

What Makes China Prosperous During Covid-19: Explore the Connection of Key Players in Livestream Sales

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Livestream sales is an innovative application of social media in business. Under the Covid-19 pandemic, physical stores have been greatly affected, but livestream sales, as a new form combining social media and e-commerce, has become a breakthrough for the retail industry. Livestream sales, emerged in recent years, is still at a stage that needs further research. This paper analyzes the functions of main participants in livestream sales and the connection between them and then proposes a business model. In particular, the main components of livestream sales are summarized as 3Ps — People, Product and Place. People refers to those who conduct the livestream sales, which include key opinion leaders (KOLs), celebrities, founders/CEOs and government officials. Regarding product, this paper analyses different type of product suppliers. Place refers to the livestream sales channel, mainly divided into e-commerce and social platform. Suggestions for the better application of livestream sales will be presented, which can provide implications for retailers who want to apply livestream sales in their business.

Keywords: livestream sales, influencer marketing, retail, e-commerce, Covid-19 pandemic

INTRODUCTION

The widespread of coronavirus (COVID-19) and the public health response had large impacts on business and consumers' behaviors. In order to control the rapid spread of the epidemic, large-scale lockdowns have been implemented in various regions, requiring physical stores to close and citizens to stay at home. These measures have resulted in the stagnation of offline merchandise sales, putting tremendous pressure on the retail industry. In addition, imposition of lockdown restrictions have also led to changes in consumers' behaviors in multiple aspects and the level of digitalization has been greatly improved (Kohli, Fabius and Veranen, 2020). The forced closure of non-essential physical stores has accelerated the shift from offline shopping to online shopping. Customers have turned to online platforms while retailers have responded by raising capacity to facilitate online shopping (WTO, 2020).

The frequency of social media usage has risen sharply during the epidemic, providing a good marketing opportunity for the retail industry (Nielsen Global Media, 2020). In China, retail industry seized the chance to introduce livestreaming to online sales and achieved great success. Livestream sales was a combination of entertainment and e-commerce, which innovated the online shopping experience of consumers. The shopping process was enriched from placing orders on the webpage to placing orders during interactive entertainment. Take Alibaba's Taobao Live, the largest livestream sales platform in China, as an example. According to 2020 Taobao livestream sales data (Aliresearch, 2020), the number of merchants applied Taobao Livestream sales has increased by 220%. Over 90% of major retail brands have opened their own

livestream sales channels to make up for offline sales losses, including a mix of electronics, appliances, and beauty brands such as Huawei, Estee Lauder, L'Oreal, Shiseido and La Mer. In the prevalence of livestream sales, the '11.11 shopping festival' generated 6 billion USD in sales (Hallanan, 2020). As a "new engine" of e-commerce growth, livestream sales not only drove economic recovery but also alleviated unemployment, and thus was strongly supported by the Chinese government (Michelle and Wang, 2020).

E-commerce and social platform giants such as Amazon, YouTube and Facebook are trying to carry out livestream sales, so the understanding of the business model of livestream sales has great enlightenment for retailers in regions affected by the epidemic. Since livestream sales is an innovative application of social media on e-commerce platforms that has emerged in recent years, relevant research is limited. At present, the existing literatures mainly focus on the motivation and purchasing tendency of watching livestream sales from the perspective of consumers (Hsu, 2019; Su, 2019; Chen et al, 2020). However, research on business model of livestream sales is limited, which needs to be discussed. This paper aims to establish a business model through the functions and connections of the main participants in livestream sales. Authoritative industry reports and related literatures on China's livestream sales will be studied in the following chapter.

LIVESTREAMING AND LIVE STREAMERS

As a popular social media in recent years, livestreaming has become the focus of discussion among social media researchers and commercial organizations. Jiao (2017) considered livestreaming an interactive form of online content dissemination, which closely connects users with contents. Chen and Lin (2018) studied the media characteristics of livestreaming, indicating this real-time medium realized the immediate transmission of images and sounds, and made audiences feel as if they were present at the event. Cunningham, Craig and Lv (2019) discussed from the perspective of the implementation that livestreaming is a broadcast video streaming service provided by mobile applications and Web-based platforms with synchronization and cross-mode (video, text, and image) functions. Huang (2018) emphasized the real-time, interactive and entertaining features of livestreaming and illustrated that viewers, live streamers, livestreaming contents and interactive behaviors were important perspectives of studying livestreaming.

