

# China's Livestreaming e-Commerce Industry Report

2021



# Abstract



Livestreaming e-commerce brings more opportunities at the corporate-platform level than it does at the industry level. The growth factors are valued differently for different subjects at different stages. **User growth drives a marked increase of livestreaming e-commerce in the short term, while sales per customer is a driver for slow but long-term growth. Stimulating impulse purchases by upgrading the supply chain and transforming them into rational purchase to achieve consumption upgrade is the most fundamental long-run growth factor.**



The livestreaming industry ecosystem is gradually improving. In 2020, the number of livestreaming e-commerce companies and employees grew rapidly. By the end of 2020, China had a total of 8,862 registered livestreaming e-commerce companies, an increase of 360.8% over 2019. The number of KOLs (Key Opinion Leaders) continues to grow reaching 1.23 million as of the end of 2020. **The industry quickly evolved from leveraging customer traffic flow to exploiting the entire ecosystem, achieving growth through lean operation and supply chain penetration.**

**The value of service providers is remarkable.** An increasing number of players who provide segment-specific services and specialize in different categories have joined the industry. Apart from influencer livestreaming and corporate livestreaming agencies, other types of service providers are not clearly defined yet. While many service providers offer comprehensive solutions, some service providers will choose to develop different priorities in the future, and there will be leading players focusing on different industry verticals.



## Livestreaming e-commerce empowers the supply chain

1. **Production and sales: supply chain simplification.** A shortened supply chain reduces the feedback time and information gap, which helps brands tap into and acquire potential consumers. Producers quickly get feedback on the livestreaming performance of a product, and this indirectly intensifies competition in the industry. KOLs need a variety of high-quality SKUs (Stock-Keeping Units) to guarantee the frequency and attractiveness of their live videos, forcing the supply chain to respond faster and supply more new products on a frequent basis.
2. **Order fulfillment: increasing demand for warehousing and distribution integration.** Since livestreaming shopping usually generates a huge number of yet fragmented orders within a short period of time, an efficient model of integrated warehousing and distribution is needed. Preparing commodities in regional distribution centers in multiple locations based on the estimated number of orders, supported by fast turnaround and shipment, can save transshipment and distribution time. With improved digital supply chains and demand forecast accuracy, offline stores can serve as pre-warehouses, so the integrated warehousing and distribution solutions will become more common.



The size of China's livestreaming e-commerce market hit RMB 1.2 trillion in 2020, with an annual growth rate of 197.0%. It is estimated to increase at a CAGR (Compound Annual Growth Rate) of 58.3% in the next three years and exceed RMB 4.9 trillion in 2023. **Businesses get more controllable cost input and stabler sales growth through regular self-livestreaming.** Actually, corporate livestreaming has become one of the main sales channels for many brands. In 2020, corporate livestreaming turnover accounted for 32.1% of the overall livestreaming e-commerce, and its market share is expected to get close to 50.0% in 2023.

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# Rebuilding Traditional Distribution Channels via Livestreaming E-Commerce

