

Exploring China's Economic Resurgence: The Role of Live-Streaming Online-commerce in Post-Pandemic Recovery

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Abstract: Many scholars are interested in this emerging sales channel, but they are inclined to investigate the psychological impact of ECLS (Online-commerce Live-Streaming) on customers' buying behaviour. Limited knowledge exists on the impact of ECLS on industries such as agriculture and clothing. The Coronavirus disease 2019 pandemic cast all across the world, leading to unparalleled disruptions across several sectors and generating a cascading effect on the economic terrain. China, being the focal point of the pandemic, had a notable transformation in its consumption patterns, characterised by an initial decline in consumption. This study will examine how the COVID-19 pandemic affected consumer habits, which over the preceding ten years contributed significantly to China's Gross Domestic Product (GDP). In the middle of the economic turbulence, a notable phenomenon developed that significantly influenced China's economic recovery - the growing prevalence of live-streaming online-commerce. This article examines the potential for China's economic recovery in the aftermath of a decline in consumption during the COVID-19 epidemic. It specifically focuses on the mobilization and development of online-channel commercial streaming in two sectors, which are the agriculture industry, and the fashion and apparel industry.

Keywords: economic recovery, pandemic, China

1. Introduction

The Coronavirus disease 2019 pandemic sent shockwaves through global economies, triggering unprecedented disruptions in various sectors, and causing a ripple effect through its economic landscape. China, being the epicentre of the pandemic, experienced a significant shift in its consumption landscape, marked by an initial consumption downgrade. This essay will concentrate on COVID-19's effects on consumption, which accounts for more than 42% of China's GDP over the past ten years. However, amidst this economic turmoil, a novel trend emerged that played a crucial role in shaping China's economic recovery - the ascendant popularity of live-streaming online-commerce.

With the increasing advancement in China's development in science and technology since China's reformation, live commerce has become more and more prevalent in everyone's daily life. Live streaming is a method of data transfer that might live-stream or capture events as they occur, and also an innovative method of combining entertainment and business. This literature review delves into the prospects of China's economic recovery following a consumption downgrade during

the COVID-19 pandemic, highlighting the influence of live-streaming online-commerce across two industries: the agriculture products industry, and the apparel and fashion industry, which products within the industry are purchased through the channel of live streaming in a rate of 39% and 23% each.

2. General Trends

2.1. Offline Consumption Trend

Since the widespread of the pandemic, government published various regulations to restrain the uncontrollable spreading of the virus, including but not limited to quarantine. This disproportionately affect the offline consumption as people are not allowed to go out and shop freely. Statistics show that in 2020, daily offline consumption fell startlingly by 32%, or 18.57 million RMB per city. The amount spent on goods and services fell by 33% and 34%, respectively, which had a particularly big impact. When controlling for factors like population size and the importance of the service and export sectors to the local economy, it is clear that the consumption impact is larger in more vulnerable cities. Offline consumption in Wuhan, the epicentre city, dropped by 70% in the fourteen days after the outbreak [1].

2.2. Online Consumption Trend

China, as one of the earliest countries to be hit by the pandemic, provides an interesting case study for examining the aftermath of such an event. The incorporation of live-streaming online-commerce as a potential enabler of recovery showcases the adaptation of traditional business models to changing consumer behaviors. There was a 22.5% increase the number of online shoppers in China from 2019-2020. By May 2020, utilization of shopping channels in China had changed compared to before the COVID-19 coronavirus, with live streaming shopping up 6.3% and short video shopping changing 2.6%. Nevertheless, a -0.4 change rate of shopping through websites, and a -1.9% shopping change via mobile app [2]. It is interesting because this shows that people intend to shop with verbal promotions or suggestions, rather than shopping through websites or apps in their own decisions. Moreover, McKinsey & Company conducted a survey that suggested 39% of GenZ 18+ individuals can be recommended a product are mostly influenced by social media. In particular, channels where consumers gain the most information of a product, live-streaming has become the most popular way, with the highest percentage 78.25%. (Consumer choice percentage calculated among different cities in China), also, 67% of consumers have experienced shopping through live streaming [3].

2.3. Current Situation of the Livestream Industry

The livestreaming industry ecosystem is gradually improving. Few homegrown giants, including Alibaba, Tencent, and Baidu, control the majority of the Chinese online-commerce market. The number of livestreaming online-commerce businesses and employees increased significantly in 2020. 8,862 livestreaming online-commerce businesses were registered in China as of the end of 2020, an increase of 360.8% from the previous year. KOLs (Key Opinion Leaders) will reach a total of 1.23 million by the end of 2020, which is still rising. In a short period of time, the industry transitioned from relying on client traffic to function to fully utilizing the ecosystem, generating growth via lean operations and supply chain penetration [4-6]. In the sector, at least 1.23 million "professional" livestream hosts were employed as of 2020, up from around 250,000 in 2019 [7]. The Statistical Report on China's Internet Development Status, which was published in September 2020, states that by June 2020, there were 940 million Internet users in China, with 285 million of

those users living in rural regions. In China, there were 562 million users of live streaming, or 59.8% of all internet users [8].

