

Marketing Strategy of Livestreaming Business: Case Study of Taobao's Livestreaming Business

Zimo Yu^{1,a,*}

¹*University of Wisconsin-Madison, Madison WI 53706, USA*

a. zyu272@wisc.edu

**corresponding author*

Abstract: Livestream has been a major and profitable marketing model for Taobao, one of the biggest e-commerce platforms in China, since 2016. An increasing number of business owners, celebrities, or influencers jump into this business looking for business opportunities. There are a lot of benefits of live streaming, for instance, real-time engagement with the consumers to build a long-term relationship with them, creating an immersive shopping experience for consumers, and effectively utilizing consumers' herd mentality to drive sales during shopping festivals. However, some problems have emerged. The platform lacks comprehensive and binding regulations to supervise business owners' behaviors. Besides, the income gap between macro-anchors and micro-anchors is wide. Also, the live content of different anchors is not heterogeneous enough to retain consumers' attention. Improving strategies like increasing regulations, developing reward mechanisms to support micro-anchors' business, and encouraging anchors to create and keep personalities can mitigate the problems.

Keywords: Marketing Strategy, Livestreaming Business, Taobao.

1. Introduction

Since 2016, the live streaming business has been on the rise rapidly, and numerous shopping businesses have launched live streaming services. The combination of E-commerce and live streaming has become a prevailing marketing model. Live streaming has astonishing influences on driving sales because it allows the consumers to see anchors introducing and displaying the products in real-time, which helps consumers better understand the information about the products, such as style, purposes, color, size, etc. and provides consumers with a more authentic and immersive shopping experience. In progress on live streaming, consumers actively engage with anchors and build a close relationship with the anchors. This process gradually cultivates consumers' trustworthiness to the anchors and motivates them to make purchase decisions. There is a great potential for live streaming businesses. Especially after the coronavirus outbreak, when people lived a long time being quarantined at home and could not go out, people are more likely to depend on live streaming to buy commodities.

Even though there are many benefits of live streaming, there are still many exigent problems in the business that need to be addressed. The platform doesn't have enough strict regulations to constrain the behaviors of business owners, which can negatively affect consumers' rights and the online shopping experience. Besides, there is a hierarchy system inside the platform. Macro-anchors gather better resources and opportunities, while micro-anchors find it hard to develop and survive in this

unfair environment. Also, creative and personalized live content is increasingly rare on the platform. Anchors copy each other's live content and don't want to create unique and exciting content, which can hardly retain audiences' attention and keep them interested in the long run.

This article will introduce the background, marketing patterns, and benefits of the live streaming business, deeply analyze the existing problems that need to be addressed, and propose several improving strategies to enhance the current live streaming environment.

2. Case Description

Taobao, an online shopping platform registered in 2003 by the Alibaba group, has initiated a world of prosperity in which consumers can buy the products they want just one click away. The prevalence of Taobao has subverted the traditionally brick-and-mortar shopping patterns and changed people's shopping habits. In recent years, Taobao has elaborated its marketing models and launched live streaming opportunities for businesses, influencers, and celebrities to visually promote and sell their products. This new business model accelerates consumers' decision-making and significantly boosts sales across the platform.

The brands usually collaborate with influencers or celebrities to promote their products as anchors because they have many followers who like them and trust their endorsements. These anchors can achieve astonishingly high conversion rates. Take Double Eleven Shopping Festival in 2018, Viya, who used to be the most influential female anchor on Taobao, reached three hundred million sales in one night. Jiaqi Li, king of the Livestream shopping business in China, sold fifteen thousand lipsticks in five minutes [1]. Apparently, the potential of the Live streaming strategy is inexhaustible.

3. Marketing strategy analysis

3.1. The benefits of Taobao's Live streaming business

3.1.1. Consumers can experience high engagement with the anchors

The Anchors interact with online purchasers in real-time, showing the size, color, effects, and fit of the products on sale and addressing their queries about them. Also, the anchors often engage them with a talkative, informal attitude. For instance, Jiaqi Li often says, "Oh my God, buy it." in his Livestream room and calls his audiences "sisters," which have been phenomenal for a long time. The emotional attachment to the anchor is essential in live streaming shopping. A high engagement rate is something that traditional shopping patterns lack [2]. Therefore, to boost sales, the anchors must cultivate close relationships with their followers.

