

Research and Analysis of the Development of Live E-commerce on Xiaohongshu

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Abstract: This article analyzes the competitiveness and development prospects of the buyer e-commerce model on Xiaohongshu in the social e-commerce field. Firstly, by examining Xiaohongshu's community ecosystem, buyer resources, social shopping experience, and innovative brand partnerships, the unique advantages and business value of Xiaohongshu's buyer e-commerce model are revealed. Secondly, combining market demands and trends analysis with buyer resource and operational cost analysis, the feasibility and development prospects of Xiaohongshu's buyer e-commerce model are discussed. Lastly, from the perspective of competitor analysis and summarizing prospects, recommendations are provided to further optimize buyer resources, strengthen brand partnerships, control operational costs, enhance user experience, and improve community management. These suggestions aim to consolidate Xiaohongshu's leading position in the social e-commerce field, create better shopping experiences and marketing platforms for users and brand merchants, and achieve sustainable business growth.

Keywords: *Xiaohongshu, Live E-commerce, Development Research, Buyer E-commerce*

1. Introduction

Live e-commerce emerged in 2016, with MOGU introducing live streaming into e-commerce and Taobao launching live streaming functions, marking live e-commerce's rapid development over just a few years. In 2019, Xiaohongshu introduced live streaming functions. In 2020, influenced by the pandemic, consumers stayed at home, causing significant disruptions to offline retail sales. Live e-commerce provided consumers with another way to shop, and consumer purchasing power was unleashed in live streaming rooms. Consequently, in 2020, live e-commerce entered a period of explosive growth [1]. However, with the rapid development of live streaming for product sales, some problems have gradually surfaced. Under the traditional live e-commerce model, brands prefer to work with popular, high-volume hosts. Metrics such as live streaming viewership, number of fans, comments, and sales figures have become the basic elements of industry competition. To maintain impressive statistics, some hosts resort to inflating data through methods such as fake orders, buying followers, and manipulating comments, gradually becoming industry norms [2]. Furthermore, many hosts lack relevant background knowledge, making it difficult to select truly high-quality products from a multitude of brands. This not only may Xiaohongshu decrease consumer satisfaction after purchase but also can damage brand image and reputation [3]. In this context, Dong Jie's live streaming event

provided Xiaohongshu with new commercial inspiration, prompting them to fully embrace live e-commerce. Differing from traditional "sales-oriented" live e-commerce, Xiaohongshu encourages the emergence of buyers with professional knowledge and unique live streaming styles, embarking on the path of differentiated live e-commerce.

Red's "Buyer E-commerce" model, as an emerging e-commerce model, holds significant research value and practical implications. This article aims to comprehensively analyze the model's differentiation strategies, competitive advantages, and development potential, revealing its differences from traditional e-commerce models and exploring innovations and competitive advantages in user experience, product selection, and marketing strategies. Additionally, through data analysis and feasibility studies, it assesses the model's development potential and the challenges it faces, providing theoretical support and practical guidance to relevant practitioners and decision-makers. This effort aims to promote the healthy development of emerging e-commerce models, foster industry innovation, and provide reference and assistance for the development of the e-commerce industry.

2. Overview of Xiaohongshu's E-commerce Development

Red was officially founded in Shanghai in June 2013 and launched its mobile application on the App Store in October of the same year. Initially, it served as a basic shopping guide primarily targeting entry-level users, covering popular tourist destinations such as the United States, Japan, and South Korea. However, this guide-style product, which was more static and focused on providing information, was insufficient for more time-sensitive shopping scenarios, such as seasonal discounts and store updates. The relatively static information flow made it challenging to establish real-time, interactive, and sticky engagement with users. Therefore, in December of the same year, the "Red Shopping Notes" app was launched. It was a vertical community primarily consisting of female users with overseas shopping habits. This community addressed the problem of users not knowing where to find good products but did not yet embark on its e-commerce journey.

It wasn't until December 2014 that Xiaohongshu officially launched its e-commerce platform called "Welfare Mart," marking the beginning of its e-commerce journey. It rapidly developed and achieved a series of milestones [4]. By July 2019, Xiaohongshu was asked to rectify its platform for the first time and, after 77 days of adjustments, resumed operation. Within a month of being back online, its monthly active users surpassed one hundred million, and it achieved profitability for that month—an impressive feat considering the context of many internet companies collapsing, especially those centered around content communities. However, by the end of the year, CCTV's criticism highlighted issues like stream padding and fake reviews, prompting Xiaohongshu to realize that content was the foundation of its existence. This realization made the platform more cautious in its commercialization efforts. In 2019, Xiaohongshu began internal testing for live streaming and officially launched it at the beginning of 2020, initiating its live e-commerce attempts [5].