In China, livestreaming has different content at different stages of development. At early stage, the content displayed by the live streamers were mainly to share personal experiences, travel tips, talents, video game skills (Lu *et al.*, 2018). Viewers or followers expressed their appreciation and support by sending free or paid virtual gifts to the live streamers.

Subsequently, with the diversification of content and application scenarios, livestreaming has been applied to e-commerce for sales, providing a new shopping experience for Chinese consumers. Livestream sales is a business activity that sells physical and virtual products in the form of livestreaming over the Internet, which meets the needs of consumers for social interaction, entertainment and consumption (Niu, 2020). During livestream sales, live streamers introduce and recommend products in real-time interaction with consumers, offering a more immersive and informative shopping experience than physical stores, e-commerce platforms and home-shopping channels (Cunningham, Craig and Lv, 2019).

Compared with other marketing and sales channels, the interactive nature of livestream sales generates higher engagement, greater impact on brand awareness, and higher sales conversion rates (iResearch, 2020a). In addition, brands can solve customer problems in real time while reducing the need for service personnel.

PRODUCT: PRODUCT SUPPLY

Products run through the entire sales process in live e-commerce, connecting retailers, live streamers and consumers, and are also the starting point of supply chain services. Products of livestream sales are provided by different types of suppliers, mainly divided into internal product suppliers and external product suppliers (Niu, 2020). Internal product suppliers refer to live streamers who control the production of products. They establish their own brands, produce customized goods by means of Original Design

Manufacturing (OEM) or Original Equipment Manufacturing (ODM), and sell them through livestreaming (Liu, 2020). However, most live streamers have limited funds and lack the ability to manage brands. Only a few of them have successfully produced and sold personal brand products, such as Taobao's leading live streamers Viya and Austin Li.

External product suppliers include brands and third-party product suppliers. Brands indirectly supply to live streamers through MCN agencies, or directly supply to leading live streamers. Third-party product suppliers integrate products of different brands, factories, and origins, and thus become the main suppliers of most live streamers due to their rich product categories and high efficiency. They use big data to provide suitable products for the live streamers, which improves the accuracy and matching of product selection (ThinkChina, 2021).

The degree of live streamers' influence on the purchase intention of consumers affects the quality of the product supply. Top live streamers enjoy the most comprehensive product supply, covering internal product suppliers and external product suppliers. In contrast, live streamers with low influence need to actively look for product suppliers (Niu, 2020).

PEOPLE: LIVE STREAMERS

The rise of livestream sales has attracted people of different identities to become live streamers, such as key opinion leaders (KOLs), celebrities, founders/CEOs and government officials.

Key Opinion Leaders (KOLs)

Top KOLs as professional live streamers have their own channels, which run from 8 pm to midnight every day. During this period, they attract consumers through performances and interactions, and sell carefully selected products at high discounts. The more followers KOLs get, the stronger their bargaining power over the brand, and the lower the price they get to attract consumers (Greenwald, 2020). Consumers therefore tend to follow the KOLs and place orders through their livestream sales channels. The connection between KOLs and their followers has become closer in this process, which further increases the popularity of livestream sales.

The most popular KOL in China is Viya, achieving annual sales of 38.6 billion yuan in 2020. She not only promotes Tesla, Bosch, Procter & Gamble, Lancome, Christian Louboutin and other brands covering cars, beauty, food, fashion and electronic devices, but also has her own fashion production line and factory (Mok, 2020). Another leading KOL is Austin Li, which is known as the "King of Lipstick" for displaying lipstick brands on his lips, selling 15,000 lipsticks in five minutes. His livestream sales on Alibaba's Taobao Live has 6.5 million followers and more than 30 million viewers on Tik Tok.

Celebrities

During the outbreak in China, film production and entertainment activities were suspended, which allowed celebrities to try livestream sales while generating income. Celebrities with legions of fans can drive huge amounts of traffic to livestream sales channels, and their own entertainment attributes can gain the trust and affection of consumers during the livestream sales, which is conducive to improving user conversion rates (Ding et al, 2020). In addition, celebrities participated in livestream sales event as a way of marketing helps retailers make up for the lack of offline brand promotion.

