

# From UGC to E-Commerce: A SWOT-Driven Study on RedNote's Brand Positioning and Strategic Response

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**Abstract.** As the leading social commerce platform in China today, RedNote (Xiaohongshu) has created a unique brand image through its UGC (User Generated Content) system and community-driven model. However, with the rapid development of the Internet, RedNote faces the challenges of increasing competition and market saturation. This study evaluates RedNote in terms of internal strengths and weaknesses, as well as external opportunities and threats through a SWOT analysis, aiming to propose feasible strategies for the brand's sustainable development. The findings show that RedNote's core strengths are its authentic UGC community, high female user participation and relatively favorable atmosphere. The main weaknesses are the low cash flow efficiency, the imbalance of user ratio and the crisis caused by its excessive advertising. At the same time, the paper also points out the opportunities for user expansion, increasing live e-commerce and cooperation with cross-border IP. And threats also exist, including regulatory pressure, fierce competition and a downward economic environment. Based on the above analysis, this study suggests strategic recommendations that can improve RedNote's current situation, such as IP co-branding, enriching content and enhancing community authenticity. This study not only enriches the application of SWOT analysis in the study of digital platforms but also provides insights into RedNote and similar platforms to navigate the complex market dynamics.

**Keywords:** SWOT analysis, UGC system, Social e-commerce.

## 1. Introduction

In this era of social business, social networks are accepted by the public by virtue of the openness of the platform and the advantages of low threshold of user participation and more convenient access to information, which have been rapidly integrated into all aspects of people's lives, gradually changing the way people obtain information, release information, and playing an extremely important role in people's lives. Because of this, the competition in the market is getting more and more intense, many social e-commerce platforms, RedNote (Xiaohongshu) is one of the mainstream platforms. As a cell phone as the main port of the social business APP, from the initial PDF shopping guide toolkit to the user sharing community and then to the community e-commerce, RedNote has frequently attached importance to the management of content and community and constantly highlight the value of the community and content, the use of Grass-planting economy to promote consumers. The social e-commerce insight report released by Quest Mobile in November 2018, shows that China's social e-commerce is currently in a period of rapid development with multiple modes of coexistence, with Pin Duoduo as the typical social sharing mode, Yun Ji as a typical social retail model, and RedNote as a typical social content model [1]. At the same time, due to the imminent ban of TikTok in the United States, massive influx of expat TikTok users continue to post content on RedNote and call themselves TikTok refugees. Even now that the ban has been lifted, it has brought a wonderful opportunity for RedNote. Until now, RedNote has developed from an overseas shopping guide into a social e-commerce platform with a relatively complete framework, but the platform still faces challenges such as gender imbalance and low cash flow efficiency. Existing research on RedNote mainly focuses on its business model and user behavior, but the systematic research on its brand building and countermeasures has not been fully explored.

Although SWOT analysis is widely used in strategic management, its adaptation to digital platforms, especially in China's unique social business environment, still lacks a certain depth. This study provides a structural analysis of RedNote using SWOT analysis as a framework, as well

as a qualitative analysis using operational data (e.g., user demographic statistics) and a comparative analysis with its main competitors. Secondary data from academic literature, industry reports and financial disclosures were synthesized to assess RedNote's strategic positioning. The study aims to answer three key questions. RedNote's core competitive strengths and weaknesses in brand development, how RedNote can capitalize on emerging opportunities while mitigating threats, and what strategic adjustments are critical to maintaining its dominant position in the market.

At present, the development of social e-commerce at home and abroad is booming, and the scale of social e-commerce market and users is expanding. Social e-commerce platform as a new derivative mode, its development has certain problems. This study takes RedNote as an example and explores its development experience and problems by extending the application of SWOT analysis to social e-commerce platforms in combination with real-time situations. The findings also provide feasible recommendations for RedNote to improve its cash-out strategy, diversify its user base, and enhance regulatory compliance. It is hoped that the results of this study will play a theoretical and practical role in informing the development of social e-commerce platforms facing similar challenges.

