

# ***Research on Live Streaming Marketing Strategy: Evidence from China***

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**Abstract:** This paper mainly discusses the vigorous development of China's livestreaming marketing industry in the network information age, as well as the problems it has caused, the underlying principles and solutions. Since the 21st century, the industry of live broadcast with goods has been booming. Now, it has gained a great market share. Many people will give priority to the famous anchor with goods when buying goods. However, in such a live broadcast room, the rights and interests of consumers cannot be guaranteed, which leads to many problems worth discussing: there are no detailed regulations, the platform is difficult to manage, the rights and interests of consumers cannot be effectively guaranteed, and so on. This paper discusses what causes these problems and what reasonable solutions can the government and platform have.

**Keywords:** livestreaming market, online shopping, behavioral economics

## **1. Introduction**

Fu (2020) defined livestreaming marketing industry in his paper [1]. Livestreaming marketing is a transmission mode that uses network technology, wireless communication network, Internet and other channels to provide users with voice, video data services and live broadcast to obtain economic benefits with smart phones, televisions and computers as terminals [1].

With the rapid growth of the Internet industry, people's consumption patterns have shifted from the original preference to brick-and-mortar stores and offline stores to online shopping. Online shopping platforms such as Taobao, Tmall, and Alibaba are competing for market share. Xia discussed about the status quo of livestreaming marketing in his paper, claiming that during the Double 11 Festival in 2021, there will be 35 live broadcast booths with sales of more than 100 million yuan and 392 live broadcast booths with sales of more than 10 million yuan. Driven by the huge amount of traffic, the livestreaming marketing has achieved rapid growth in sales and explosive force [2]. In this process, people as consumers have been subjected to various marketing methods by major shopping platforms, among which livestreaming marketing have occupied most people's love and pursuit. What comes with it is the livestreaming marketing economy, and a series of difficult problems brought about by online shopping, including poor product workmanship, no quality assurance, lax platform specifications, difficulty in returning goods, and difficulty in appealing consumer rights.

In this field, there are countless irrational moves that people have made, and there are also many negative impacts. Therefore, it is worth exploring the reasons behind the choices made by consum-

ers and businesses. This paper focuses on analyzing the deep-seated reasons behind some irrational choices that happen to people's from the perspective of objective facts and the theory of behavioral economics. Only when people understand the reasons behind why they make irrational choices can they help the government or related platforms to better regulate livestreaming marketing and the drawbacks of the online economy. This will also help consumers to change their perspectives from an objective point of view to determine the items they are going to buy in order to make a rational decision.

## 2. Case Description

Known as the king of lipstick in China, Li Jiaqi's videos of trying on hundreds of lipsticks every day have become popular on live Internet platforms all over China. In 2019, Li Jiaqi became famous. He has more than 10 million "fans" on new media social platforms such as Weibo and Tiktok, and its livestreaming can often be listed on the Weibo hot search list [1]. The products he recommended were snapped up in a few minutes. This brand-new industrial chain composed of short video online celebrity live broadcasting and online economy has turned the online celebrity economy into an experience economy, which has led to widespread social discussion and public opinion.

Since China's technological innovation in the Internet industry, the industry has developed rapidly. After the rapid development of e-commerce platforms such as Weibo, Tiktok and Taobao, a new way of delivering goods has been formed based on the popularity of short video live streaming and online economy, which is the production of online live streaming. At present, in China, livestreaming marketing with goods has exceeded the original retail industry and become a shopping method that has a greater impact on online users. However, due to a variety of problems, including but not limited to hard-to-return items, quality assurance, and few platform specifications, there are always one or another problem that is difficult to solve in the livestreaming marketing economy, which leads to a poor shopping experience and many problems in economic development. 90% of the people who had the experience of livestreaming marketing with goods wrote dissatisfied answers in the questionnaire. In their eyes, there are various problems in the live economy composed of various reasons, but these problems have not been solved for a long time, which has greatly damaged people's shopping experience.