The reason why livestream industry adapted the current society quickly is because it empowers both the supply chain and the demand chain.

Supply chain simplification for production and sales. A shorter supply chain makes it easier for companies to branch out to and attract new customers by closing the information and feedback gap. The livestreaming performance of a product is rapidly evaluated by producers and key opinion leaders (KOLs), who subsequently give feedback to the merchants, then ultimately decide on the forms and quantities of the product. To ensure the regularity and appeal of their live broadcasts, KOLs require a variety of high-quality SKUs (Stock-Keeping Units), which forces the supply chain to react more quickly and provide more new products on a regular basis. (Mass bespoke product production is possible)

Demand for warehousing and distribution integration is growing as a result of order fulfillment. An effective model of integrated warehousing and delivery is required since livestreaming shopping typically creates a large number of fragmented orders in a short amount of time. Time can be saved by preparing goods at regional warehouses spread across a number of sites based on the anticipated amount of orders, supported by rapid processing and shipment. Offline stores can act as pre-warehouses with more accurate demand forecasts and improved digital supply chains, making integrated warehousing and distribution systems increasingly common. According to projections, 660 million people will watch livestreams on Chinese online-commerce sites in 2022, generating RMB 1.2 trillion (US\$180 billion) in total income [8].

2.4. Impact of Livestream on Shopping Behaviours

Compared to conventional online-commerce, live streaming has synchronization and authenticity qualities that clearly benefit the display of goods. It meets the informational and recreational demands of customers, enhances their sense of presence, and improves their shopping experience [2].

Consumer decision-making time is shortened via live commerce. By blurring the distinctions between social media platforms and online-commerce websites, live commerce forces customers to rush or skip the initial consideration and evaluation process and proceed directly to the purchase process, significantly increasing the purchase rate [9]. Three research examined the intrinsic mechanism of consumers' impulse purchase intention (IPI) in live broadcasts based on the S-O-R and dual-system theories. The findings demonstrate that, through arousal and moral elevation, scarcity promotion (SP) and cause-related events (CRE) are confirmed to be connected with consumers intention. Interestingly, the effect of CRE on IPI is no longer substantial when SP and CRE are delivered simultaneously [9-11]. Additionally, affective trust in the recommender and affection for the recommended product determines the desire to buy impulsively [11]. Both of these factors are influenced by signals associated to the recommender and the good itself [11].

Moreover, LiveCommerce also draws customers and encourages them to make a purchase by giving them reliable recommendations. Livestreaming offers a highly interactive, real-time environment. Live streamers can communicate with the audience in real-time while showing products in-depth through video. Customers' inquiries can all be promptly addressed.

Using their independence from retailers, streamers serve as a middleman between businesses and customers, educating them about the benefits of purchasing while influencing their decisions while making online purchases. Speech expression is the most basic means by which KOLs can inform consumers. Customers may be drawn in by some extremely repetitious and unique appealing terms.

The peer pressure that results from live commerce encourages consumers to make purchases. Huseynov and Yldrm discovered that social pressure to shop online from friends, family, the media,

and other influential figures can influence consumers' favourable attitudes in any market segment [12].

2.5. Impact of Livestream on Consumption

Live-streaming online-commerce fills the gap left by physical retail closures. The live-streaming format facilitated personal connections between sellers and buyers, fostering trust and authenticity in a virtual setting. This personalized interaction often led to higher conversion rates and increased consumer loyalty, contributing to the recovery of consumption levels.

The impact of live-streaming online-commerce on consumption recovery was profound. As economic uncertainties lingered due to the pandemic, consumers were cautious about their spending. However, the interactive and personalized nature of live-streaming online-commerce addressed these concerns by offering a unique shopping experience that transcended the limitations of traditional online-commerce. The increased consumer confidence, expedited decision-making, and personalized interactions helped stimulate spending, contributing to the overall economic recovery.

3. Consumption Situation During the Pandemic

3.1. Agricultural Industry

The agricultural industry was profoundly affected by the Covid-19 pandemic, as restaurants faced closures, supply chains were disrupted, and consumer preferences shifted towards safer options.

