

01 SELLING THROUGH LIVE STREAMING IN CHINA

Insights on the use of Live Streaming channels to sell products and services in China.



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Social e-commerce channels for live streaming

From the initial online celebrity anchors today also CEO, TV hosts, and common people began to sell products live. China's e-commerce live broadcast started in 2016. Compared with traditional e-commerce, live e-commerce broadcast provides in-depth, real-time, rich-media product display, bringing users a richer, direct, and real-time shopping experience, with strong interaction, strong professionalism, and a high conversion rate. Currently, there are three types of live e-commerce platforms: e-commerce platforms, short video platforms, and social platforms. The "47th China Internet Development Status Statistics" showed that as of December 2020, the scale of China's e-commerce live broadcast users has reached 388 million, accounting for 39.2% of the total Internet users.





Social **e-commerce** channels for live streaming

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Taobao: more than 700 million monthly livelihoods. Method: merchants, anchors with products.

Douyin: More than 470 million monthly livelihoods. Method: Internet celebrity, anchors, entertainment, products.

Kuaishou: more than 270 million monthly livelihoods. Method: Internet celebrity, anchors, entertainment, products.

Weibo: 290 million monthly active users, Method: Weibo KOL and Internet celebrity, anchors entertainment.

Pinduoduo: 250 million monthly active, Method: live broadcast by merchants.

Watermelon: 150 million monthly livelihoods. Method: Daren live broadcasts products.

Jingdong: 88 million monthly active users. Method: live broadcast by merchants, celebrities, and KOLs.

Xiaohongshu: 50 million monthly livelihoods. Method: vertical KOL, celebrity live broadcast.

Bilibili: Monthly active 45 million. Method: Masters in specific vertical fields, live broadcast.

Huya: 33 million monthly livelihoods. Method: interactive game live broadcast.

Huajiao: 30 million monthly livelihoods, Method: live broadcast of life content.

Douyu: 27 million monthly livelihoods, Method: interactive game live broadcast.

YY: 23.72 million monthly livelihoods. Method: interactive game live broadcast.

Suning.com: Monthly active 10 million. Method: live broadcast by merchants.

Mogujie: 2.5 million per month. Method: Female e-commerce live broadcast.

Live-streaming Regulations

On November 6, last year, the official website of the State Administration for Market Regulation issued the first official document that specifically regulates live broadcast marketing activities. 8 types of live broadcast violations will be investigated and punished according to law.



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Violations of intellectual property rights.

Food safety violations, including unqualified sales of food, sales of foods that do not meet food safety standards, and sales of foods with false production dates or expiry dates.

Advertising violations such as publishing false advertisements, publishing illegal advertisements that violate social good habits, and illegal advertising endorsements.

Price violations such as price bidding, using false or misleading price methods.

E-commerce illegal acts, e.g. unauthorized deletion of consumer reviews.

Illegal acts violating the legitimate rights of consumers, e.g. replacements, returns, etc.

Illegal acts of unfair competition, e.g. webcasters deceiving and misleading consumers, illegal rewarded sales, etc.

Product quality violations such as adulterated products, sale of fake products as genuine, substandard products as qualified products, etc.

Best-selling products



Jewelry, watches, apparel, food and beverages, cosmetics, and home appliances are the top sale on Taobao, Douyin, and Kuaishou, according to the CBN data report "2020 China Internet Consumption Big Data".



Who are the live streaming consumers?

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Millennials are the heaviest social media users from live streaming to photo sharing with a lot of trust in influencers and KOLs. The e-commerce users of Kuaishou and Douyin are still mainly young people under the age of 30 (account for up to 80%). The overall income of Taobao live-broadcast users is higher than the users of the other platforms.

Core users contributed more than 80% of the watch time of Taobao live broadcast and more than 60% of transactions. They are the most stable and core consumers of the platform. In terms of quantity, Taobao live broadcast core users have achieved explosive growth in 2020, with a year-on-year growth of nearly 150% as of the end of 2020.

