighter community relationships. Moreover, personalized recommendations make it easier for users to find content and products that match their interests and needs, increasing their time spent and frequency of use on the platform. This positive user engagement and experience contribute to higher user loyalty, making them more inclined to choose Xiaohongshu as their preferred shopping and social platform.

Advanced algorithms and data analysis technologies enable Xiaohongshu to achieve precise target user positioning and personalized

recommendations. By analyzing users' browsing history, likes, saves, and other behaviors, Xiaohongshu can understand their interests and preferences, thereby recommending content and products that best suit their tastes. This personalized recommendation not only enhances user experience but also improves marketing effectiveness and purchase conversion rates. Users are more likely to discover and purchase products they are interested in, thereby generating more sales and revenue for brands.

3.2 Marketing Dilemmas and Challenges

Xiaohongshu's marketing strategies may rely on external factors such as the influence of KOLs and the quality of user-generated content, making them highly susceptible to external environmental influences. If KOLs lose their influence or if the quality of user-generated content is poor, brands may suffer negative consequences, leading to ineffective marketing results or damage to brand image.

Xiaohongshu also faces the issue of advertising saturation. If brands and merchants excessively advertise, it may lead to user annoyance and resentment, affecting user experience. Excessive advertising may also cause users to develop ad fatigue, reducing ad click-through rates and conversion rates, thereby diminishing the effectiveness of brand marketing.

Although Xiaohongshu provides some data analysis and monitoring tools, some marketing effects may be difficult to directly measure and evaluate. For example, assessing the effectiveness of word-of-mouth marketing may be influenced by various factors, making it difficult to separately measure its impact on brand awareness and sales conversion. This makes it challenging for brands to determine which marketing strategies are most effective and how to optimize and adjust them.

4 RECOMMENDATIONS AND OPTIMIZATION

4.1 Profitability and Current Situation

In 2022, Xiaohongshu's revenue was $2 billion, with a loss of $200 million (Olcott, McMorrow, 2023). In 2023, Xiaohongshu achieved a revenue of $3.7 billion and a net profit of $500 million, marking its first profitable year. This significant improvement in profitability can be attributed to the revenue

generated from advertising and e-commerce businesses. Additionally, Xiaohongshu witnessed robust user growth, with monthly active users reaching 312 million, representing a 20% year-on-year increase.

Moreover, Xiaohongshu positions itself as the "preferred lifestyle decision-making search platform" with 70% of monthly active users engaging in search behavior by the end of 2023. Among all search behaviors, 88% are proactive searches, giving Xiaohongshu a competitive advantage compared to other social media platforms (Xiaohongshu, 2023).

However, Xiaohongshu faces challenges such as a lack of diverse user profiles and its inability to facilitate purchase behavior directly on the platform. Female users dominate Xiaohongshu, comprising 70% of the user base, with 50% being under the age of 30(Olcott, McMorrow, 2023). Many users use Xiaohongshu for product discovery and research but complete purchases on other platforms.

4.2 Profitability Analysis and Identified Issues

While Xiaohongshu achieved profitability in 2023, there are still challenges to address. The platform's heavy reliance on female and young users may limit its market penetration and commercial development among a broader user base. Additionally, Xiaohongshu's lack of capability to facilitate purchase behavior results in low purchase conversion rates, affecting its e-commerce profitability. In response to competition pressure, especially from rising platforms like TikTok, Xiaohongshu needs to continuously enhance its own features and attractiveness, as well as strengthen brand marketing, to maintain market share (Li, Li, 2023).

4.3 Practical Recommendations

4.3.1 Reduce Dependence on Advertising Revenue

To reduce reliance on advertising revenue, Xiaohongshu can diversify its revenue streams by expanding e-commerce platform revenue, optimizing membership services, and developing premium content. Furthermore, on Xiaohongshu's platform, advertising content is often labeled as "advertisement" to distinguish it from user-generated content. However, this labeling method may affect users' purchase decisions, as users may have more skeptical attitudes towards content labeled as advertisements (Lin, Chen, Xuan, & Cheng, 2022).

The platform can optimize the labeling of advertising content to mitigate user skepticism and improve acceptance:

Explore differentiated labeling methods beyond simple "advertisement" tags, such as "brand promotion" or "collaborative recommendation," to reduce user resistance to advertising content.

Encourage brands to disclose their cooperation with users openly and provide relevant background information to enhance user trust and credibility.