## 2. Theoretical Basis: SWOT Analysis

Since the SWOT analysis method has been applied, it has undergone many developments. First, the method originated at Harvard Business School in the early 1950s and was used in case studies by Harvard professors George Albert Smith Jr. and C Roland Christensen [2]. This approach develops a marketing strategy that fits the company's own reality by systematically evaluating the organization's four dimensions: strengths, weaknesses, opportunities, and threats. In this modern era of digital marketing, SWOT matrix analysis emphasizes the external factors affecting an organization in terms of market trends, policy changes, and competitive pressures, and the internal factors in terms of allocative efficiency, technological capabilities, and brand reputation. Although some scholars have pointed out that SWOT matrix analysis suffers from inflexibility and subjectivity, its simplicity and adaptability make it ideal for initial assessment of RedNote's complex operating system [3].

## 3. RedNote Company Profile

RedNote, as a social app, started out as a community for sharing around shopping trips, spawning a very healthy ecosystem that has accumulated a lot of word-of-mouth for it. The ensuing overseas shopping craze made RedNote, which had built up its user base and community atmosphere early on, seize this great opportunity and set up its own e-commerce store, which was at the top of the wave. Nowadays, RedNote is both a popular social platform and a trusted e-commerce channel, becoming a trusted shopping discovery engine in the eyes of most people, and one of the mainstream platforms using the community plus e-commerce business model [4]. Using the UGC (User Generated Content) system, the software has 70 million+ content creators per month and generates 3.2 billion interactions per quarter, with a strong focus on content output. As RedNote, which started out as a nautical shopping site, 78% of its users are women, of which 50% are from first-tier cities, and 62% are between the ages of 18-35, which has led to a more trendy and harmonious community atmosphere [5].

By 2023, Xiaohongshu will have more than 300 million monthly active users (MAUs) and a valuation of more than \$20 billion and will be at the head of China's grass-planting economy but will still be facing competitive pressure from similar platforms such as Joyo, Taobao, and B-station. However, it is worth mentioning that it is precisely because of the content started RedNote made a very correct decision, that is, focus on the output of content, the development of e-commerce is secondary. Such a decision not only avoids direct competition with the dominant software of the same type, TikTok, but also is the reason why it regained public favor after two years of silence in the capital market and subsequently gained the attention of Tencent and Alibaba Group [4].

## 4. SWOT Analysis of RedNote

### 4.1. Strengths Analysis

First, RedNote's authentic UGC community. Since its establishment, RedNote has never lowered its requirements for content, and this insistence has enabled it to establish a good community environment centered on authenticity and trust. Users with shopping experience share their shopping tips and experiences in the community and publish their original content. Users with shopping needs will take the initiative to search for relevant content or products, and the products they are amenable to can be purchased by simply searching in the mall, and after using them, they will also share their shopping experience in the community, forming a perfect closed loop, which is very favorable no matter which side of the content or e-commerce is concerned. On the other hand, although RedNote has a high proportion of advertising revenue, it has not been labeled by users as a poor community environment because it will truly label the sponsored content and hang the link below. This move makes users experience a sincere service attitude, which greatly improves users' stickiness and loyalty, and at the same time forms a good reputation.

Secondly, the proportion of female users is high. RedNote, as a platform that once stood at the peak of the overseas shopping wave, is an irresistible role for the first batch of people obsessed with overseas shopping, that is, young women. It houses many female-friendly consumer goods and lifestyle brands that hit the pain points of female consumers. As society continues to develop and progress, the rise of women's consciousness also leads to their consumer autonomy to choose more and more, at the same time, in most cases, today's women consume more than men, which leads to more female users make the overall purchasing power of users will be stronger.

In addition, reports show that women's empathy is higher than men's [6]. RedNote has a high proportion of female users, which makes its community atmosphere is generally recognized as better than some of the same type of software with the same proportion of men and women. And the scene of slamming each other at the drop of a hat is relatively rare in RedNote, which has its own unique community style.

Third, RedNote's precise filtering mode. Users click on the search topic; the page will appear more precise classification to find more preferred content. And users can directly choose to view related posts or enter the mall shopping, the interaction is very smooth.