China has taken exceptional isolation measures to prevent the spread of pandemic, but this has disrupted the country's food supply system. The specific performance is as follows: on the supply side, the supply decreased as a result of the strict traffic management implemented across different areas, which prevents products from leaving, raw materials from entering, and smooth transportation of agricultural goods. On the demand side, households with undetermined incomes and limited access to grocery stores will change their demand. According to reports, consumers are likely to alter their eating habits by experiencing disproportionately large consumption declines, meaning that they will purchase fewer perishable items like fruits and vegetables and more of the agricultural products required to meet their basic needs at the time. In comparison with the usual seasons, the demand for agricultural products has decreased overall.

The transfer and smuggling of wildlife within artificial habitats for reproduction as well as all other types of wildlife commerce during the COVID-19 period have been expressly prohibited in numerous provinces and towns. After COVID-19, the country was heavily urged by the people to enact laws that would forbid and regulate the trade in wildlife. Consumers mentally oppose the breeding of wildlife since it is thought that wildlife is one of the main sources of COVID-19.

A poll by the Enterprise Poll for Innovation and Entrepreneurship within China on a few agricultural firms found that 38.5% of cattle farmers cite food shortages brought on by "logistics disruption" as the largest production difficulty after the COVID-19 outbreak. Lack of feed is another sign that livestock and poultry may starve to death [9].

3.2. Apparel and Fashion Industry

With physical stores facing limitations due to social distancing measures, the clothing and fashion industry faced a unique set of challenges.

The fashion business saw a radical transformation in the year 2020. As a consequence of the coronavirus pandemic, the sector had its worst year on record, with over 75% of publicly listed companies reporting losses. There was a shift in consumer behaviour, a breakdown in supply networks, and a second wave of contagious illnesses towards the end of the year. The McKinsey

Global Fashion Index projects that the economic profit of fashion firms would fall by more than 90% in 2020, after a 4% growth in 2019.

The luxury sector's recent events have painted a different picture. The luxury market is seeing renewed growth thanks to Chinese buyers. The luxury fashion market in China is growing rapidly, and it is quickly becoming a major player in the sector. China has been a major growth engine for the luxury goods business, and despite a recent downturn in the premium market (a 10% year-over-year decrease in 2022), the first quarter of 2023 has showed an increase.

4. The Role of Online-Commerce Livestream in Each Industry

4.1. Agriculture Products Industry

Live-streaming online-commerce emerged as an innovative solution for food businesses to reconnect with consumers. Food retailers, from traditional markets to gourmet outlets, fully expanded the power of live streaming to showcase their products, engage with customers, and adapt to the "new normal."

The continuous broadcast of farmers selling their produce is a crucial step in reviving China's rural regions and raising farmers' income. The chance prizes from the live streaming let farmers earn as much money as possible from those transactions [10].

Livestreaming's integration into green agri-food marketing can clearly show how local and environmentally friendly green foods are while also boosting the performance of green agri-food businesses. The adaptability, engagement, and entertainment of livestreaming online-commerce technologies fit the promotion of agricultural products well when it is local as well as environmentally benign. This promotes transparency for both agricultural businesses and consumers. Livestreaming's responsiveness and interactive functionality would enable environmentally friendly agricultural goods to be carried between the supply and demand sides in real time, thereby promoting the efficient flow of agricultural product information between sellers and buyers and resolving the issue of information asymmetry [12].

Farmers who usually sell their products in the market are forced to switch their way of selling to online to empty the stocks and avoid wasting. The barrier to entry this live streaming industry is not very high for them. They can open up lives to sell products whenever they want. The findings indicate that online-commerce can boost these cooperatives' profit margins and that a bigger percentage of sales made online boosts profitability. However, young people with extensive experience and an advanced level of education are crucial for the benefits of agri-commerce on cooperative profit margins. Particularly, female leaders have a substantially greater impact on increasing profit margins by employing online-commerce than male leaders [13]. Although it seems easy for young and educated individuals to watch and start live streaming, it could still be a challenging issue for some farmers who are not familiar with internet or even phones. Without the aid from professional teams, it might still be quite hard for their lives to be seen by people, and let viewers trust in their goods' quality and validity.

4.2. Apparel and Fashion Industry

Consumer behaviour clearly evolved over the past few years to focus more on digital channels as people were forced to be isolated at home to avoid the virus, travelled less, and shops were closed everywhere [14]. Restrictions and anxieties also make individuals unwilling to congregate in crowded areas. The total value of the worldwide online-commerce apparel industry was 600.11 billion dollars in 2022, and it is anticipated to increase to roughly 1,427.17 billion dollars by 2032, with a projected CAGR of 9.1% from 2023 to 2032.

To motivate consumers to engage, fashion businesses must create more engaging and social experiences in 2021 as digital consumption maintains its position of power and development. Live-streaming online-commerce offered a virtual runway for fashion brands to exhibit their collections, engage with fashion enthusiasts, and provide personalized shopping experiences.