In October 2023, Xiaohongshu officially closed its "Little Oasis" and "Welfare Mart" platforms and underwent internal restructuring. In March 2023, the live streaming business, originally under the e-commerce department, became an independent department on par with the e-commerce department. By mid-year, the e-commerce and live streaming businesses were integrated into the "Transaction Department," established as a primary department [6]. In August 2023, Xiaohongshu formally proposed a "buyer e-commerce" model as its core strategy to develop differentiated live e-commerce.

3. Differentiation Strategy

3.1. Analysis of the Buyer E-commerce Model

The term "buyer" first appeared in Europe in the 20th century, where buyers needed to pay attention to trendy products and keenly predict fashion trends. In China, buyers were initially referred to as purchasers, merchandisers, or business department staff responsible for procurement. Over more than a decade of development, the buyer profession has received increasing attention, and related work has gradually become more specialized [7]. Generally, fashion buyers have their distinct fashion styles and accumulate a customer base that likes these styles. They purchase clothing brands that align with their style positioning and then sell them to customers who trust their taste. According to Ding Ling, the Chief Operating Officer of Xiaohongshu, buyers are both content creators and influencers, while principals have their own products and supply chains [8].

In Xiaohongshu's Creator Center, the key elements to becoming a buyer include account, product selection, notes/live streaming, and followers. The account and selection of products reflect personal style, notes/live streaming are monetization methods, and followers are sources of growth and feedback for buyers. Buyers need to manage private domain streams, build stronger follower stickiness, and trust.

In traditional live e-commerce, streamers focus on streaming. The larger their fan base, the stronger their bargaining power with brands. They attract orders through low prices, with the core being a large fan base and low-priced products. In buyer e-commerce, buyers focus more on product selection, rather than excessively pursuing a large fan base. They select and recommend products based on their own style and their followers' preferences. Followers place orders based on their recognition of the buyer's professionalism and trust in them, aligning with Xiaohongshu's community atmosphere.

3.2. Differentiation Strategy in Buyer E-commerce

3.2.1. Professionalism and Trust Building in Buyer E-commerce

Taobao operates as a traditional shelf-based e-commerce platform, employing a "people finding goods" model. By associating search keywords with products, Taobao maximizes the matching of products with consumers, completing the conversion from live streaming promotion to consumer behavior. TikTok and Kwai as leading short-video platforms emphasize interest-based content recommendation systems. TikTok and Kwai recommend products based on user interests, thereby transforming stream into live e-commerce based on user interests [9]. In further comparison, the core of Kwai's live e-commerce lies in attracting consumers with engaging content, converting them into private fans of streamers, establishing trust with these fans, and then converting this stream into actual purchases. In this model, consumers have a high level of trust in the streamers, leading to more repeat purchases. TikTok, on the other hand, uses content algorithms to profile users and accurately guide them to products that align with their interests. This method is more precise due to TikTok's advanced algorithms, which better match suitable products based on user interests. Xiaohongshu's buyer e-commerce model resembles Kwai's "trust-based e-commerce" but with differences. Xiaohongshu's buyers attract users and build private fan streams through high-quality product endorsement notes, based on users' trust in the buyers' expertise and credibility in specific fields. This trust relationship helps to foster higher repeat purchase rates and stable stream conversions.

3.2.2. Content Quality and Product Selection Strategy

Buyers on Xiaohongshu maintain a high level of consistency between their content quality, product selection, and their branding and expertise within specific tags and content domains. These buyers

produce high-quality product endorsement notes focused on specific areas such as fashion, beauty, or home decor, ensuring that the quality and taste of the products align with the expectations of their followers. This consistency and professionalism increase consumer willingness to purchase and trust. In contrast, streamers on platforms like Taobao, TikTok, and Kwai often resemble professional salespersons who attract followers primarily through offering discounts and promotions during live broadcasts. Their product range is broad, and they often stream frequently, but they typically require a large following to succeed. As a result, the content they post on short video platforms may not always align with the products they promote during live streams.