### 4.2. Weaknesses Analysis

First, the realization of RedNote is inefficient. As the competition in the e-commerce market becomes more and more intense, all major software is constantly improving the services in this area. However, RedNote has missed many business opportunities due to its not-so-rich product categories, and the products of self-owned e-commerce and third-party brands are far less than the products that users have found on the RedNote platform and have the will to buy. This is a serious imbalance between supply and demand and has led to users searching on RedNote and buying on other programs. Not only that, RedNote already has a lack of competitiveness of the goods, the price is not advantageous, the logistics time limit is long, after-sales service is not guaranteed, etc., all for the small RedNote book of the road of e-commerce paved with layers of obstacles. At the same time, competition from social platforms is also intensifying, TikTok, Weibo and other platforms are also working in the direction of selling goods, to cultivate their own community specializing in selling goods, so that users have more choices, but also easier to divert, in comparison to multiple platforms, RedNote's shortcomings are more likely to be amplified.

Second, the ratio of male and female users is disproportionate. Nowadays, RedNote has an obvious gender label in the eyes of many people, and its male users only account for 22% also aptly proves this reality. Although the emergence of this phenomenon is related to the origin of RedNote's overseas shopping, the content preferred by men is also considerably less than that of other platforms, which is why the proportion of male users is small. As a social platform, an excessive gap in the percentage of male and female users is not a good thing. This gap will affect the normal interaction

between the opposite sex, and the decline in the effectiveness of the platform's social function, which will lead to a decline in user activity. At the same time, the community atmosphere will be more skewed towards the female perspective, affecting the experience and participation of male users, making RedNote a platform that has limitations for some users.

Third, there is a crisis of trust between users and RedNote. With many users stating that they would refer to relevant content on RedNote before deciding to do something, the platform is a trustworthy experience-sharing community [5]. However, such RedNote has also become a preferred choice for many advertisers. When searching for an item clients need to buy, the probability is that the highest combined heat on the recommendation page will be advertisements, and even if it is a real popular sharing note, the comment section will be filled with one advertisement after another. Not only that, the uneven quality of products and the false propaganda of some advertisers, as well as the confusing behavior of brushing the likes and comments, so that users can't tell the real from the fake, and the trust in RedNote has become increasingly low.

### 4.3. Opportunities Analysis

First, adjusting the ratio of male and female users and expanding the user group. Through the TikTok users who came into RedNote incident some time ago, foreign users led by Americans flocked to RedNote in large numbers, and this unexpected traffic not only enriched the content of the platform, resulting in a certain degree of cultural exchange, but also many foreign fashion brands have settled in RedNote [7]. This phenomenon has attracted many domestic and foreign users to RedNote and has laid the foundation for RedNote to expand its user base overseas, and RedNote has to keep observing and meeting the needs of all parties (e.g., adding the translation function in a timely manner) of various types of users. Not only that, RedNote has a lot of space for the expansion of the male user market, can attract more male users, balance the gender ratio, to expand the market coverage.

Second, deepen live e-commerce. With the rapid growth of the scale of short video users, more and more people choose to buy goods in the live broadcast [8]. Although many platforms have become benchmarks in live selling goods, RedNote still has a lot of upsides in this area. RedNote can invite conscientious bloggers with a large fan base to move in and launch cooperation invitations, so that the blogger's regular fans can familiarize themselves with the RedNote live broadcast, thus strengthening the live broadcast function, and improving the conversion rate by enhancing the user's trust.

Third, cross-border cooperation and create IP in line with the trend. Cooperation with well-known brands, major film and television IP, to catch transient traffic. For example, organize co-branding activities with film and TV IP characters, create RedNote accounts with the identity of film and TV characters and publish related content to attract drama fans, while encouraging users to actively discuss, giving users a unique experience and a good community atmosphere.

### 4.4. Threat Analysis

First, policy regulation is becoming more and more rigorous. The newly introduced regulations require algorithm transparency to protect users' rights and interests [9]. The rigor of this whole policy to some extent puts RedNote's proprietary algorithms at risk, which may result in RedNote's profits, lower user stickiness, and other impacts. At the same time, changes in advertising laws and data security laws lead to increased compliance costs.