CEOs/ Founders

The founders or CEOs of companies have made full use of their own advantages and joined livestream sales to speak for their companies. First, the founder or CEO of a company represents an authoritative corporate image and delivers trustworthy information to consumers (Yoon, 2020). Second, due to the in-depth understanding of the product, the founder or CEO can provide consumers with professional product instructions. Finally, the founder or CEO as the live steamer can save promotion costs to a certain extent, thus reducing the purchase price of consumers (Niu, 2020). CEO and Founder live streamers have become

so popular that during “11.11” online shopping festival in China, approximately 400 brand executives from companies of all sizes participated in livestream sales on Alibaba’s Taobao Live (Hallanan, 2020).

Government Officials

The participation of government officials in livestream sales is one of the measures taken by the Chinese government to help rural areas sell agricultural products. In order to solve the problem of overstocking of agricultural products, the government has cooperated with e-commerce and social platforms to build Rural E-commerce Service Centers (RESC), launch online sales activities, set up channels for collecting information on unsalable agricultural products, and provide agricultural merchants with preferential loans and subsidies (Jin et al, 2020). In addition, free livestream sales training was provided in rural areas to help farmers learn relevant skills. Moreover, professional live streamers are invited to partner with local officials to promote the sales of agricultural products through live streaming (Xinhuanet, 2020).

Influence Classification of Live Streamers

According to the degree of influence, live streamers are mainly divided into three categories: leading, general and weak. Live streamers in different categories have different functions in sales and branding. Leading live streamers have a large follower scale and strong appeal, which are suitable for branding and new product launches; general live streamers are cost-effective and suitable for marketing in multiple fields; live streamers with weaker influence have limited content creation ability and thus are used to assist the further dissemination of marketing content in the channel (KPMG, 2020).

Live Streamer Combination

Live streamers usually appear in the form of a combination to increase interactive entertainment. In particular, professional live streamers have sales talents, understand consumer psychology, and have high loyalty from followers. Therefore, they become key players in livestream sales, partnering with celebrities, officials, and CEOs. During the “11.11” online shopping festival, Viya partnered with Kim Kardashian West in the livestream sales, which attracted 13 million viewers and resulted in the stock of KKW perfume selling out in just a few minutes (Bu et al, 2019).

Multi-Channel Network (MCN)

The multi-channel network (MCN) agencies serve as the link between merchants and live streamers, helping potential live streamers realize commercial value and assisting brands to achieve their marketing goals (Liu, 2020).

MCN agencies undertake the one-stop service of live streamers operation, which runs through live streamers training, content marketing, traffic exposure and commercial realization. First, MCN agencies look for popular content creators through various social platforms, sign contracts with them to determine the cooperation, and then provide professional training based on their personality and expertise. In the aspect of content marketing, MCN agencies provide creative ideas and production suggestions for live streamers to create topics that can arouse heat discussion, and then launch content on different social platforms according to the topic category. In order to increase the exposure and popularity, live streamers will be arranged to attend commercial events (Shi *et al.*, 2020). Finally, the MCN agencies generate profits in both the live streamers and the merchants.

On one hand, MCN helps live e-commerce platforms and brands manage official accounts, provide live streamer resources, and assist in advertising planning and publicity. On the other hand, MCN provides live streamers with value-added content services and follows up on content output, operation, and traffic exposure, helping live streamers meet the marketing needs of the brands (Niu, 2020).

PLACE: E-COMMERCE AND SOCIAL PLATFORMS

Livestream sales platforms are divided into traditional e-commerce platforms and social platforms. Traditional e-commerce platforms with e-commerce features use livestreaming to expand marketing

channels while social platforms with their own traffic embrace e-commerce to accelerate the transformation from traffic to revenue.

E-commerce Platforms: Taobao

Alibaba's Taobao made transformation from an e-commerce platform that only displays pictures and text to a live e-commerce platform, which occupies a leading position. Its continuous growth of gross merchandise volume (GMV) depends on three aspects: a comprehensive system integrated livestreaming and e-commerce, a large number of users with sufficient demand and efficient platform governance capabilities (36kr research, 2020). Consumers who enter the Taobao platform with the expectation of online shopping are more likely to make purchase driven by livestream sales.

Social Platforms: Douyin

As a social platform, Douyin (Chinese version of tik tok) with its entertaining and creative features has attracted a large number of users and achieved rapid accumulation of traffic in a short period of time. According to Digitaling (2020), Douyin realized its transformation with two stages. In stage one, due to the lack of an e-commerce platform, Douyin has cooperated with Taobao to open shopping function and support the redirection of Taobao shopping links. At this stage, Douyin mainly played the role of driving traffic, and rely heavily on Taobao and its supply chain. In stage two, Douyin built an e-commerce channel on its own platform and optimized shopping function, realizing the combination of livestreaming and e-commerce within owned platform.

