

The Popularity of Live-stream Marketing in China

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Abstract: As an effective marketing strategy that has been widely used at low cost, live-stream marketing is getting popular across the global world. However, live-streaming marketing is extraordinarily popular in China, and it is difficult to catch on in other regions. This paper examines why live-streaming marketing is so prominent in China through content analysis and comparative research methods. The paper suggests explanations of its prominence from three perspectives: the functional diversity of media, the need for low-cost sales of sellers, and the potential sinking market of consumers in China. We also examine why live streaming marketing is unpopular in other regions from three angles: the discount strategies and habits of consumers in different regions, the difference in logistics system, and the severity of advertising law between China and other countries. This article sheds light on understanding the differences between live-stream marketing in China and abroad and the reasons for the differences.

Keywords: Live-stream marketing, Social commerce, Seller, Consumer Behavior, Media

1. Introduction

Live streaming is getting more diverse over time. Gone are the days when people opened a live-streaming channel for entertainment. Recent years have witnessed the prevalence of live-stream marketing for selling products. However, this phenomenon is quite obvious in China, and it is not a heat within other countries or regions. The purpose of this paper is to explain why such a difference happens and predict the future live-stream market. The idea of this paper was born due to the author's own interest and enthusiasm for live-stream marketing.

2. Literature Review

2.1. The Background of Live-stream

In recent years, live broadcasting has covered almost all areas of communication. Due to the exclusivity, quality, and diversity of content, the development of webcast technology has prompted live streaming to replace traditional entertainment. Entertainment was the main way for viewers to watch live broadcasts and obtain relevant information, while viewers began to purchase goods by live

stream. Due to the above reasons and the rapid improvement of electronic information technology, it is not difficult to conclude that the trend of globalization of live broadcasting is inevitable.

Moreover, the COVID-19 pandemic has tremendously impacted the global economy. At the same time, people are forced to stay at home, so social media has become the only way to buy products and entertainment, which has largely promoted the popularity of live shopping.

2.2. What is Live-stream Marketing?

Live-stream marketing is a process in which the seller broadcasts videos to consumers in real-time through the Internet, stimulating purchases in an interactive format. It is an exciting technology that has changed the way people connect with others around the world. With just the help of mobile terminals, consumers can interact with the seller in a connected manner from any location at any time [1]. Social networking sites are a subset of social media, which can be classified as either asynchronous or synchronous in nature. Live streaming falls into the latter category and possesses distinctive features, including simultaneity and authenticity [2,3]. Shopping through live streams represents an innovative approach to commerce that combines the attributes of social commerce with unique characteristics inherent in media platforms. Social commerce refers to commercial activities facilitated by various forms of social media [4]. Specifically, it involves utilizing social network sites for interactions aimed at enhancing online shopping experiences [5]. The term nature of live streaming can be concluded that it is real-time, more dynamic, and interactive, which is very different from traditional e-commerce.

2.3. Advantages and limitations of live marketing.

Numerous surveys have shown that consumers are drawn to live-streaming shopping due to the perceived benefits, which include real-time communication and information (utilitarian value), enjoyment (hedonic value), and a sense of belonging (social value). These factors ultimately enhance consumers' overall experience and attitudes towards sellers/products, leading to increased purchase intention [6-8].

In contemporary society, consumers expect companies to be more transparent so they can interact more. Brands should also respond quickly to consumer issues and product sales trends. In this way, one of the biggest benefits of live streaming is its real-time and interactive nature. Brands have the opportunity to interact with consumers in real-time through live broadcasting and to establish more personal connections with customers.

One of the biggest features of live broadcasting is that the price is relatively low and cost-effective. Marketers can offer their services for free - even if paid features can make live streaming more profitable. In addition, broadcasters do not need additional labor and time costs [9].

Even when the anchor receives a gift from the audience, live broadcasting can solve the problem of unemployment and reduce economic pressure.