3.2.3. User Stream Dispersion

The live streams on platforms like Taobao, TikTok, and Kwai often focus on attracting traffic through discounted offers. Therefore, live rooms that provide better discounts tend to attract more traffic. Brands also prefer to offer more discounts to streamers with larger fan bases. Unlike Taobao, TikTok, and Kwai, the buyer e-commerce model on Xiaohongshu naturally gathers user traffic around different professional buyers in various domains. This dispersion not only maintains traffic stability but also meets users' demands for diverse products and content. Based on trust in the buyers, this traffic is effectively converted into Gross Merchandise Volume. Analysis of consumer profiles and price acceptance indicates that among active users on Xiaohongshu, nearly 80% are women, primarily young women from first and second-tier cities. The overall consumption level of platform users is relatively high, and they also exhibit a relatively high acceptance of product prices.

4. Competitiveness Analysis

4.1. Community Ecology and User Base

As a social e-commerce platform, Xiaohongshu achieved a milestone of 300 million monthly active users in 2023. While TikTok reached this milestone as early as 2018, Xiaohongshu's unique platform style and community atmosphere provide significant advantages for buyer e-commerce. On Xiaohongshu, 90% of the content is user-generated content, and 70% of the posts include products, such as sharing purchasing experiences or reviews after using products for some time. Therefore, users on the platform are highly receptive to topics related to shopping and consumption. This user characteristic brings considerable commercial value to brands.

4.2. Buyer Resources and Content Quality

On Xiaohongshu platform, a group of outstanding buyers with strong sales capabilities has emerged, covering various fields such as fashion, beauty, home decor, food, and baby care. Among these top-tier star buyers are figures like Dong Jie and Zhang Xiaohui, achieving single-event Gross Merchandise Volume exceeding 100 million yuan, demonstrating their significant influence in the buyer e-commerce domain. Additionally, the platform boasts numerous buyers with tens of millions and millions of followers, spanning different domains and fan bases, providing users with rich shopping choices and experiences. These buyers establish distinct styles and personalities by setting clear niche tags such as "elegant and refined", "French chic", "Korean fashion", and others, creating differentiated styles. This diversity not only attracts different types of users but also enhances the quality and appeal of the content. Buyers share high-quality shopping experiences, product reviews, and styling recommendations, offering users diverse and personalized shopping references, thus strengthening user trust and loyalty to the platform.

4.3. Social Shopping Experience

Red emphasizes a social shopping experience where users can interact with buyers, ask questions, leave comments, and make purchases similar to platforms like TikTok. Additionally, users benefit from a stronger post-purchase experience. After making a purchase, users can share their experiences under "endorsement notes" or post notes detailing their purchase experiences. Xiaohongshu's unique recommendation algorithm disperses traffic, allowing users to often receive feedback. This interactive and social shopping experience makes it easier for users to engage and make purchases, ultimately enhancing the platform's transaction conversion rate and user loyalty.

4.4. Personalized Recommendation System

One of the major characteristics of Xiaohongshu is its unique information flow content presentation method, combined with a powerful recommendation system that achieves decentralized distribution, diverse interests, and breaking through user circles. A significant difference between Xiaohongshu and platforms like TikTok lies in their content distribution models. TikTok adopts a "centralized" traffic distribution model, whereas Xiaohongshu adopts a "decentralized" model, resulting in a lower proportion of top-rated content recommendations on Xiaohongshu [10]. In terms of creators, they desire quick exposure for their posts. Therefore, Xiaohongshu has optimized its recommendation algorithm to understand within minutes which audience should see these posts, how their quality ranks, and in what category they belong. This allows the system to quickly distribute new posts to the appropriate users and gather positive feedback in a shorter time frame, thereby encouraging the authors of these posts.

4.5. Industry Development Trends

The development of live-streaming e-commerce has transitioned from rapid growth to a phase of differentiated development, with platforms like TikTok, Taobao, and Kwai dominating the landscape. Xiaohongshu, leveraging its inherent content seeding genes and high user stickiness, has achieved differentiation in the field through the "buyer e-commerce" model. By attracting vertical fans through personalized tags, Xiaohongshu has established a highly trusted shopping experience. The collaboration between buyers and brands helps brands accurately target potential consumer groups, increase brand visibility, and promote growth in brand sales performance. In this model, Xiaohongshu injects new vitality and opportunities into the e-commerce industry, poised to further drive the development and prosperity of e-commerce businesses and bring about more innovation and possibilities for the industry.