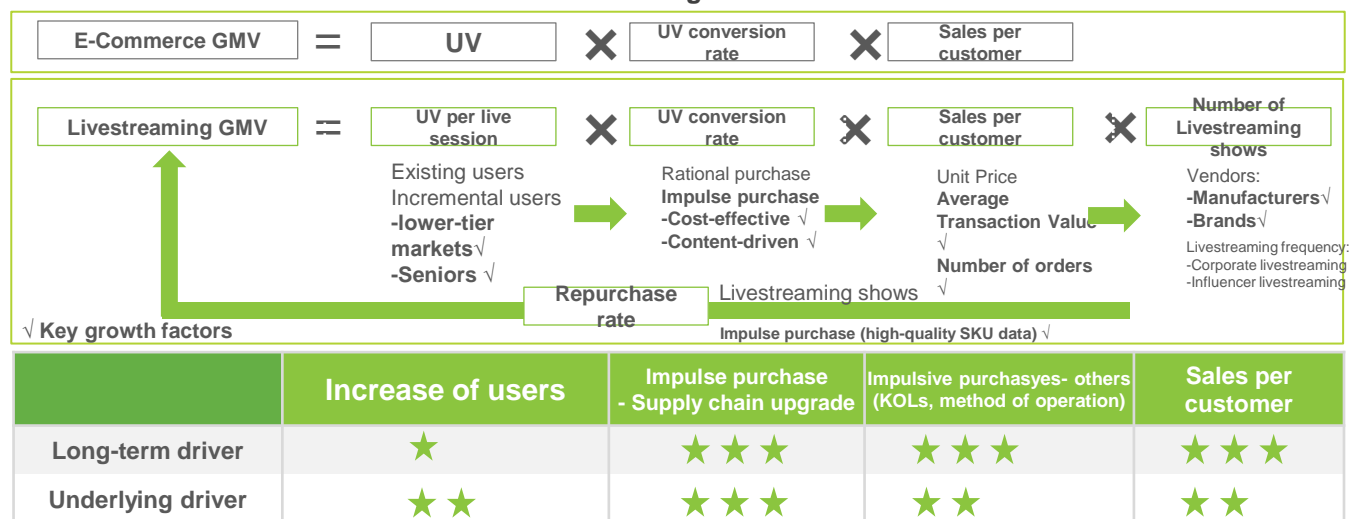
Livestreaming e-commerce is a new engine in the e-commerce industry, and supply chain reform is the driving force in the long run

The essential pillar of e-commerce growth is the increase of e-commerce penetration and per capita consumption, though the impetus of the two factors are limited. The self-generated growth of livestreaming e-commerce is mainly due to more viewers, more stock, incremental users for impulse purchase, and high average transaction value/sales per customer generated by the livestreaming bundling sales model (for example, buy two and get one free). The sales record brought about by these factors have attracted more suppliers to increase the number of livestreaming shows and more valuable product feedback. Seeing the number of live broadcasts as a result variable, we analyzed the factors for growth from the following three perspectives:

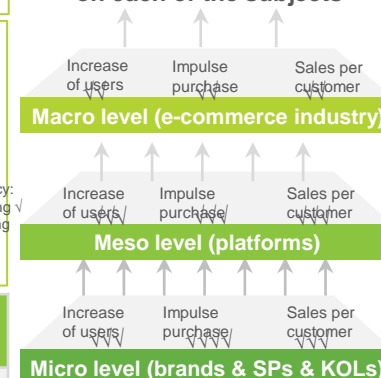
1. Macro level: The main driver at the industry level lies in the fact that livestreaming e-commerce extends to the consumers who have not been fully penetrated by traditional e-commerce, and allows incremental and existing users to transfer more consumer demand to livestreaming e-commerce. The growth of impulse purchase and sales per customer comes from the fact that supply chain reforms lead to users' willingness to pay and growth of per capita consumption.
2. Meso level: In addition to macro drivers, user base expansion may result from platforms' fight for users attention, impulse shopping, and competitions among platforms for integrated resources.
3. Micro level: There are more opportunities, for example, brands develop new users or tap into demand for new products; KOL incubation by service providers and business growth of corporate livestreaming; etc.

As a matter of fact, the ceiling of a higher level indicates the limit for existing resources competition at lower levels. Therefore, the opportunities brought by livestreaming e-commerce at the meso and micro levels are greater than those at the macro level. Theoretically, a smaller unit would benefit more from livestreaming, but the risk it bears is also higher. **The growth factors are valued differently for different subjects at different stages.** User growth drives a marked increase (of livestreaming e-commerce) in the short term, while sales per customer is a driver for slow but long-term growth. Stimulating impulse purchases by upgrading the supply chain and transforming them into rational purchase to achieve consumption upgrade is the most fundamental long-run growth factor. (to be described in details in the next chapter).