Live broadcasting with goods is a very important commercial field in China [3-6]. The healthy development of this field can also bring more economic growth to Chinese society and improve people's quality of life. Therefore, it has become an urgent task to analyze the reasons for the problems in the live broadcasting economy and how to solve them. Only when these problems are satisfactorily solved can people safely buy products with goods for the live webcast.

The significance of live broadcasting with goods is that it can provide people with more physical experience and let people find out what is good about this thing through live broadcasting. Then necessary measures should be proposed to solve these problems. In the case of solving problems, people also need to know more about the economic reasons behind these problems, so that they can better solve problems from the root.

## 3. Analysis of Problems

### 3.1. Status Quo Bias Behind Livestreaming Industry

There is a very obvious disadvantage of the livestreaming marketing with goods economy since the anchors can earn a commission by doing what they sell live, so they will do all they can to induce people to buy their own goods. The inducement of goods sold by livestreaming marketing is very strong. However, people are also very willing to buy, even after buying defective products with poor quality, they are not willing to return them or even defend their rights. The reason for this is

more complicated. Merchants take advantage of people's psychology of being willing to maintain the status quo and unwilling to return defective products, which leads to the quality of goods getting worse and worse. This is due to the status quo bias principle in economic behavior economics.

The status quo bias normally means that people tend to maintain the existing status quo. Even when the status quo is objectively listed in other options or when the information is incomplete, people will still make the decision to maintain the status quo and tend to regard any change as a loss [7].

Status quo bias can be potentially applied to online shopping as a strategy for merchants. For example, on Taobao, China's largest and earliest shopping website, merchants started an activity, where people can buy goods first and keep them. Customers can choose to return the goods if they are not satisfied with them within 7 days. Wang has investigated this phenomenon [8]. The products they are targeting are those whose prices are less than about 30 US dollars. In the end, more than 73% of the people did not return the object, although most of them thought that the object might not be the best choice [8]. This shocking data proves the role of status quo bias in this phenomenon. In this process, people are not willing to change the status quo because they are limited by the current status quo, and return defective goods.

However, there is no doubt that this experiment also has its shortcomings. For instance, the sample size is small, and it does not have the representativeness of all commodities at all ages and prices. Whether this theory can play a role in reality still needs more samples of experiments and more representative results. When evaluating whether status quo bias has an impact on reality, considering other thoughts in people's minds and possible reasons is also significant.

When encountering this situation, people can only promote their rational judgment ability, not be deceived by the rhetoric of merchants or network live anchors, and do not feel that maintaining the status quo is the best choice after they get it, but make the most rational and correct choice after analyzing the advantages and disadvantages of all parties. When people choose any commodity, they should take the actual use as the criterion, not buy more than they need. When they buy defective products, they must safeguard the rights and interests of consumers in time.

### 3.2. Availability Bias Behind Livestreaming Industry

Although it is necessary to take all aspects of materials and data into account to think about problems, many possibilities also need to be considered. However, many people find it difficult to do so. They are more or less limited by the outside world, themselves and time, and their thinking is biased. This is the meaning and embodiment of availability bias [9].

Many people will make impulse shopping during the livestreaming marketing. What is the root of impulse shopping? Why do people choose to buy the products recommended by the anchor just because of one or two words he said when watching the live broadcast? Sometimes, in fact, many people know that the quality of this product is not good in their hearts, but they are still willing to pay the price for this product, and even feel that they have bought goods with higher cost performance.

The reason why people are so easily persuaded by anchors in various network livestreaming marketing is that there is an important economic principle behind it, which is the availability bias. When people think of a thing more easily, they will subconsciously think that it is very reasonable. Although in various statistics or rational surveys based on statistics, this commodity is not so cost-effective, and is not as good as a simple commodity; people will subconsciously think that the commodity that has received a lot of publicity will be more competitive.