The core users of Taobao live broadcasts have extremely high commercial value and strong consumption power. Their average monthly consumption is three times higher than other users. The core user consumption covers a wide range of prices, from as low as 50 yuan to more than 1,000 yuan.



Influencers and live streaming

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Especially in 2020, the number of anchors has increased the most, for example on Taobao there was a year-on-year increase of 661%.

The live streaming market classifies hosts into three categories: "head" KOLs, such as Viya and Li Jiaqi, "mid-tier" KOLs with respectable followings, and "micro-influencers," who have smaller circles of committed admirers and operate in extremely specialised niches. KOLs and micro-influencers with lesser followings can be very trustworthy partners, and they may have closer relationships with their fans than celebrity KOLs.



How to choose a Kol

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The majority of the influencers choose the products according to the following standard:

- *Market demand.*
- *For anchors with a relatively small number of fans, they choose products according to their own style, tone, and personality.*
- *According to the needs of fans.*
- *Considering the brand's history.*
- *Other factors like customer service, and the overall consumer experience.*

How can a brand make the right KOL choice?

- Check the cooperation history of the KOL.
- Use data analysis platform for web celebrity anchors.
- Strong professionalism.
- Check the KOL live broadcast, (e.g. the real users during each live broadcast).

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Alternative to be considered:

- **Cross category:** brands can work with KOLs who are not natural partners for the brand. The key is to understand that if the target audience is desirable, the brand can trust the KOL to know their people and find the appropriate pitch for the product.
- **KOS:** First-line retail employees with high-quality content creation capabilities.
- **Virtual Influencers**
- **In-house influencers**

Which information does the KOL need from the brand?

- Number of SKU
- Type of products
- Brand history and portfolio
- Normal price and live streaming price

Which kind of live streaming is possible?

- Live stream in KOL channel
- Live Stream in brand channel
- Live stream in a multibrand channel
- Special Live stream pop-up store

Cooperation Method

Cooperation Method

Pit fee plus commission

If the actual sales volume is less than 20% of the target sales 15 days after the start of the broadcast, all pit fees will be returned to the merchants. If the actual sales volume is greater than or equal to 20% of the target sales volume, the second settlement cycle is entered. Thirty days after the live broadcast, Taobao Live will pay the pit fee in proportion to the ratio of the consumer's final receipt volume to the target sales volume. For example, if the sales target is 100,000 pieces, and the final confirmed receipt is 70,000 pieces, the merchant will have to pay 70% of the pit fee. But if the final sales exceed the set target, the merchant does not need to pay more pit fees. The overall ROI of the big anchors (the top 1-3 head anchors in the top 10 MCN institutions in Taobao) is about 1:3, and the pit fee varies from 12,000 to 60,000 euro according to the brand (the smaller KOL will start the Pit fee at around 6,000 euro), plus 20% of the commission.

Pure commission

Douyin Featured Alliance, a CPS platform for merchants and KOL. After merchants meet the conditions and successfully settle in, they upload the products and set the commission ratio. KOL can select products online on this platform and then settle the commission immediately for each sold piece.

Quantity-guaranteed model

The operation department of the MCN agency or the KOL will make a selection of products, and then give the proportion of ROI to the brand. If the final ROI is not completed, the brand will receive a refund according to the proportion. This cooperation model starts usually at 8,000 euro plus commission.