## Analysis of the existing and additional resources of China's livestreaming e-commerce at the current stage and in the future



## Impact of various drivers on each of the subjects



Source: The researches and charts were done by iResearch independently.

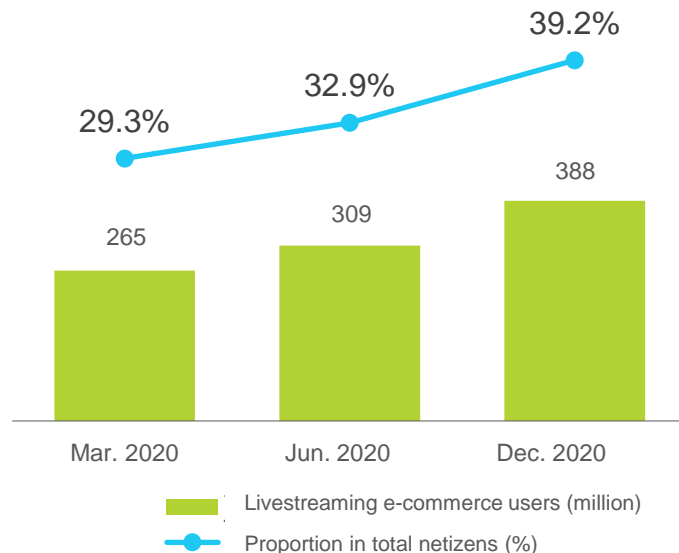
# User Penetration of Livestreaming E-Commerce

Nearly 40% of Chinese netizens are livestreaming e-commerce users and the figure is still growing

By the end of 2020, China had 617 million online livestreaming users, accounting for 62.4% of its total netizens. Among them, 388 million were livestreaming e-commerce users, 123 million more than in March of the same year, accounting for nearly 40% of the total Chinese netizens. 66.2% of these users placed orders after watching live shopping broadcasts.

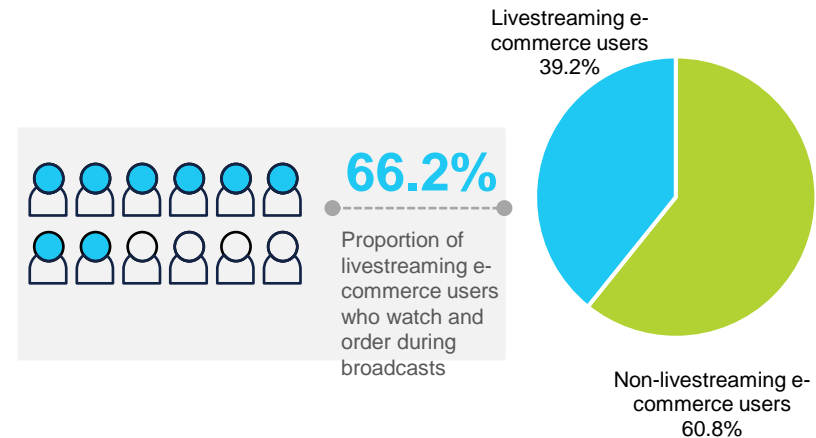
The number of Chinese netizens continues to increase. Consumers have a better understanding of the interactive, social, entertaining features of livestreaming. In addition, live shopping have provided viewers with more favourable prices, more engaging introductions, and a higher degree of trust. All these lead to users' increasing acceptance of livestreaming and livestreaming e-commerce. As a result, netizens' average time spent per day with livestreaming videos keeps growing, and more and more netizens are becoming livestreaming e-commerce users.

Number of Chinese Livestreaming E-Commerce Users from March to December 2020



Source: CNNIC. The researches and charts were done by iResearch independently.

Proportion of Livestreaming E-Commerce Users in the Total Netizens in China by the End of 2020



Source: CNNIC. The researches and charts were done by iResearch independently.