Although there has been a lot of current research on the merits of live-streaming marketing, there are still some scholars who are critical of the role of live-streaming marketing. Bhasin worries about the technical aspects of live streaming, such as security issues and the need for an Internet connection, the other researchers challenge the live-streaming in non-technical aspects including the inability to test items first-hand before buying, delay in delivery, and damage during transportation [10,11].

2.4. Channels and methods

Live streaming commerce can be broadly categorized into three distinct channels: (1) There are live streaming platforms that integrate commercial activities into their core offering. Examples of such platforms include Liveme, which has successfully integrated e-commerce elements into its live

streaming services, creating a seamless shopping experience for its users. (2) E-commerce sites and marketplaces like Taobao, as well as mobile apps like Talkshoplive and Shopshops, have integrated live streaming features to enhance user engagement and facilitate product promotion [12]. (3) Social networking sites (SNSs) like Facebook Live have added live streaming capabilities to facilitate selling [8]. A prime example of this is the use of personal Facebook accounts or fan pages by sellers to not only sell products but also share their personal lives with customers through live streaming. This approach fosters a sense of intimacy and trust between the seller and the customer, which can significantly influence purchasing decisions.

2.5. Why popular in China?

According to 2021 iiMedia Research, the data shows that in the 2021 Global Awareness Survey of Live Streaming E-Commerce Platforms in Different Countries or Regions, China has the highest awareness of live streaming e-commerce, with 73% of respondents saying they are aware of live streaming e-commerce. Only 27% are not aware of it [13]. Live-stream marketing is more popular in China than in other regions. There are three reasons found to explain the popularity in China from three perspectives, including media, sellers, and consumers.

2.5.1. Media: Functional diversity

The frequently used platforms for sellers to sell products in China include Douyin(Tik Tok in China), Taobao, Kuaishou, which have various functions. Comparing Amazon Live and Douyin live, it is easy to discover similar functions playing a basic role in live-streaming. For instance, besides the product demonstrations about how products work and highlighting key features and benefits, both platforms allow real-time interaction with viewers. Sellers could answer questions, respond to comments, and engage with potential customers during the live broadcast. Also, live broadcasts in Amazon and Douyin are often linked directly to product listings, making it easy for viewers to click through and make a purchase while watching the stream.

Whereas, Douyin live has extra functions to attract more viewers to purchase products. First of all, a prize drawing activity is applied during the live broadcast, letting viewers have the opportunity to win prizes so that they would have the feeling of satisfaction and are likely to stay at this channel to risk at the next activity [14]. Thus, more viewers would watch the live streaming, which increases the purchase rate. Secondly, Douyin live usually uses the cash voucher grabbing activity to make viewers stay longer in the live streaming to grab the cash. And the intention of the cash voucher grabbing activity is the same as the prize-drawing activity above [14]. What's more, there are different ways for viewers to acquire the coupon, such as following the channel of the sell, purchasing products over specific prices, and inviting others to watch the stream over specific minutes.

These extra functions in Chinese platform play a positive role in attracting users to the stream. Sellers are able to make successful transactions with consumers due to the increasing purchase rate, which is beneficial for both sides. As a result, more sellers are considering selling their products via live-streaming platforms, and more consumers are getting involved.

2.5.2. Sellers: The need for low-cost sales

Whether it is an official enterprise brand with a complete industry chain or an individual seller with weak strength, live marketing is fair to all sellers because it is a low-cost marketing outlet. Take Douyin, one of China's largest live-stream delivery platforms, as an example. If you want to livestream delivery on Douyin, you only need to meet three conditions: 10 or more videos posted in Douyin, more than 1,000 followers, and a business license. To meet these three conditions is not that difficult or simple, but it is almost zero cost. Therefore, such a low-cost way of selling goods will

attract many individual sellers to the platform, stimulating the desire of many merchants to sell goods using the stream. As a result, the seller group expanded.

