

The Impact of User-Generated Content (UGC) on Enterprise Pricing Strategies: A Case Study of Xiaomi Community

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Abstract. In the digital age, user-generated content (UGC) is reshaping the way consumers engage in pricing, transforming them from "passive recipients" to "active participants". This study takes the Xiaomi community as the main research object and uses case analysis and mixed research methods, combined with quantitative content analysis and qualitative text mining, to explore the influence mechanism of UGC on the pricing strategy of Xiaomi brand products. By analyzing the pricing process of the Redmi K series and Redmi Note 13 Pro+, the following conclusions were drawn: UGC can directly affect short-term pricing through collective bargaining, negative UGC can trigger rapid price adjustments, and Xiaomi has roughly formed a dynamic closed-loop mechanism: Users expect to trigger an official response, which will subsequently drive price adjustments. This study not only fills the theoretical gap in the bidirectional dynamic relationship between UGC and pricing strategy, but also provides practical lessons for brands to use UGC to balance user demands and profits in collectivist cultural markets.

1 Introduction

In the digital age, with the help of social media and various review software, consumers are constantly generating various types of user-generated content (UGC) in the process of consumption. With the growing influence of UGC, consumers' roles in product pricing are gradually shifting from "passive recipients" to "active participants", and can even prompt companies to adjust their original pricing strategies. Among many well-known brands, the Xiaomi Community created by the Xiaomi brand, which is an official platform for consumers to share product trial experiences and make suggestions on products. It also includes various UGC content about brand prices, which is a typical case of how UGC affects enterprise product pricing.

Previous research on UGC has mainly focused on the impact of UGC on consumers' willingness to pay (WTP), brand positioning and premium pricing power. Most studies have regarded UGC as a static input and have not fully explored the bidirectional dynamic relationship between UGC and pricing, as well as the impact of UGC on product pricing. In addition, previous studies on UGC have mainly been based on market conditions in Western

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countries, lacking relevant cross-cultural research and ignoring the fact that the impact of UGC on pricing may be different in collectivist cultures (such as East Asian countries like China and Japan) (such as the "conformity effect" being more significant) [1-4]. Fans of Xiaomi play a very important role in the development of the company. The core value of Xiaomi is centered on its fans. Therefore, it will use social networks as a tool to stay in touch with fans and build strong fan communities [5].

This study mainly employs a combination of case analysis and literature research methods, and combine the analysis of quantitative and qualitative data. By examining the content related to product pricing in the Xiaomi community, it conducts a comprehensive analysis of official voting or surveys, reports about pricing strategies on the official website, and UGC content related to product pricing in the Xiaomi community. This study aims to reveal the dynamic mechanism by which UGC content in the highly active brand technology community affects pricing decisions through the analysis of relevant typical cases in the Xiaomi community, and formulate a series of feasible strategies for enterprises on how to specify reasonable product pricing by utilizing the relevant UGC content in the brand community.

2 Literature review

As the digital revolution quickens, brands are gradually turning to social media as a mainstream channel for their marketing. More and more brands are designing, Posting, and managing different types of content on social media platforms to attract their customer base, increase customer awareness and interest in their products, and may affect their customers' purchasing behavior [6]. User-Generated Content (UGC), as an important form of consumer engagement in the digital age, is reshaping the theoretical framework of brand pricing strategies. Brand experience marketing through UGC can enhance brand attitude, willingness to visit, and electronic word-of-mouth. Moreover, the emotional state of the followers can further enhance the marketing effect of brand experience [7].

In the price-sensitive market, UGC reduces the information asymmetry and makes consumers' evaluation of the price-value relationship more rational, thus compressing the pricing freedom of brands. The "UGC-brand co-creation model" proposed by Hennig-Thurau et al. emphasizes that the knowledge spillover formed through technical discussions and product improvement suggestions may reconstruct the perceived value hierarchy of the product [8]. This value co-creation process has been proven to support the implementation of the "penetration pricing" strategy, which theoretically echoes the pricing principle that the Xiaomi brand has long adhered to: "the combined net profit margin of hardware should not exceed 5%" [9]. At the same time, consumers are closely connected to social media, so they rely more on the information generated by other users on social media and the web when making online purchase decisions, and this consumer behavior may be more pronounced in markets influenced by collective culture [10].