# Expansion of Livestreaming E-Commerce Businesses

The industry is quickly extending to the supply chain and operations

After a three-year development period between 2016 and 2018, the livestreaming e-commerce industry truly exploded in 2019. Livestreaming became a common method for platforms to increase users' time spent and conversion rate. The widespread adoption of livestreaming quickly resulted in a new ecosystem. The industry rapidly evolve from leveraging customer traffic flow to exploiting the entire ecosystem, in particular achieving growth through lean operation and supply chain penetration.

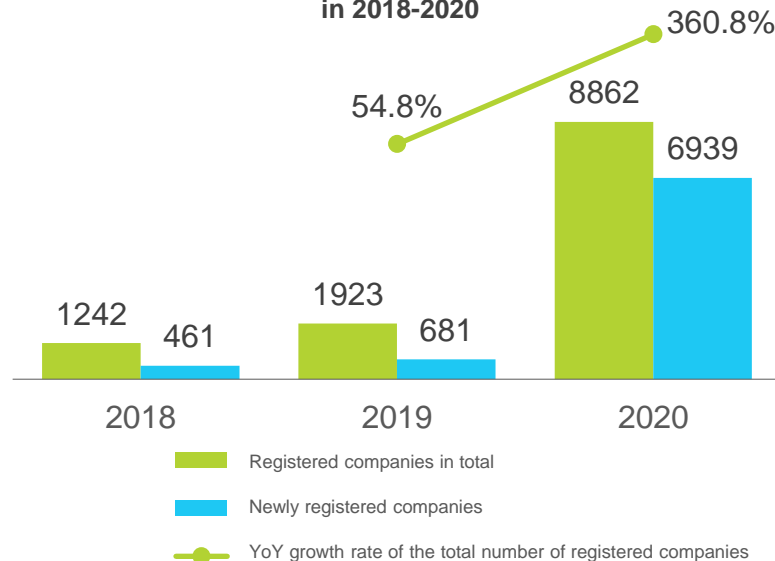
The number of livestreaming e-commerce companies and employees surged in 2020. According to data from Qichacha, by the end of 2020, China had 6,939 newly registered livestreaming e-commerce companies for a total of 8,862 companies, an increase of 360.8% in 2019-2020. According to iResearch, the number of livestreaming service agencies focusing on influencer livestreaming and corporate livestreaming was 6,528 and 573 respectively, which in total account for 80.1% of the livestreaming service agencies.

The number of KOLs\* (Key Opinion Leaders) continues to grow, reaching 1.23 million as of the end of 2020.

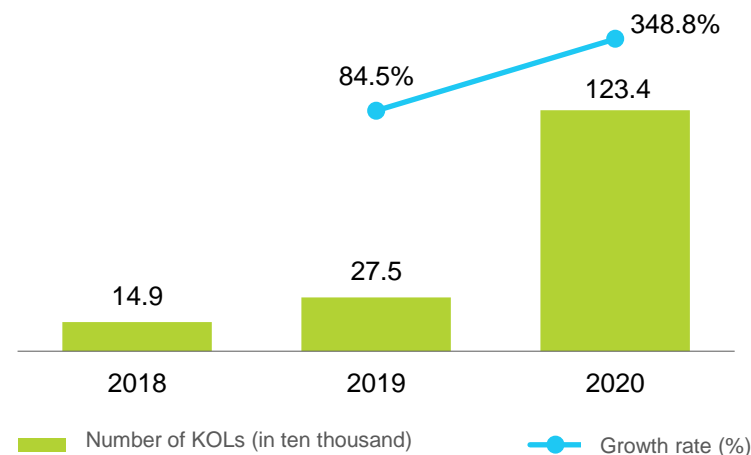
Fierce competition underlines the successful development of the ecosystem, driving the industry chain to keep generating more value, especially in supply chain and operation.