However, increased online-commerce means a higher return rate. The average return was 10.6% in 2020 when the pandemic first appeared. With a 6% increase, this percentage increased to 16.6% in 2021, which means that \$761 billion worth of fast and slow fashion will once again be found in shops and warehouses.

Live streaming is crucial to the appearance of solving this issue. Customers can speak with representatives of the brand directly and inquire about the products. They have the chance to interact with the products in real-world settings, and occasionally they can even see the products on different-sized models. As a consequence, there are fewer returns since clients can easily observe the quality and size. Given the chance for an open discussion while live shopping, a stronger sense of relationship can develop between the audience and the merchandiser. Live shopping gives the idea of live customer assistance conversations more character, credibility, and authenticity.

During the pandemic, people earn less income, over 70% of online-commerce livestream users earn less than RMB 5000 per month, hence, they appear to be very price sensitive. The ability of only one individual to negotiate for lower prices is limited, but KOLs with larger fan bases get the "the best price in all shops" title and more favourable pricing thanks to their large user base and great conversion rates. This keeps customers coming in and creates a positive feedback loop. Source also reports that non-live conversation percentage is now overlapped with mobile ones. Traditional channels are diminishing for sure.

4.3. Overall Economic Indicators

Overall GDP growth, unemployment rates, and consumer spending patterns with the increasing popularity of live streaming. The efficiency of agricultural production for farmers who did not use online-commerce was 0.302. Their agricultural productivity was 0.376 after using online-commerce, a considerable rise of 0.074. This result demonstrated how farmers' productivity can be considerably increased by the implementation of online-commerce. Adoption of online shopping in particular can motivate farmers to distribute agricultural labor, land, and production components logically and can support environmental sustainability.

The pandemic has exacerbated the need for all things digital, which has in turn made them more accessible and facilitated new forms of economic expansion. The change is ongoing and will present chances to develop operational models that are more intelligent, and distinct consumer propositions that are more individualized to each customer. The epidemic has also highlighted the need to change to more ethical and responsible working practices across the entire value chain. It will be beneficial to businesses, employees, customers, and the environment in the long run as more fashion players respond to this requirement.

However, at the beginning of online shopping, there was a monopoly of huge online-commerce platforms like Alibaba and JD.com. In October 2020, Douyin put into effect a rule banning links to external websites from appearing on its live feeds. This step intends to keep transactions on the Douyin platform while preventing merchants from diverting traffic to well-known online-commerce websites.

The profit margins of cooperatives are not directly affected by their operational scale, but a larger operating scale can greatly increase the influence of online-commerce on profit margins. For farmers, for instance, it's crucial to enroll in a larger operation organization to help with live stream promotion. However, this would result in a higher percentage of revenue having to be paid to the

operation business and a lower net income for the farmers. If they have no history or strong background, they are more likely to be taken advantage of.

With the rise of new technologies and business models, ethical considerations come into play. Risks associated with consumer privacy cyber security. This risk associated with cybersecurity limits consumers from shopping at online-commerce websites.

Large amounts of personal as well as financial data, including debit and credit card information, addresses, and phone numbers, are processed and stored by online-commerce clothing merchants. Sensitive consumer data loss from a data breach can result in financial losses and reputational damage.

Phishing attacks can target online clothing businesses and their consumers in an effort to gain sensitive data such as login passwords. Customers might be duped into inputting their personal and financial information using scam emails and bogus websites.

Executives need to adhere to the highest ethical corporate standards and change exploitative company models as workers become more aware of worker welfare problems and the human effects of factory closures [12].

Regulations started to increasingly hold live broadcasters responsible for maintaining the standards of their products, accurately reporting their sales figures, and preventing the participation of minors. The Code of Conduct for Online Streamers (the Code) was published on June 22, 2022, and it provides live streamers with 18 rules and 31 categories of content that is forbidden, ranging from violence and self-harm to showcasing material prosperity. With the guidelines, the industry with a reputation for "low threshold, high income" will be changed.

5. Conclusion

The report recommends strengthening rural online-commerce support and expanding information sharing and advice for farmers interested in adopting online-commerce. This might be accomplished by running online-commerce training programs and promoting the wide acceptance of rural online-commerce on a large scale. The goal of these initiatives is to enhance agricultural modernization. Despite the fact that first-tier cities like Shanghai and Beijing have much greater rates of online-commerce consumption than low-tier cities, there is still a sizable window of opportunity for companies to strategically grow into those less developed places. There is an increasing possibility to improve consumption habits in lower-tier cities as their level of digitalization increases. As a result, there is latent potential to improve consumption habits in these areas, however doing so will take commitments of time and energy.

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