THE CONNECTION AMONG PRODUCT, PEOPLE AND PLACE

Cash Flow

The main participants of livestream sales are product suppliers, MCN agencies, live streamers and platforms. Product suppliers conduct marketing cooperation with MCN agencies or live streamers in accordance with the brand's tonality and product characteristics. The MCN agency assists live streamers in the planning and operation management of livestream sales. Live streamers introduce product information to consumers via livestreaming to achieve sales purpose (KPMG, 2020).

According to iResearch report (2020) on revenue sharing of livestream sales, product suppliers need to pay a certain marketing service fee to MCN agency and live streamer and set the commission ratio based on the cost per sales (CPS) model, which is generally 20-50% of the sales revenue. After consumers make purchases through the livestream sales page and confirm receipt of the products, the MCN agency, live streamer and platform will allocate commission in a certain proportion. Specifically, the livestream sales platform shares the commission by charging technical service fees according to the rules of each platform and the remaining commission is allocated to the MCN agency and live streamer according to the commission ratio set in advance. The sales after deducting the commission belong to the product supplier.

Information Flow

In livestream sales business model, an information flow for efficient information transmission is formed between product suppliers, MCN agencies, live streamers and consumers. Live streamers improve the accuracy of information exchange between suppliers and consumers, and also benefit from it. On the one hand, product suppliers can obtain consumer preference feedback through live streamers and MCN agencies to make timely product adjustments; on the other hand, the live streamers need a large number of new products to ensure the attractiveness of their live event, forcing suppliers to accelerate product innovation (Fu, 2021). Therefore, live e-commerce has become a testing ground for new products and creative marketing strategies.

Livestream sales platforms provide traffic support for sales events and provide data analysis of consumers and sales events. Live streamers then collect and report consumer demand to the product suppliers, and participate in the design of new products (Weiboyi, 2020). The majority of innovations are unique because of new packaging or represent new products in an existing product line with a discount of

20% to 40% (Bu et al, 2019). After receiving positive feedback from the market, additional orders will be placed to the manufacturer for mass production and pre-sales will be used to reduce inventory and capital pressure.

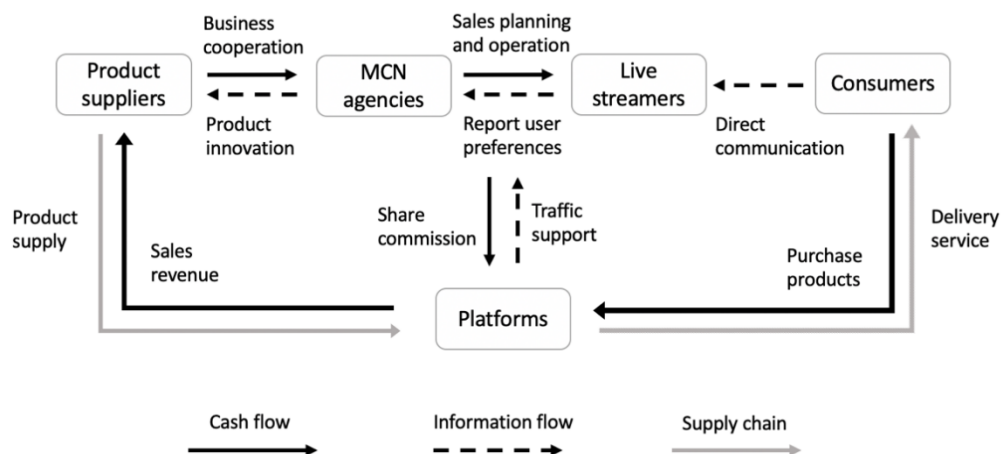
The collaboration between the brand and the live streamers realizes the development from sales to content co-creation. Procter & Gamble and top Taobao live streamer Viya established a strategic partnership to carry out exclusive livestream sales for the release of new products, which aroused interest among the audience (PRNewswire, 2020).

