



Capturing the audience: livestreaming goes global



Sales generated via livestreams in China doubled in 2020, and apps from WeChat to TikTok are expanding their platform offerings. Can live shopping become equally successful in Europe, and how sustainable is the channel?



15,000 lipsticks sold in five minutes - this is the scale of live shopping in China.

The lipsticks, sold on Taobao's livestreaming service by social media influencer Li Jiaqi, are just one example of the medium's extraordinary reach in China. In 2020, 7.5% of Taobao's revenues from the annual Singles' Day sales event were driven by live shopping. Everything from cosmetics to cars is sold through live platforms in China. Taobao and video-sharing apps Kuaishou and Douyin are some of the biggest players, with 50 million viewers tuning in on the latter last year to spend \$30 million on smartphones during Xiaomi's two-hour-long debut.¹

An ecosystem of protagonists has already formed around live shopping, creating a substantial, reliable market. Influencers, or KOLs (Key Opinion Leader) as they are known in China,

act as hosts, multi-channel network companies take care of production, and shopping platforms interlink streams with ecommerce functionalities.

The live shopping boom in China is, however, not without its issues. The spike in consumer adoption has led to a rush of brands wanting to exploit the channel. Consequently, brands are driving up fees of KOLs, who are generally paid a fixed sum plus a commission from sales. And, just as we have seen with sponsored posts on social media, brands can never be quite sure whether an influencer's promised reach is fully organic, or if some viewers are in fact bots.

Yet brands and retail platforms continue to invest. Chinese search giant Baidu recently acquired live streaming platform YY Live in a deal worth \$3.6 Million, and WeChat is currently testing store infrastructure that can be seamlessly integrated into its livestreams.

Playing catch up with China

It's clear retailers and brands expect the live shopping phenomena to go global, and the recent spike in adoption of live streaming due to the pandemic backs this prediction up. Active streamers on live gaming platform Twitch tripled from December 2019 to December 2020, for example,² and Instagram Live streaming in the US grew by 70% in the first month of the pandemic.³

Unsurprisingly, major players are stepping up to provide the technology necessary for live shopping and claim their share of the cake. Amazon rolled out Amazon Live⁴ in July 2020 and Instagram is implementing in-app checkout functionality to further connect shopping and live streaming.⁵ Despite this progress, the western ecosystem of live shopping platforms

remains fragmented. Brands that own their ecommerce channels tend to focus on solutions such as Sweden's Bambuser, which embeds live streaming into shops. While this cuts out third-party shopping platforms, it also upends customer expectations around livestreaming, which is typically hosted on social media.

Europe has one other potentially major obstacle to successful adoption: bandwidth. The live shopping boom in China was enabled, if not driven, by strong LTE coverage and the accelerated 5G roll-out in 2020. With users mostly staying at home during the pandemic, limited mobile bandwidth in Europe could be overlooked. It's unclear just how big the impact of 'normal' travel habits will be on the adoption of live streaming in Europe, post-pandemic.



How to win in live streaming

Category fit

CPGs must first assess whether their business model is a fit for live shopping, and which categories are suited for the channel. Some fundamental principles for success in live shopping include:

- **Storytelling** - Products must spark interest with consumers and ideally allow for a demonstration
- **Audience** - Target customer segments must align with the platform's target audience
- **Unit Economics** - Products must be priced so that a single item basket is still economical

Direct-To-Consumer (D2C) access

Established ecommerce channels or a strong D2C footprint on marketplaces is a prerequisite for setting up profitable live shopping events. CPG companies that have not yet built their D2C routes can instead partner with a retailer.

Partnerships

The choice of the right host is fundamental to success in live shopping. An internal product expert brings in the right knowledge, whereas influencers contribute reach. For both, authenticity is key. Whether the host is an expert, influencer or combination, category expertise and a talent to present products in an engaging and authentic way is crucial to maintaining a carefully crafted brand image. No cutbacks should be made when choosing implementation partners. A strong partner with extensive expertise will be able to guide initial experiments and support in scaling up efforts in case of success.

As live shopping continues to grow, brands must grapple with yet another new channel. As with all social commerce channels, success will come from a genuine dedication to the community, constant collaboration with important creators, and the courage to make mistakes.

Be an early adopter

European CPG companies that have identified a category fit should not wait for the ecosystem to develop, but instead start experimenting, testing, and learning now. The most likely players to enter this market - traditional home shopping networks - seem to have been completely left out of the equation. This not only indicates there are big opportunities for brands willing to take the leap, it proves live shopping is not just a rehashed

version of home shopping; it is the logical extension and evolution of an ongoing social commerce trend.

It's highly unlikely the European live shopping market will match pace with China's. Yet Chinese platforms are already keenly eyeing its untapped potential: for Singles' Day 2020, Alibaba unveiled a tool that translates live streams in real time from Chinese to English, Russian, Spanish and French,

as well as from English to Russian, Spanish and French. Seventy percent of merchants activated the feature on Singles' Day.⁶

The spike in live streaming during the pandemic has pointed the way for social commerce. And while there may be issues with bandwidth and other initial growing pains, live streaming is here to stay - and live shopping promises to be an integral, lucrative part of it.

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