Although many enterprises have established online brand communities, the effect of value co-creation has not been achieved [11]. In the age of social media, fans are even more important than viewers and customers. They are having an increasingly active influence on co-creating everything from product design to promotional messages to after-sales service.

3 Research methods

UGC includes reviews, social media posts, forums, and blogs, providing valuable insights into consumer preferences, behaviors, and emotions. Online e-commerce platforms and customer community sites often encourage customers to share their opinions and experiences,

effectively representing the customer's voice. For most brands, large amounts of unstructured user-generated content have been widely used as data sources in many studies, and even small amounts of UGC can play a key role in predicting user needs [12].

To ensure the comprehensiveness and scientific nature of the research, this study adopts a combination of literature research and case analysis methods, takes the Xiaomi community as the research object, and uses a combination of quantitative content analysis and qualitative text mining methods to systematically explore the influence mechanism of UGC on brand pricing strategies. The diversified data collection methods can make up for the shortcomings of a single method, provide more comprehensive empirical support for the research, and also provide more data sources for the research, making the research conclusion more realistic and powerful.

The study conducted a detailed analysis of UGC content in Xiaomi Community, UGC dynamics of Xiaomi products from release to iteration, and the pricing process of several typical Xiaomi products by analyzing social media data, such as hot posts related to product pricing in Xiaomi community, official voting or surveys initiated in the community, in order to reveal the relationship between UGC content and product pricing.

The case analysis method can make the research conclusion more authentic and representative by analyzing relevant typical cases of UGC influencing product pricing in the Xiaomi community. The study browsed and collected many discussion posts related to product pricing in the Xiaomi community forum, prioritizing the analysis of highly interactive content (such as posts with more than 300 likes or more than 100 comments) to ensure representativeness of the data. Moreover, by screening keywords such as "price", "pricing", "expensive/worth", etc., to summarize consumers' general views on the pricing of different products of Xiaomi brand and how different UGC content affects the pricing of Xiaomi products. In addition, the study also extracted data from a poll conducted by the Xiaomi community asking users what is the highest price you can accept. It also analyzed the sentiment tendencies of UGC related to product prices, revealing how Xiaomi officially uses UGC content to adjust product pricing and how effective this pricing strategy is.

4 Research findings and discussions

By browsing a large amount of social media content related to the Xiaomi brand, combined with the number of popular posts and the amount of effective data extracted, the study ultimately decided to analyze the pricing strategy adjustment of the Redmi K series and the first-sale price reduction of the Redmi Note 13 Pro+ as typical cases to reveal the mechanism by which UGC content affects brand product pricing.

4.1 Redmi K Series Pricing Strategy Adjustment (2021)

In the analysis of this case, this study selected two popular products of the Redmi K series, the K40 and K70 series, as the focus for data analysis.

In 2021, before the release of the Redmi K40 series, some users in the Xiaomi community post a message about comparisons with competing products (such as the iQOO Neo5) and had opinions similar to "If the Redmi K40 is over 2200 yuan, I might as well buy a Realme instead." about the upcoming new product. At the same time, many users posted a lot of posts predicting the pricing of the new product based on the official announcement information. A large number of users said that "1,999 yuan is a psychological price," and called on Xiaomi to set a reasonable price and not set it too high. As shown in Figure 1, the study extracted and collated about 300 valid comments from the most reviewed related posts. The relevant data content indicated that more than 50 percent of users discussed and predicted the price of the upcoming new product, while only less than 30 percent of the total number of comments

demonstrated performance requirements and purchase intentions for the product. From this, it can be seen that during this period, Xiaomi users were generally more concerned about the price of the product and were more willing to buy cheaper Xiaomi products.