5. Buyer E-commerce Feasibility Analysis and Recommendations

In the 2021 Spring Festival period, the live sales volume was only 190 million yuan, with the highest daily sales volume being less than 300 million yuan. However, by March 2023, Dong Jie's single live broadcast GMV exceeded 30 million yuan, with ballet shoes and cardigans priced at 5,000 yuan selling out completely. Users jokingly commented that "you can't leave Dong Jie's live broadcast without spending five figures" [11]. By the prelude to the 2023 Double Eleven, Dong Jie's single broadcast GMV reached 130 million yuan, and Zhang Xiaohui's single broadcast GMV also successfully exceeded 100 million yuan. There were also 21 buy influencers with sales exceeding tens of millions. Such achievements are closely related to Xiaohongshu's full-scale deployment of "buying agent e-commerce." In March 2023, after discovering Dong Jie's performance, Xiaohongshu decided to use Dong Jie as a benchmark and restart the influencer note-led sales to accelerate the creation of a commercial closed-loop within the platform. The organizational structure underwent

two major reorganizations. In March 2023, the e-commerce department, as a secondary department, spun off its live streaming business to become a parallel secondary department responsible for live content and live-streaming e-commerce. By mid-year, the live streaming business and e-commerce business were moved out of the community department entirely and established as a new primary department called the Transaction Department, while other community business responsibilities remained with the Community Department. From this, it can be seen that Xiaohongshu is exploring the integration of community traffic resources and commercialization. Whether e-commerce business is an independent primary department or under the community department, it represents the platform's understanding and experimentation with native commercial systems. By August 2023, Xiaohongshu formally proposed a core e-commerce model centered around "buyers," reconstructing the platform's own e-commerce development focus.

5.1. Market Demand and Trend Analysis

Live e-commerce has evolved to a point where the sales model has become increasingly monotonous, and negative issues with top streamers are frequently exposed. Tax evasion scandals, such as Li Jiaqi and Viya, appearing frequently on hot searches. The trend of price competition in live streaming rooms has also deepened into intense "internal competition." In the first half of 2023, Xiaohongshu started gaining attention for its live broadcasts. Dong Jie's unique style, distinct from traditional hard-selling broadcasts, began to show results, prompting a reassessment of the current state of live e-commerce.

In the past, live streaming for sales mostly met consumers' immediate needs, with e-commerce platforms trading low prices for transaction volume. However, users still have a demand for higher-quality products. While there may not be much difference in the selection and pricing processes between Xiaohongshu's live streams and other platforms, and sometimes the prices are not lower than those on Taobao or TikTok, the main difference lies in the style of the streamer. Users and streamers alike have become tired of traditional live streaming formats. Moreover, brands need low-cost conversion channels. Xiaohongshu happens to meet the growth needs of some brands, with its unique "grass planting" gene and low investment becoming reasons for brands to choose it. In the past, there have been cases of Perfect Diary being promoted through planting, and now many designer brands are entering live streaming rooms. In May 2023, Grado began self-broadcasting on Xiaohongshu. By September, Xiaohongshu's channel sales accounted for 40% of Grado's online retail channels. In the future, more brands are expected to follow suit, with promising prospects.

The key to the success of Xiaohongshu's live streaming lies in the unique style of the streamers. It is recommended to continue cultivating and promoting streamers with personality and professionalism. By training and selecting, attract more high-quality streamers who fit the Xiaohongshu's atmosphere and user demands, making live content more attractive and impactful. Secondly, strengthen cooperation with brands, matching them with suitable buyers based on brand characteristics and tonality, providing customized marketing solutions and services, understanding brand needs deeply, and promoting products with guaranteed quality. Additionally, by establishing a complete live streaming ecosystem, strengthen content review mechanisms and user feedback channels to ensure the quality and compliance of live broadcasts and guarantee user experience.

5.2. Buyer Resources and Operational Cost Analysis

As of April 2024, Xiaohongshu has cultivated a group of outstanding buyers with strong sales capabilities in fashion, beauty, home, and other fields. For instance, during the 2023 Double 11 pre-sale period, top buyers Dong Jie and Zhang Xiaohui each achieved a single-session Gross Merchandise Volume exceeding 100 million RMB, demonstrating the significant influence of buyers

on the platform. Additionally, there are 21 buyers with tens of millions in GMV and 19 buyers with millions in GMV, achieving substantial sales in a short time frame. Particularly notable are the mid-tier buyers, who may have fewer followers but exhibit exceptional sales capabilities, bringing considerable commercial value to the platform. For example, home buyer ALLEN GY and fashion buyer Da Fei Da Fei have follower counts of only 80,000 and 70,000 respectively, yet achieved single-session live streaming GMVs of 17.81 million and 17 million RMB.