\* KOL (Key opinion leader), also known as an "influencer", is a person or organization who has expert product knowledge and influence in a respective field. They are trusted by relevant interest groups and have significant effects on consumer behavior. Applied to the Chinese livestreaming e-commerce scene, KOLs become especially powerful in the sense that their huge fan base serves as their bargaining chip when negotiating deals with brands, which in turn earns even greater trust among their followers.

**Number of Registered Livestreaming E-Commerce Companies in 2018-2020**



**Number of Chinese Livestreaming E-Commerce KOLs in 2018-2020**



Note: The number of KOLs is the sum after deduplication.  
Source: Corporate interviews, public market information, and iResearch statistical forecast model. The researches and charts were done by iResearch independently.

Source: Qichacha. The researches and charts were done by iResearch independently.

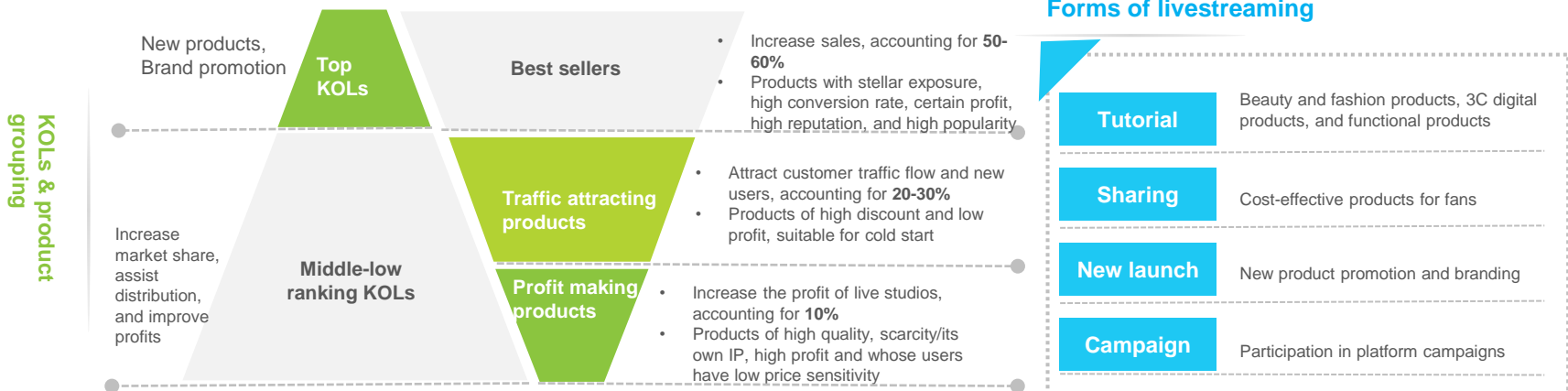
# Role of the Supply Side in Boosting Livestreaming E-Commerce

## Demand for brand diversification driving livestreaming e-commerce to differentiate

The diversity of brands drives the rapid evolution of the types, forms, and grouping models of livestreaming e-commerce. Currently, a mature set of models and patterns have been established for livestreaming e-commerce.

First of all, the types of livestreaming e-commerce can be divided into influencer livestreaming and corporate livestreaming. Businesses are paying increasing attention to self-hosted livestreaming (which means corporate livestreaming), aiming to develop stable sales channels. In 2020, on Taobao platform there were nearly 1,000 for product grouping, among which corporate livestreaming accounts for 55%. Influencer livestreaming allows for negotiation with different brands on the order of presenting products and exposure time of different products based on product category, characteristics, function/effect, and price.

### Different types of livestreaming e-commerce



Note: The proportions of traffic attracting products, best sellers and profit making products are for influencer livestreaming, and vary a little bit for corporate livestreaming.

Source: 2021 Annual Report on Taobao Livestreaming, public information. The researches and charts were done by iResearch independently.