3.1.2. Creation of authentic shopping experience

Such forms of online shopping create a very authentic and immersive shopping experience. During the live streaming event, the consumers can ask anchors questions about the products and get helpful information from them in real-time. For instance, in the clothing category, consumers can see anchors try the products on themselves so that consumers can get a sense of what fits them most. Consumers can even authentically experience the process of anchors handling and processing the consequences for the food category. For instance, XiaoBaChong is a very renowned anchor who sells steak. She showed the process of choosing steak, weighing it, cutting it, and cooking it into dishes. It almost places the viewers in a supermarket. These inter-weaves of virtuality and authenticity effectively diversify the user experience.

3.1.3. Shopping festivals occasionally

Chinese people care about festivals. They consider spending money on these big days as a way to celebrate, thus are more willing to make purchases on these days than non-festivals[3]. Taobao creates shopping festivals like “618”, “double eleven,” and “double twelve” as reasons to plan big promotions. The anchors usually will increase the inventory and diversity of the products and increase the discount in their live streaming chat rooms. In this case, many consumers will easily fall for the tactics and place orders. Besides, the anchors will encourage the consumers to comment “I want/like this product” or “I just purchased it” to arouse consumers’ psychology of conformity. As the shopping atmosphere grows fervent and prevailing, people will stop being hesitant and follow the trend of shopping because of the herd mentality.

3.2. Existing Problems

3.2.1. Lack of Necessary Platform Regulations and Binding Forces

According to Taobao’s Livestreaming White Paper, the enterprises need to be a formal companies with a business license. They have registered for over a year to have live streaming rights on the platform [4]. The threshold to join the live streaming business is not too high, and there are not too many regulations that can restrain the behaviors of the business owners.

Many clothing shops rely on live streaming to attract consumers and increase sales because they can display the size, color, quality, and fabrics in real-time to gain consumers’ trustworthiness. However, many consumers said they can still possibly receive the clothes of different versions from the ones they see during the live streaming. Scenarios like very prominent color differences or the clothes shrinking badly after being washed often happen. Problems like these occur not only in the clothing category but also in beauty, grocery, and many other categories. Besides, some renowned anchors took advantage of their reputation and consumers’ trust and blatantly sold spurious products. For instance, Viya, a famous anchor with millions of followers, used to sell fake Supreme co-branded merchandise.

Live streaming business shortens the supply chain and decreases costs; many merchants took the chance, selling cheap but inferior or fabricated products[5]. This business is mixed with a large number of lawless merchants. The live streaming industry chaos is prevailing and urgently needs more strict regulation. Some business owners Without more robust policies, the business owners, will be more rampant, and the rights of consumers will be further vitiated.

3.2.2. The Competition in Taobao Live Streaming Business is Highly Polarized

As more and more people discovered the potential of the live streaming business. Numerous influencers, celebrities, and business owners flooded into this business, and the pool has been highly competitive. Macro-anchors usually have millions of followers who trust their endorsements and bond with them. They accounted for most revenues that Taobao live streaming business can generate. On October 20th last year, the “double-eleven” shopping festival was first kicked off. Jiaqi Li has live-streamed ceaselessly for 12 hours. He won over 35 million visitors and made over 10 billion within 12 hours. These macro-anchors seize most of the market share and the attention of most consumers. This makes it increasingly more complex for micro-anchors to survive and grow.

Micro-anchors usually don’t have too many loyal followers as macro-anchors do. They spend several hours and energy daily live streaming their products and might achieve fewer turnovers. In this case, such discrimination can severely impede the development of micro-anchors and lead to colossal income polarization between anchors of different popularity on the platform.

3.2.3. The Live Content of Different Anchors are Homogenized

As the number of live streaming chat rooms burgeons on the platform, the problems of homogenization of merchandise, product specification, and promotion tactics arise. Most anchors depend on duplicating other anchors' live content rather than creating new and personalized content to attract consumers [6]. Anchors imitate each other's product choices and statement to promote products, which lead to low-quality and homogenization of live stream content.

Take the clothes category. Usually, the slender anchors with delicate makeup will try the clothes on and describe the clothes using common words like pretty, lovely, high-quality, or low price, which is information that can be found by reading text or image descriptions. Each anchor's live stream style is similar to and staid to watch, which can hardly satisfy consumers' desire for creativity and freshness. To retain consumers' attention, novelty is indispensable. If live streaming cannot provide more new and valuable information than just browsing the text and image description with the audience, the live stream function will no longer be needed.