Emphasize high-quality content creation to attract user attention and participation, reducing user rejection of advertising content.

Establish user participation and feedback mechanisms to encourage user opinions and suggestions on advertising content, facilitating communication and interaction between users and brands.

4.3.2 Optimize Xiaohongshu's Profit Model

Diversifying user profiles is crucial for Xiaohongshu's success. By deepening user data analysis, including interests, purchasing behavior, and geographic characteristics, Xiaohongshu can enrich user profiles (Chen, Zhang, & Zeng, 2022). Introducing more user groups and interests will enhance platform diversity, expand potential markets, and increase user retention and engagement.

Enhancing purchase conversion capability is essential for Xiaohongshu's business growth. Strengthening cooperation with e-commerce platforms to improve product availability and convenience can increase user willingness to purchase on the platform. Strategies like optimizing recommendation algorithms, enhancing shopping experiences, and strengthening brand partnerships can improve purchase conversion rates, facilitating the transition from traffic to sales.

Xiaohongshu can further innovate advertising formats and e-commerce business models, providing more attractive and innovative advertising formats and shopping experiences to increase revenue sources from advertising and e-commerce business (Xu, 2021). Introducing technologies such as AR makeup trials and virtual clothing fittings can enhance user engagement and purchasing decision efficiency.

5 CONCLUSION

The research findings indicate that Xiaohongshu's adoption of UGC marketing strategies and KOL collaboration effectively enhances user engagement and loyalty. These strategies help brands gain more exposure and recognition on the platform. However, Xiaohongshu faces challenges such as advertising saturation. The platform needs to adjust its marketing strategies timely, avoid excessive reliance on advertising revenue, seek diversified profit models, and enhance user experience.

By thoroughly understanding Xiaohongshu's marketing strategies, this study provides valuable insights for social e-commerce platforms. The research results can also guide brands and merchants in their marketing activities on Xiaohongshu, helping them utilize platform resources more effectively to improve advertising effectiveness and purchase conversion rates. By revealing the challenges and adjustments in Xiaohongshu's marketing strategies, this study serves as a warning for social e-commerce platforms, guiding them to pay more attention to user experience and platform healthy development, avoid excessive reliance on advertising revenue, and achieve sustainable development.

Based on the research content of this study, future research can further explore the development trends and prospects of Xiaohongshu's marketing strategies. Firstly, more detailed analysis of Xiaohongshu's user behavior data can be conducted to explore the impact of user preferences and behavioral changes on marketing strategies. Secondly, in-depth research can be conducted on Xiaohongshu's advertising placement strategies and effectiveness evaluation methods, exploring how to optimize advertising placement and improve advertising effectiveness. Finally, combining the development trends of the social e-commerce industry and market competition, future directions and marketing strategies for Xiaohongshu's platform can be forecasted and predicted, providing more accurate and practical marketing suggestions for brands and merchants.

REFERENCES

QianGua Data, 2022. *Qiangua Active User Portrait Trend Repor*

Gao,F., 2020. Analysis of the consumption characteristics of short videos of Generation Z. Journalism, *Lover.*05,40-42.

You,X.T., 2024. Image Perception of Summer Resort Based on UGC Data. *Northern Economy and Trade.*02,83-89.

Li,Y.W., 2023. Research on Promotion of KOL Marketing Strategy in New Media Era. *Technology & Market.* 10,183-186.

Zhu, Q., 2023. *Research on marketing strategy of Little Red Book virtual community (Master degree thesis, Central China Normal University)*.

Olcott, E., McMorrow,R. 2023. China's Instagram-like Xiaohongshu makes first profit. Financial Times.

XiaoHong, Sh., 2024. *Xiaohongshu search promotion white paper*.

Li,K. K., Li,Z.H., 2023, Xiaohongshu's overseas journey is full of opportunities and challenges, *China Business Journal*, C02.

Lin,S. D., Chen,R., Xuan,C.C., & Cheng,H., *2022. A Study on Influencing Factors of Advertising Attitude on Social Media in China. News & Communication Review*,01,76-88.

Chen, W. L., Zhang,J., & Zeng,J.P. 2022. The construction, implementation path and ecological management strategy of the all-media communication system in the 5G era. *China Radio & TV Academic Journal*.01, 36-39+63.

Xu, W. Y., 2021. Exploration of the development path of advertising and marketing planning in the context of new media. *Modern Marketing (Business Edition)*. 08,78-79.