# Role of the Supply Side in Boosting Livestreaming E-Commerce iResearch

艾瑞咨询

It has become a consensus that the supply chain should be reformed for integration and coordination of external resources, and production based on sales. The fact that sales are difficult to guarantee and that the supply chain is pseudo resilient are two pain points.

There are two major trends or conceptual changes in the supply chain which are driving livestreaming e-commerce to empower the supply chain:

- 1. Integration of external resources in the supply chain.** Supply chain reforms usually start from the internal integration of businesses and then extend to the close integration of the entire supply chain network. In a survey conducted by Shanghai DRiSCM Supply Chain Consulting Ltd. in 2019, 49% of businesses wanted end-to-end supply chain synergy across the entire industry chain in order to achieve the best outcome of cost-efficient optimization.
- 2. Rise of the C2M (Consumer-to-Manufacturer) model.** In the early stage of supply chain management, the upstream is more valued than the downstream. According to the nationwide supply chain surveys carried out in 2004 and 2012, companies paid special attention to the improvement of procurement costs and supplier management. However, in 2019, up to 57% of companies chose to take demand management as the main direction of change, and **the demand-driven pull-based supply chain was widely accepted.**

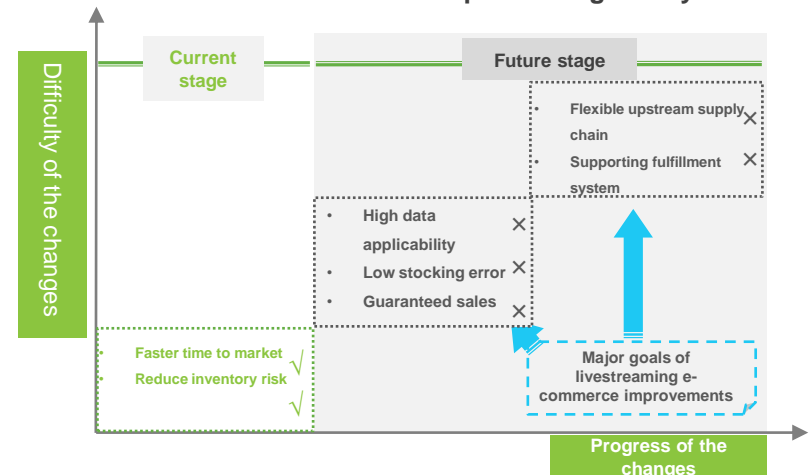
**The C2M model is still in a transitional stage. Today, C2B2M plays a major role in the C2M model, where B stands for a platform that links customer traffic flow and supply chains.** But there are still pain points in the model: 1. Demand side: It is currently impossible to pursue full customization, and demand cannot be too scattered. Although there are e-commerce giants who integrate consumer behavior data to provide sales forecasts and recommendations for factories, **factories still need to mass produce in advance in order to ensure on-time delivery & shipping.** The accuracy of such forecasts depends on the maturity of big data technology and supply chain experience, and is backed by the influence of the platforms. 2. Production side: Custom manufacturing requires the technology and ability to upgrade the flexible manufacturing lines, refine the production processes to address small batches and multiple frequency delivery, and completely change the procurement and production plans. However, few factories have improved their production lines this way because it's uneconomical. **The biggest changes imposed by livestreaming e-commerce to C2M are making demand forecasting and feedback decentralized, more accurate and faster, and realizing product endorsement as well as sales guarantee which lead to more in-depth cooperation with manufacturers** (to be described in details in the next chapter).

Companies that chose demand management as the main direction of change in 2019



Source: 2019 White Paper on Supply Chain Innovation and Transformation. The researches and charts were done by iResearch independently.

C2M e-commerce development stage analysis



Source: Public information. The researches and charts were done by iResearch independently.