3.3. Improving Strategies

3.3.1. Increasing the monitor

Authoritative and strict supervision is indispensable for the platform's healthy development in the long term. To create a positive and professional live stream shopping environment the consumers want, the platform must improve the management mechanism and regulate anchors' behaviors.

To protect consumers' rights, the platform should cultivate anchors' awareness about the simple operation and commitment to obey the platform regulations[7]. The platform should force the business owners to import standard and quality products for sales from legitimate channels and deliver authentic information while live streaming, and actively intervene when they violate any of the platform laws, for instance, rescind low-credibility business owners' right to do businesses via live streaming or impose fines on those who do not follow the rules, so that business owners will be aware of the severe consequences of selling shoddy and counterfeit products or misleading consumers. This way, the platform will maintain its trustworthiness, and consumers will have more faith in the live streaming industry and feel reassured to make purchases while watching the live stream.

3.3.2. More support and balanced development

Even though the macroanchors are influential and can bring more benefits to the platform, many experienced and potential micro-anchors also deserve related resources and promotion.

The platform can support micro-anchors by regularly organizing events designed to incentivize their growth and distributing exposure and resources to them to be seen by the consumers. Furthermore, the platform can also build a points system and reward mechanism for awarding the micro-anchors who achieve goals like continuously outputting high-quality live stream content, complying with platform regulations, and maintaining a good reputation among customers, etc. When anchors reach a good number of points, the platform can reward them by exposing them to more consumers, providing them with professional training that can help them attract more viewers and increase conversion rates, etc. The Platform's strong support can effectively retain talented anchors, motivate their sustainable development, narrow the income gap between macro-anchors and micro-anchors, and create a harmonious eco-system for business owners to develop and compete.

3.3.3. Anchors should keep personality and avoid monotony.

Recently, an educational company named New Oriental went viral. Their unique and irreplaceable live stream style has accumulated 1.3 million followers in three days after they entered the live stream business and rang up sales of over 29 million RMB in a week [8]. In the live stream chat room, the anchors teach views English while describing the products. Also, one of their anchors, Yuhui Dong, an English teacher at New Oriental [9], is very educated and erudite. He also turned the live stream chat room into a class where he could impart his history, literature, and geography knowledge to the consumers. Such live stream style is so unprecedented and creative on Taobao that it can attract many followers and win the market [10].

Therefore, anchors must maintain their characteristics to stay competitive and succeed in the market. Following the trends or copying what other anchors are doing are not conducive to growth. Consumers with different identities and psychographics want different experiences from live stream shopping. If live stream content and strategies are all formalized and similar without prominent variations, consumers can hardly be kept interested. Therefore, anchors should develop different personalities and styles to meet various tastes and needs.

4. Conclusion

Live streaming has been a very profitable and potential business. It has subverted consumers' shopping behaviors, psychology, and relationships between merchants and customers. Its uniqueness is due to the personalized shopping experience for the consumers. The authenticity, engagement, vicariousness, and timeliness of live streaming shopping can hardly be achieved by traditional E-commerce and brick-and-mortar shopping patterns.

Taobao's live streaming business is very successful and flourishing rapidly. However, Taobao still has a long way to go to build a healthier industry environment and ensure the equilibrium and sustainability of the business in the long term. As more business owners enter the pool, the problems will likely be exposed.

Taobao should not settle for the current situation. They should embark on platform regulation to guarantee the high quality of users' online shopping experience and consumer rights. As mentioned above, the platform should strictly monitor business owners' behaviors and increase the threshold to live stream. This way, many low-quality, and inferior merchants will be excluded from entering the businesses and negatively influence the market and consumers. A fair environment is also essential for the platform's development. The platform shouldn't show partiality to macro-anchors and underestimate the importance of micro-anchors. To ensure fair competition and balanced growth, the platform is responsible for increasing support to micro-anchors. Besides, the platform should encourage anchors to create heterogeneous and creative content instead of copying each other to cater to different tastes and likes and retain consumers' attention.

Overall, as the competition in the live streaming business is growingly fierce, Taobao should be more cautious about inner problems and look for breakthroughs to maintain and improve its status and reputation in the industry. This article can serve the purpose of practice instruction, guiding Taobao and many other online shopping platforms to find out the problems and deficiencies and fix them in a timely fashion or seize the opportunity to grow. Hopefully, this article can provoke thoughts and changes within the industry and inspire more scholars to delve into this topic and develop better strategies to improve Taobao's live stream business.

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