2.5.3. Consumers: Potential sinking market

The 2022 Sinking Market Insight Report released by QuestMobile shows that the sinking market provides important traffic support for various industries. The contribution rate of the sinking market for industries with an incremental volume of more than 50 million is above 60%, among which the contribution rate of the sinking market for mobile shopping has reached 62.8%, with a net incremental volume of 66.76 million. So, the neglected sinking market has great potential in China with a large market size and growing purchasing power. It is the great sinking market scale that provides a large consumer base of live streaming, which explains the popularity of live-stream marketing in China.

2.6. Why isn't live streaming popular in other countries?

2.6.1. Consumer: Discount and Habit

Discount: (1) Pricing strategy differences: The pricing strategy for Chinese products primarily focuses on benefiting their own companies, while foreign strategies prioritize long-term development and maintaining brand image while obtaining profits. Naturally, China tends to have more promotional strategies to attract consumers and increase product sales. What's more, Western countries have decades of experience in supply chain construction for large-scale offline shopping malls, and they have mastered cost control. Additionally, with high vehicle penetration rates in Europe and America, these large shopping malls can choose to be located in remote areas, further reducing operational costs. (2) Promotional activity differences: While foreign countries do have online promotional activities such as Cyber Monday and Prime Day in the United States, their promotional impact is not as significant as the current Black Friday promotions. China has specific online shopping festivals, such as 618 and Double 11, but there is no agreed-upon offline shopping festival. The online discounts and abundance of gifts are far greater than those offered offline.

Habit: According to Wikipedia, China has 226 motor vehicles per 1000 people, while the United States has 868 in 2022. As a result, the Western regions have a higher automobile penetration rate, which has also generated a culture of preference for offline shopping.

2.6.2. Seller Perspective: Logistics System

Cost: the Council of Supply Chain Management Professionals (CSCMP) released the Annual Report on Logistics Performance in the United States for the 33rd quarter of 2022 [15]. In 2021, the commercial logistics costs in the United States increased by 22.4% to reach \$1.85 trillion, accounting for 8% of the \$23 trillion GDP in 2021. This is the highest level in 13 years since 2008. As a result, the high logistics costs have made some foreign offline businesses reluctant to engage in live-streaming operations, which has hindered the development of live-streaming abroad.

Delay: According to Convey, the on-time delivery percentages of UPS, USPS, and FedEx have all declined year-on-year in the past few months. However, UPS has the lowest rate among the three, with only 69% of packages delivered on time in June. FedEx is 72%, while USPS is 92% [16].

Loss: According to a survey conducted by C+R Research, on average, one of every three online shoppers in the United States has experienced a lost package [17]. The issue of package theft in the United States logistics system not only leads to economic losses for e-commerce merchants but also causes them to lose potential customers. On the contrary, third-party logistics in China possesses a relatively extensive and well-developed nationwide transportation network, large-scale ample

funding, and a solid foundation. The efficient logistics naturally attract consumers to purchase products through live-streaming shopping online.

2.6.3. Market Perspective: Advertising Law

Advertising is one of the main sources of income for live-streaming platforms, and strict advertising laws in foreign countries may impact their profitability, thereby restricting their development. In addition, foreign advertising laws have strict requirements on the content of advertisements, demanding that they be truthful and protect the consumers' best interests. Hence, it is not conducive to developing online stores that rely on exaggerating product claims for advertising effects. While there are strict requirements for the content of advertisements, there are also restrictions on the timing and placement of advertisements. In particular, control over places and locations where children are present has led to the loss of a younger consumer group in live streaming, thus slowing down the development of live streaming platforms abroad.

In contrast, due to the lack of comprehensive laws and regulations in China, one of the most common sales tactics in online live streaming is the exaggerated description of products. Whether true or not, consumers often buy into the advertised product's efficacy.

3. Conclusion

Although live streaming has frequently met with a setback in Europe and the United States, live banding is on the rise in Southeast Asia from the data in Southeast Asia Internet Economy Report 2021 and from the fact that Southeast Asian e-commerce giants Shopee, Lazada both layout in-app live streaming features [18]. We can predict that live banding is a hot trend and may have a prospective outlook.

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