The principle of availability bias is the availability of information, the unavailability of knowable information, the connection with real life and the strong correlation between events. When the network anchors introduce a certain product, they are actually subconsciously brainwashing all their

customers, telling them again and again that such a product is very useful, so no matter whether people have better options in their hearts, they will be subconsciously persuaded by the anchors. Take lipstick as an example. When people want to buy lipstick, they will subconsciously feel that the lipstick brand recommended by Li Jiaqi is better, more superior, more cost-effective, has better looking colors, and so on. These are the concepts that are subconsciously rooted by the anchors in the daily process of watching the livestream.

When it comes to how to effectively prevent people from being affected by this idea, first of all, we need to maintain the breadth of our knowledge. Before buying this commodity, if we need to buy the most cost-effective commodity, we need to know something about the industry, and also about the brand and product quality, rather than just listening to the words of the anchors of livestreaming marketing. At the same time, consumers also need to use critical thinking rationally.

#### 4. Suggestion

The government should play a very important role in the process of regulating the economy of livestreaming marketing and goods delivery. It is mandatory in the legal sense in the Chinese government and can most effectively regulate the development prospects of an industry. The government should formulate corresponding laws and regulations, regulate the market gap in this regard, and fill in the missing market regulations. The theory of behavioral economics is based on the subjective initiative of people, and therefore is difficult to avoid. Therefore, we can only effectively prevent this event through some objective regulations, so that what the anchors do is within the legal framework, so that we can most effectively control the behavior of some premieres of the doctor industry and the irrational choices of buyers caused by it.

China's laws and regulations on livestreaming marketing have been covered in the Advertising Law, the Consumer Protection Law of the People's Republic of China (hereinafter referred to as the Consumer Protection Law) and other laws and regulations [10]. First of all, "livestreaming marketing" conforms to the applicable premise of the Advertising Law. In essence, "livestreaming marketing" is a kind of marketing and product endorsement behavior, which is just to transplant the traditional obvious endorsement to the network society, and use a more intuitive sales method to promote product sales [10]. To some extent, the anchor of "livestreaming marketing" is the seller of goods, and uses his or her own publicity to carry out marketing activities, and obtain corresponding profits from it. Since the anchors are among the sellers, they need to bear the legal obligations of advertisers, publishers and sellers. They must be responsible for the authenticity of advertisements and ensure the quality of goods.

In addition to the government, it is also necessary to actively promote businesses and platforms to learn more about the principles behind them, formulate relevant rules, provide staff to implement the rules and regulations, urge the anchors to deal with after-sales problems, and protect the legitimate rights and interests of consumers. Customers also need to deeply understand the principles of behavioral economics, which is fundamentally the impulse to buy low-quality products themselves.

#### 5. Conclusion

The biggest problem that this paper wants to solve is the various pessimistic phenomena that appear in the livestreaming marketing industry with a large market share, as well as the underlying behavioral economics principles and solutions to this problem. In the livestreaming marketing economy, consumers' rights and interests cannot be guaranteed, and the product quality is extremely poor, but there are still consumers willing to pay. Such phenomena are mainly determined by the status quo bias and availability bias in the principles of behavioral economics. In order to fundamentally curb this behavior, we need the cooperation of the government platform and buyers. The government

enforces some measures from the perspective of laws and regulations. The platform is implemented and implemented. Consumers should have a certain understanding of their rights and interests, understand their behavior logic behind them, and reject fake and inferior goods.

However, at the same time, because the number of research projects is still too small, and the reference data is not very much, the research still has some limitations, which cannot be generalized. It can only explain the behavior logic of most people with the principles of behavioral economics. There are still some reasons that cannot be explained. These reasons also need to be further explored to propose practical and detailed solutions.

Consumers and commercials should pay attention to the research in order to achieve better development. The importance of this study is to promote the normal, healthy and sustainable development of the direct broadcast cargo economy. In the future, more large-scale investigations should be carried out and more efforts should be made to propose and implement corresponding solutions.

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