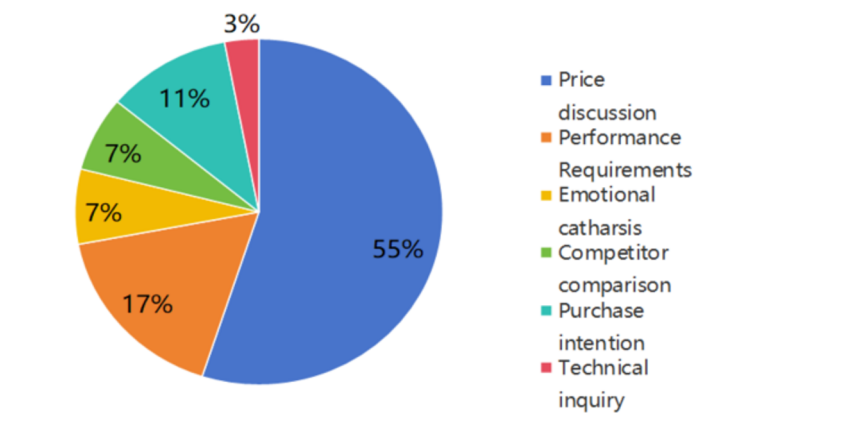


Figure 1. Statistical chart of the content of hot posts discussing product prices during the Redmi K40 period.

To better determine the final pricing, the brand launched an "ideal pricing" poll in the Xiaomi community based on the content of the hot posts. The final result of the poll was that over 60% of users chose the "1999-2499 yuan "range, while about 80% of users were sensitive to fluctuations in the 200-yuan price range (such as choosing "I won't buy if it's over XX yuan "). The price of the Redmi K40 series was also directly influenced by UGC content and the voting results. Xiaomi officially finally set the starting price of the product at 1,999 yuan (for the 8+128GB version), which was highly consistent with users' expectations. What's more, the brand has been more cautious in pricing the K40 Pro series compared to its predecessor. Although the acceptable price threshold for users is concentrated between 2,799 and 3,299 yuan, the brand still chose the "Set the baseline" strategy and set the price at 2,799 yuan. As a result, Xiaomi roughly developed a preliminary mechanism for determining the final price of its products based on UGC content and applied this pricing mechanism to its later series of products.

Similar to the pricing process of the Redmi K40 series, before the launch of the Redmi K70 series by the Xiaomi brand in December 2023, there were also numerous posts in the Xiaomi community discussing product prices, such as in hot posts like "K70 priced over 2999 is like a plunge" and "Hope K70 maintains the cost performance of K60". Many users thought the price of the previous generation K60 (starting at 2,499 yuan) was more reasonable and were worried that the K70 would increase in price due to the upgrade to Snapdragon 8 Gen2. At the same time, words like "Snapdragon 8 series", "2K screen" and "metal frame" were repeatedly mentioned in forum discussions, indicating that users during this period clearly linked configuration upgrades to price expectations. Based on data analysis of about 300 reviews of Redmi K70 series collected in the Xiaomi community (Figure 2), users' expectations for "value for money" have been increasing year by year compared to the previous generation series. It reflects that consumers' acceptance of the premium for performance improvements in mid-range models during the K70 era has been increasing, which has been influencing the brand's product pricing.