# Role of the Demand side in Boosting Livestreaming E-Commerce




User behavior -making is structured, iterating the customer traffic flow distribution model of traditional e-commerce and decision

The marketing techniques incorporating infographics + short videos + livestreaming has become increasingly important. The three major platforms of Taobao, Kuaishou and Douyin continue to complement each other in the development of content formats and customer traffic rules. For Taobao, the content ecosystem becomes an important section - where the Homepage goes down, the section of I Guess You Like It moves up, and the Second Click will lead you to doom-scrolling, users' browsing of the Product Details pages is reduced, and the presentation of livestreaming and short videos is increased. Short video platforms such as Kuaishou and Douyin, however, increase the proportion of livestreaming and infographic e-commerce, continuously shorten the gap between livestreaming to platforms' shopping malls, improve search and comment functionalities, and bring the immersive experiences as well as more convenient and user-friendly path for conversion.

These kinds of changes indicate that the immersive experience of infographics + short videos + livestreaming has become a necessity to navigate online shopping. Information gathering and purchase decisions are shifted to more personalized and content-based short videos and livestreaming. In terms of decision-making, the three types of content are also quite different: users' pre-purchase cost (including access cost & decision-making cost): livestreaming < short videos < infographics; post-purchase cost: livestreaming > short videos > infographics.

## Consumers' behavior and decision-making changes

### Analysis of the structural model of online consumption from Taobao, Kuaishou, and Douyin updates

Platform	Format of content	Updates
	Infographics	Featured pictures move down, I Guess You Like It moves up, and endless browsing mode of Micro Details pages is enabled
	Livestreaming & short videos	Taobao Livestreaming moves up, livestreaming is more decentralized, and Taobao Live is upgraded to Diantao APP
	Shopping mall (Infographics)	Menu --> Settings --> Kaishou Stores Menu --> Kaishou Stores
	Livestreaming	Menu --> Find Livestreaming --> Select a KOL and go to his / her personal page Menu --> Livestreaming Plaza --> Live studios
	Shopping mall (Infographics)	Me --> Upper right menu --> Services --> Shopping assistant Me --> Douyin Mall
	Livestreaming	LIVE --> Livestreaming Plaza --> Select a live studio Livestreaming --> Live studios

### Comparison of infographics, short videos and livestreaming among Taobao, Kuaishou, and Douyin

Format of content	UV→Order conversion rate (Inversely proportional to decision cost)	Return rate (Proportional to post-purchase cost)
Infographics	≈0.5%	≈5%
Short videos	≈1.5%	≈30%
Livestreaming	≈4.3%	≈31%

Source: Expert interviews, public information. The researches and charts were done by iResearch independently.

Note: The data given in the above table are the arithmetic averages of Taobao, Kuaishou and Douyin.  
Source: Expert interviews, public information. The researches and charts were done by iResearch independently.

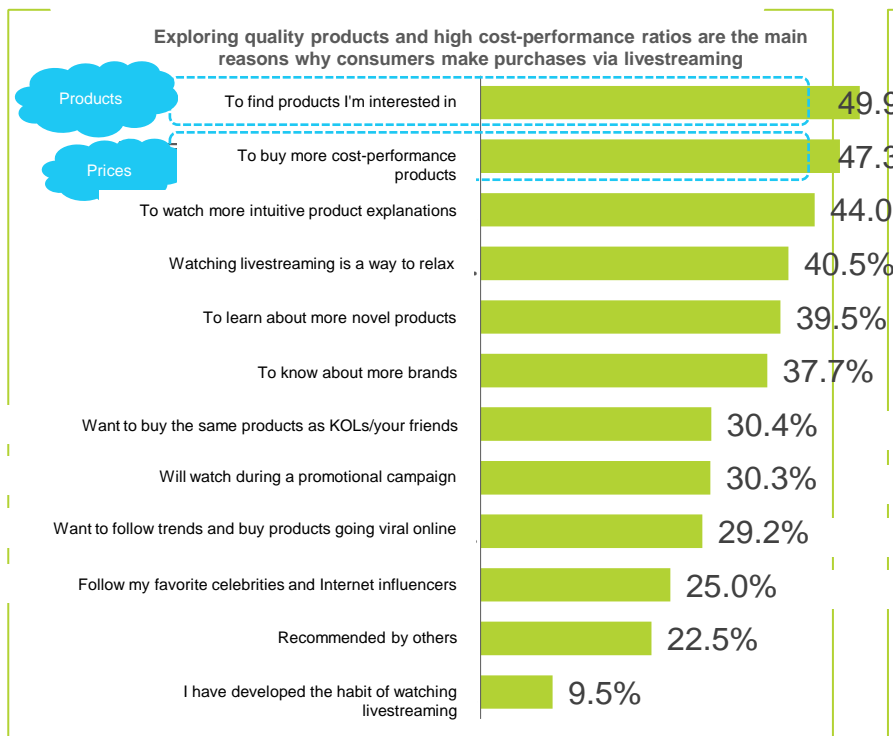
# Role of the Demand Side in Boosting Livestreaming E-Commerce