Supply Chain

Livestream sales makes shopping a quick and easy experience for consumers, saving them lots of time spent on understanding and comparing different products. Once consumers order the products introduced by the live streamer, the order information will be transferred to the product supplier through the platform, which responsible for delivery and after-sales service. The emergence of livestream sales platforms helps to lower the barriers to manpower and experience for live streamers to enter the retail industry, allowing them to focus on content creation (ThinkChina, 2021). Moreover, handing over delivery and after-sales business to the platform also reduces the operating pressure on product suppliers.

Based on the functions of product suppliers, MCN agencies, live streamers, platforms and their connection, a conceptualized framework is shown figure 1 below:

**FIGURE 1
CONCEPTUAL BUSINESS MODEL OF LIVESTREAM SALES**



PRACTICAL IMPLICATIONS

Selection of Platforms

As a creative sales method, livestreaming could take place on either an e-commerce platform or a social media platform. For retailers, it is costly to build their own livestream sales platform including shopping function, payment system and livestreaming function. Therefore, it is a wise choice to try livestream sales on existing e-commerce platforms or social media platforms with developed livestream sales function. For the purpose of increasing sales, retailers can give priority to entering the e-commerce platform for livestream sales. The e-commerce platform has the advantages of a stable and high-efficient industrial chain, a huge user base, and the strong purchase intention of users, which contribute to the high user conversion. For the purpose of increasing exposure and brand promotion, retailers can consider to conducting livestream sales on social platforms, because key opinion leaders (KOLs) on social platforms has excellent content expression abilities and strong influences toward followers to help brands endorsement.

Selection of Live Streamers

When choosing live streamers, merchants should give priority to those whose sales style and image are in line with the brand's tonality. In addition, the research on whether the live streamer's followers are potential consumer groups for the brand needs to be done. The strong marketing attributes of livestream sales make it necessary for the live streamers to have professional sales skills, including rich product expertise and excellent expression skills. Mastering the professional knowledge of the product can be convincing in the communication with customers, while the excellent oral expression ability can concisely and effectively explain the core selling point, consumption scene and user experience of the product.

Selection of Products

Product selection affects sales performance, and thus becomes the key to livestream sales. The popularity of a product is determined by the preferences of consumers watching livestream sales. According to the Quest Mobile report (2020), the majority of online shoppers are young people aged 20-35 who live in tier-2 and tier-3 cities, with low purchase power and abundant leisure time. Therefore, products with low price, high frequency of use, and rigid demand are easy to obtain large sales volume. Moreover, the real-time and dynamic nature of live streaming are suitable for products that need to show use effects, and thus food, clothing, beauty, and household goods are the preferred categories of product selection.

Product Supply

In terms of product supply, platforms and live streamers should build and improve their own supply chains to provide consumers with competitive and attractive products. In addition, MCN agencies should improve their ability to integrate resources, cooperating with high-quality suppliers through leading live streamers, and then delivering these product resources to the general live streamers and new live streamers to ensure stable supply of products.

Strategies for Livestream Sales

According to China Consumers Association (2021), the main reason for consumers to watch livestream sales is to understand product information and obtain price discount provided by the event, indicating that discount or gift is one of the key factors to attract consumers. Therefore, livestream sales should provide consumers with competitive prices and additional gifts to gain high attention and conversion rates.

Moreover, live streamers should point out that the exclusive benefit is only available to viewers who purchase products in the livestream sales channel, so that consumers are more motivated to make purchases. In particular, the live streamers are ought to repeatedly mention that the discounts will expire after a specified time, using psychological techniques to create a sense of urgency to induce consumers' impulsive consumption.

CONCLUSION

This paper analyzes the key players of livestream sales through related industrial reports and literatures. According to the study, the main participants of livestream sales are divided into three aspects: product (product supply), people (live streamer), and place (platform). The commercial benefits brought by livestream sales have attracted people of different identities to join as live streamers such as key opinion leaders (KOLs), celebrities, founders/CEOs and government officials. The greater the influence of the live streamers, the more abundant the product resources they obtain. Major e-commerce platforms and social platforms have successively integrated and improved the function of livestream sales, allowing more consumers to access and accept this new sales method.

The contribution of this paper is to explore the innovative application of social media in the field of e-commerce. Especially, this paper focus on the participants of livestream sales and proposes a conceptual business model to fill the gap of this new research field, which includes the aspects of cash flow, information flow, and supply chain. In a livestream sales event, product suppliers or brands need to pay the corresponding fees to live streamers, MCN agencies and platforms, which involve fixed fees and

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