Second, the competition among various platforms is getting more and more intense. Because of the rapid development of the Internet, the growth rate of China's Internet users has passed the fastest time and is gradually slowing down, and the growth of users on various platforms is also very limited. TikTok, Kuai Shou and other platforms have launched the extreme version to attract more users and traffic and compete for the lower-end market, with the marketing method of brushing the video can also make money. To attract more users and traffic and compete with the lower end of the market, platforms such as TikTok and Kuai Shou have launched the extreme edition with the marketing

method of users can earn money by swiping videos [10]. Such initiatives make these platforms to greatly increase user stickiness and platform daily users, RedNote is facing fierce competition.

Third, the economic environment is in a downward spiral. With the huge impact of the Shinkan Epidemic on the economic situation, many brands have suffered RedNote a considerable blow to their economic sources. As a result, the budgets of some brands are shrinking, and the retail sales of many beauty brands are on the decline. RedNote, whose main economic source is advertising revenue, will also suffer a certain impact. At the same time, the consumption level of users is also constantly downgrading, the demand for big brand beauty and luxury goods is gradually becoming smaller, adhering to the psychology of ‘only buy the right one, do not buy the expensive one’, and thus turning to the affordable goods on TikTok and Pinduoduo platforms for consumption [11].

#### 4.5. Suggestions

First, co-branding IP, personalized customization. RedNote can do some special customization to enhance its competitiveness, such as designing different like effects, homepage style, etc. [12]. Let users get their favorite effects by recharging or doing daily tasks. Users can get their favorite effects by recharging or completing daily tasks. It can also be co-branded with highly popular anime IPs to attract users from other markets. This can not only bring users a sense of freshness, RedNote dresses up their favorite appearance, but also lets users feel the uniqueness of other platforms, to strengthen the core competitiveness of RedNote.

Second, enrich the content, expand the user market. For the current gradually saturated market, users are the traffic, RedNote can enrich the community content, such as men are more interested in electronic products, science and technology content to expand the boundary, to develop new user groups [13]. RedNote can then cooperate with brands in this area, create activities targeting electronic technology, or sponsor e-sports activities to build a reputation in the gaming community.

Third, enhance the authenticity of the community and strengthen auditing. The biggest advantage of RedNote for users is the sincere community atmosphere. However, the real experience sharing and discussion has gradually cover RedNote up by advertisements nowadays [14]. For RedNote to come, wanting to retain users is the first and foremost is to strictly audit all false content, strictly prohibit brush praise, looking for water army behavior, strengthen the control of the community atmosphere, encourage everyone to speak freely.

Due to the large number of RedNote users and not yet listed, the non-public status of its financial data limits the analysis to a certain extent. At the same time SWOT analysis also has certain disadvantages, this analysis may have certain omissions.

## 5. Conclusion

This study employs SWOT analysis to systematically examine RedNote’s core strengths, weaknesses, opportunities, and threats, offering strategic insights for its development. Strengths lie in its authentic UGC community, which fosters a trusting sincere sharing atmosphere, creating a closed loop of planting-searching-purchasing-feedback. With female users, RedNote benefits from strong purchasing power and a harmonious communication environment, enhancing user stickiness. Weaknesses include inefficient cash flow due to cross-platform consumption, a highly imbalanced gender ratio limiting social diversity, and excessive advertising eroding user trust. Opportunities arise from global user expansion, untapped live e-commerce potential, and cross-border IP collaborations, which can drive traffic growth. Threats stem from tighter policy regulations, competitive pressure from dominant platforms, and the trend of consumer downgrading. Strategically, RedNote should diversify its user base by RedNote the women-only label and developing multi-language versions to seize globalization opportunities. Balancing advertising with user trust is critical—introducing professional quality inspection can rebuild confidence. Enhancing user experience through interactive and entertaining features will strengthen stickiness. The study highlights SWOT’s applicability in digital platforms, revealing dynamic interactions between internal advantages and external threats.

As social e-commerce shifts from scale expansion to ecological quality competition, RedNote should prioritize a balance between commercialization and community value. Long-term success hinges on placing user needs above algorithms and capital, fostering a human-center RedNote digital ecology. Maintaining platform-user trust remains a key challenge for all industry players in the era of declining traffic dividends and rising user sovereignty.

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