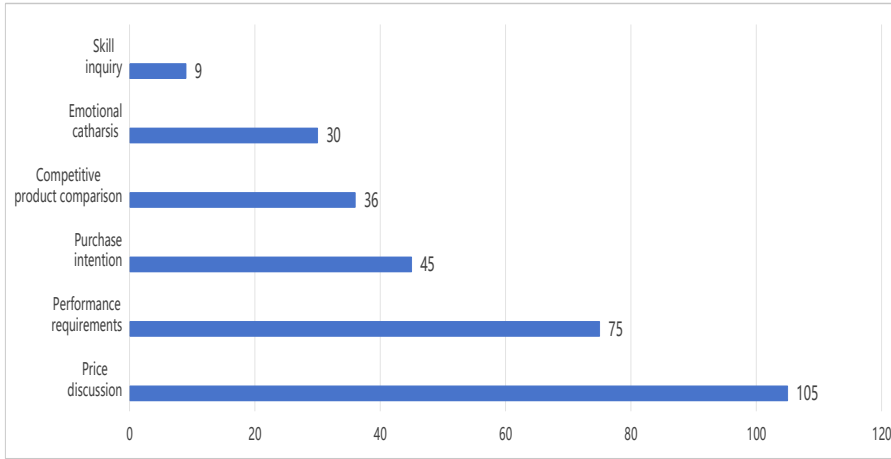


Figure 2. Statistics of popular posts discussing product prices during the Redmi K40 period.

Based on the previous experience of pricing the Redmi K40 series products, Xiaomi's official team promptly responded in the community, stating that "they will seriously consider the voices of Mi fans", and once again initiated a vote on the product pricing in the community. The final result showed that the proportion of products priced between 2,000 and 2,500 yuan was the highest (about 45%). Next came 2,500-3,000 yuan (about 30 percent). Meanwhile, about 28 percent of voters referred to the pricing of the iQOO Neo series and realme GT series and demanded that the Redmi series be priced down by about 5 to 10 percent under the same configuration conditions. Combining UGC content and the final voting results, Xiaomi ultimately chose a compromise strategy (pricing the standard version at 2,499 yuan and reducing it to 2,299 yuan in subsequent promotions). Xiaomi's product manager posted after the vote to explain the pricing logic and cited the "configuration upgrade list" and "comparison table of competing products" in user comments to strengthen the perception of price rationality and increase user acceptance of the final pricing.

After experiencing multiple incidents where UGC influenced product pricing, the Xiaomi brand has roughly established a pricing closed-loop mechanism: users expect to trigger an official response, which will subsequently drive price adjustments. It has significantly enhanced user stickiness and loyalty. Through the analysis of this case, this study reveals the role of UGC in reducing the risk of post-launch price disputes and compressing the brand's pricing freedom through frequent discussions and consensus.

4.2 Redmi Note 13 Pro+ first sale price reduction

Xiaomi officially launched the Redmi Note 13 Pro+ series in September 2023, starting at 1,999 yuan. But since the official launch of the product, a large number of users have posted on the Xiaomi community about the price of the product. Within three days, the number of related posts on the Xiaomi community exceeded 5,000, and about 65% of them discussed the pricing issue. The main content was that the product price was too high and unreasonable, and users believed that the performance of the Dimensity 7200-Ultra chip was insufficient. As a result, the price of the product should be lower than that of its competitive products in the same period (such as iQOO Z8).

In response to the flood of UGC content with a lot of negative emotions, Xiaomi develop a quick response strategy by issuing an official announcement in response to users' doubts and discussions about the price, and announced on September 26, 2023, that the period from the 27th to the 30th would be the first sale period, during which products would be

discounted by 100 yuan for a limited time. This move successfully turned user reviews positive and directly boosted product sales during the first sale period, with sales increasing by 30% compared to the previous generation (Table 1).

Table 1 Sales comparison of Redmi K60 and K70 series.

Series models	Release time	Global sales estimate (up to 2024)
Redmi K60	December 2022	About 2 million to 3 million units
Redmi K60 Pro	December 2022	About 500,000 to 1,000,000 units
Redmi K60 Ultra	August 2023	About one million to 1.5 million units
Redmi K70	December 2023	About 1.5 million to 2.5 million units (early release)
Redmi K70 Pro	December 2023	About 800,000 to 1.2 million units
Redmi K70 E	December 2023	About 2 million +

5 Discussion

This case shows that in price-sensitive markets where immediate feedback from UGC can directly trigger price correction behavior. Brand managers have plenty of opportunities to post and share information about their brands through social media in the form of messages, images, videos, and statements. Social media marketing can be used as part of a broader marketing strategy, as a consistent channel for marketing and communication, or as a series of micro-promotions focused on increasing the brand's digital visibility [13].