Red can further strengthen buyer recruitment and training to cultivate more influential and professional buyers. The platform should also focus on controlling buyer operational costs, providing more operational support and resources to help buyers maximize their sales capabilities. By efficiently utilizing buyer resources and controlling operational costs within the buyer e-commerce model, Xiaohongshu is poised to enhance its commercial value and development potential, aiding the platform in maintaining a leading position in the fiercely competitive market.

5.3. Brand Collaboration Analysis

The buyer e-commerce model has brought significant business opportunities and growth space for brand merchants. Through cooperation with buyers, brands can accurately target their desired audience that aligns with their brand characteristics, rapidly expanding brand awareness and influence. Some emerging and small to medium-sized brands have been incubated on the Xiaohongshu platform, achieving rapid brand growth through the buyer e-commerce model. According to data from the "rise100 Xiaohongshu E-commerce Digest," during the 2023 Double Eleven period, the number of Xiaohongshu e-commerce orders was 3.8 times that of the same period in 2022, with a number of transaction fields seeing a group of stores growing more than 10 times. For example, the original designer furniture brand Grado achieved nearly tens of millions in GMV during Double Eleven through cooperation with buyers. The overseas niche brand MY.ORGANICS achieved 10 million RMB in GMV through cooperation with Zhang Xiaohui. These cases demonstrate the significant effectiveness of the buyer e-commerce model in brand promotion and sales growth. The buyer e-commerce model fully leverages Xiaohongshu's grass-roots genes and high user stickiness advantages to achieve differentiated breakthroughs. Unlike traditional influencer-led sales models focused on traffic, Xiaohongshu's buyers each have specific labels that attract highly vertical fans, with fan demands prioritized and conversion effectiveness dependent on fans' trust in the buyers' professionalism.

5.4. Competitor Analysis

Compared to platforms like TikTok, Xiaohongshu gathers 70% female users, mainly concentrated in first and second-tier cities, possessing higher purchasing power, making it ideal for product endorsements. Although platforms like TikTok have broad coverage, there is a clear trend of user diversification, resulting in lower commercial value compared to Xiaohongshu, with average fan value not as high. Despite platforms like TikTok and Kwai having a massive user base, reaching 500-600 million Daily Active Users, they are fundamentally entertainment platforms. In contrast, Xiaohongshu's user scenario is more inclined towards searching for practical insights, ideal products, and lifestyles. Users here exhibit strong purchasing power and decision-making demands.

On Xiaohongshu, especially regarding product endorsements, content creation directly influences user purchasing decisions because user behavior on Xiaohongshu leans towards rational decision-making, following comprehensive research and comparisons before making purchases. Once a product is endorsed, it can lead to long-tail repurchases and spontaneous sharing, forming more enduring brand influence. In comparison, while TikTok can rapidly attract a large user base, due to its broad and generalized user demographic, cost-effectiveness of sales becomes more crucial, with

relatively lower user retention rates. Brands aiming for scale may opt for extensive exposure and rapid growth on platforms like TikTok, whereas those seeking brand premiums and sustained influence are more suitable for marketing on high-quality platforms like Xiaohongshu, leveraging endorsements and precise marketing for greater commercial value.

In Xiaohongshu, product endorsements hold significant importance, suggesting the establishment of a more comprehensive endorsement ecosystem. Supporting users in generating more authentic and effective product endorsements and experience sharing, alongside collaborating with brands to launch targeted endorsement activities, enhances user trust and engagement with endorsement content. Continuously strengthening platform user experience design and community management is vital to ensuring content quality, user interaction, increased retention rates, and loyalty. Furthermore, considering Xiaohongshu users' preference for practical insights and products, reinforcing the platform's search functionality and endorsement experiences is essential. This ensures users can easily discover content and products of interest, enhancing search result accuracy and personalized recommendations, thereby optimizing user experience.

6. Conclusion

The development of live e-commerce has transitioned from a phase of rapid growth to one of differentiation. Platforms like TikTok, Taobao, and Kwai dominate the landscape of live e-commerce. Xiaohongshu has differentiated itself by leveraging its inherent characteristics of product endorsements and high user engagement to implement a "buyer e-commerce" model. By using personalized labels to attract niche fans, Xiaohongshu has established a highly trusted shopping experience. Collaboration between buyers and brands helps brands accurately target potential consumer groups, amplify brand awareness, and boost sales performance. In this mode, Xiaohongshu injects new vitality and opportunities into the e-commerce industry, poised to further drive the development and prosperity of e-commerce, bringing more innovation and development possibilities to the industry.

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