Virtual anchor

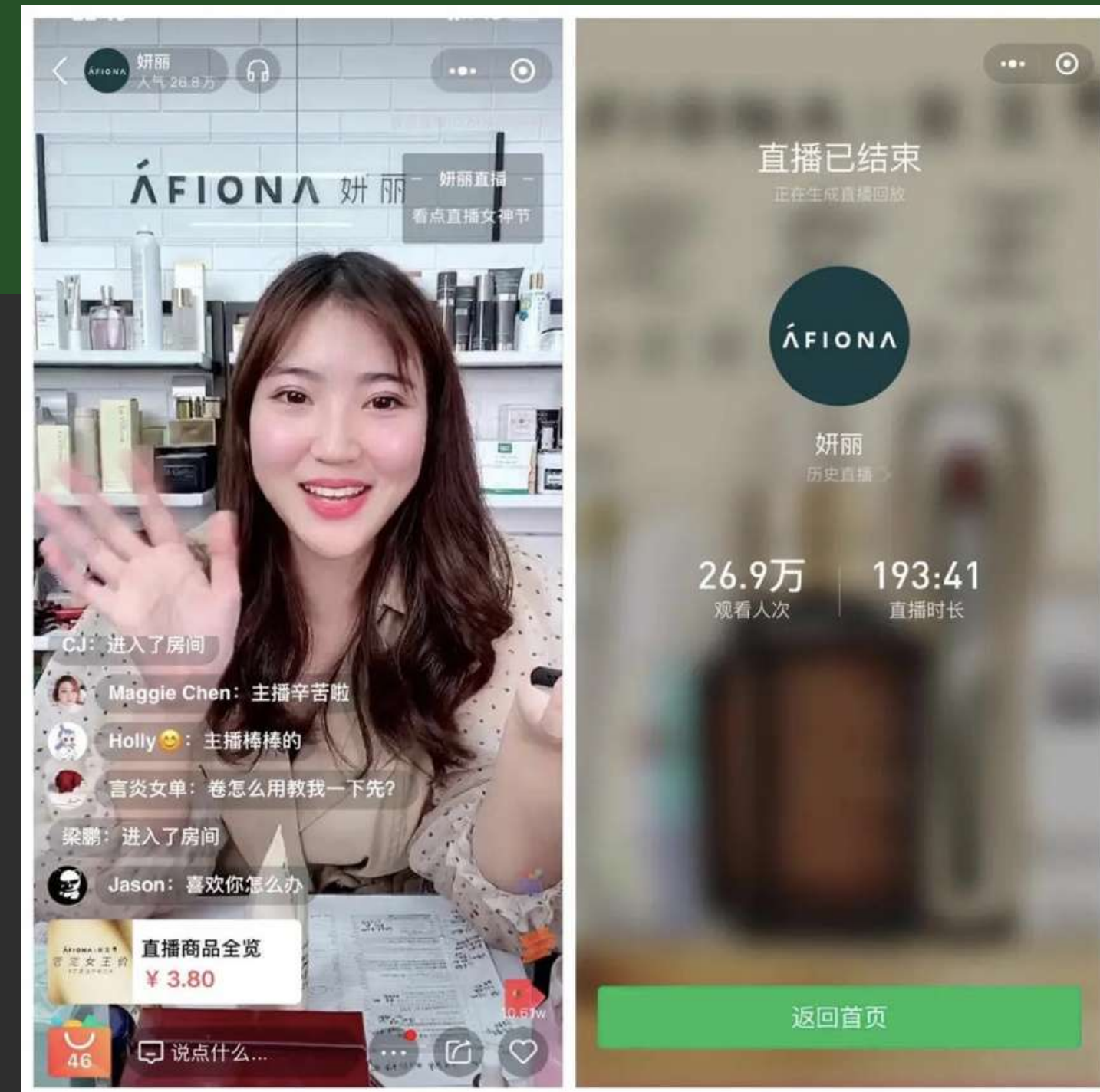
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According to the "2019 Virtual Idol Observation Report" released by iQiyi, there are 390 million people in the country who are following virtual idols. "Virtual + real" dual anchor mode can reduce brand costs and increase efficiency.



In-house KOL

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Many brands have also decided to launch their own live-streaming operations. Afiona, a beauty boutique, became a success story after training over 1,000 workers to be live-streaming hosts. The retailer's average two-hour live-stream generates sales comparable to almost 20% of a day's sales at one of its stores; additionally, during a one-off event, the brand generated 5 million RMB in sales in only one three-hour live stream.

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