The study, by analyzing two typical cases of UGC content in Xiaomi communities influencing the pricing of related products, concluded that the impact of UGC content on product pricing was mainly reflected in aspects such as price adjustment, product positioning optimization, and promotion strategy formulation. Xiaomi community users post about product prices before product launches and create a strong "collective bargaining" effect through frequent discussions, comparisons of competing products and expressions of price expectations. When the proportion of negative emotions (such as "overpriced", "insufficient cost performance", etc.) in UGC exceeds a certain quantity or degree, the brand tends to adopt a quick response strategy. For example, through official release voting to determine the price or to set a "baseline" price. This pricing process shows that UGC content can compress the brand's pricing freedom, especially in price-sensitive markets where consumers have strengthened the consensus on "reasonable price range" through UGC. At the same time, Xiaomi has incorporated UGC content into its pricing decision-making process through community voting, product manager interaction, etc., to set a reasonable price in line with user expectations, creating a two-way dynamic relationship. This pricing approach reduces the risk of price disputes after new product launches and enhances users' trust and loyalty to the brand.

6 Conclusions

This study, taking the Xiaomi community as a typical case, systematically examines the mechanism by which user-generated content (UGC) affects brand pricing strategies through a combination of literature research and case analysis. The study found that UGC content plays a significant role in pricing decisions for Xiaomi products, specifically in the following aspects:

The study found that UGC has a "double-edged sword" effect on pricing: On the one hand, UGC significantly reduces brand pricing freedom through collective bargaining and emotional resonance (such as the group demands of the Redmi K series' "1,999 yuan is the psychological price"), forcing companies to adopt "bottom line" strategies or quickly lower

prices (such as the price adjustment for the first sale of Redmi Note 13 Pro+). This reflects the reverse constraint effect of UGC on pricing; On the other hand, the value co-creation content in UGC, such as users' rational discussions about configuration upgrades, provides reasonable support for brand premium, helping Xiaomi gradually form a closed-loop mechanism in the dynamic game: users expect to trigger an official response, which will subsequently drive price adjustments. Thereby, positively optimizing the accuracy and user acceptance of the pricing strategy. The "conformity price consensus" formed by users in UGC may restrict the high-end development of the brand, but it can also enhance the sense of price identity through community interaction, ultimately presenting a dialectical dynamic symbiotic relationship between UGC content and pricing strategy.

However, the cases analyzed in this study cover a relatively short period of time and lack follow-up research on the impact of UGC on long-term pricing strategies (such as brand premium capacity and product line planning). Meanwhile, the UGC data analyzed in this study mainly came from highly interactive posts (posts with more than 100 likes or more than 50 comments), which may have overlooked the opinions of less active users, resulting in sample bias. Based on these research limitations, future studies could start from brands' long-term pricing strategies and low-activity users, and combine multiple interviews and questionnaires to explore the mechanism by which UGC content affects the long-term pricing of products.

At the theoretical level, this study analyzed the impact of user-generated content (UGC) on product pricing, revealed the dynamic interaction mechanism between UGC content and brand pricing, and filled the gap in existing literature on the relationship between UGC and product pricing. At the practical level, the case of the Xiaomi brand provides a UGC driven pricing strategy for other enterprises to learn from, including how to set prices that satisfy users through community monitoring, sentiment analysis, and rapid response optimization of price decisions. Other companies can follow Xiaomi's pricing strategy when pricing their products in the future. They can monitor and analyze UGC content on social media platforms in real time before and after new product launches to quickly capture consumers' price expectations, and use data analysis tools to summarize users' main tendencies towards product prices, and then adjust the relevant pricing of products in a timely manner in combination with UGC content. This will effectively reduce market risk and enhance consumer loyalty.

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