Consumers look for the ultimate price-performance ratio, driving product quality upgrades

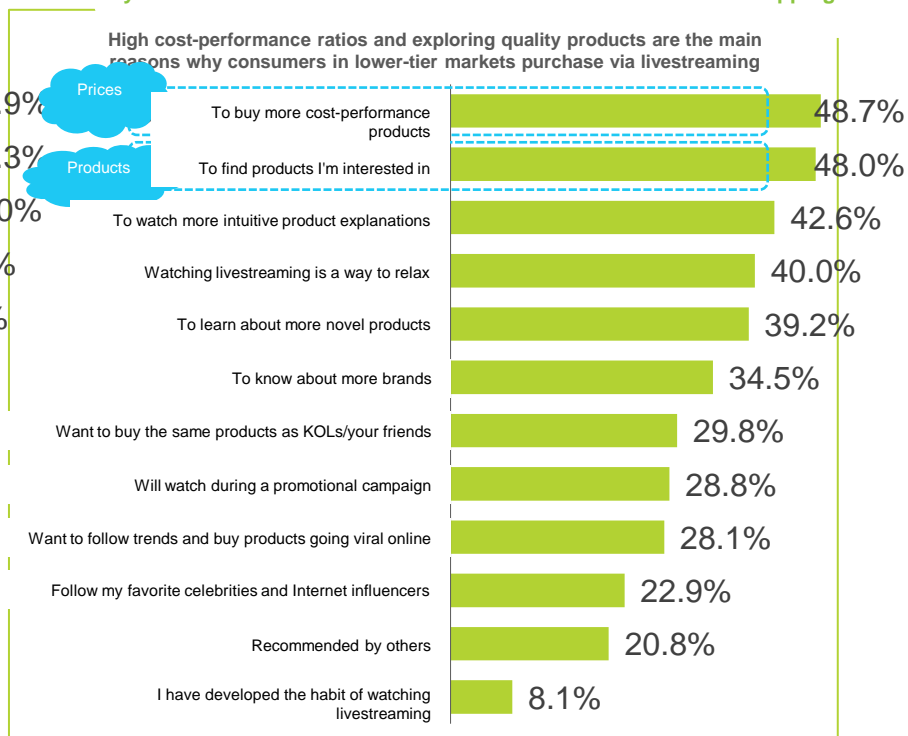
**E-commerce consumers seek the ultimate price-performance ratio, driving product quality upgrades.** From the user's perspective, product quality and prices are the key drivers for livestreaming purchase, no matter the user is from a higher-tier city or in a lower-tier market. There are a large number of price-sensitive consumers among online shoppers, and reduced premium, high quality and low prices are their common requests. This represents an incremental market for livestreaming e-commerce. The strategy of livestreaming e-commerce is shifting from low-price dumping to penetration of cost-effective products. Users have no understanding of many mature brands. In the future, the practice of livestreaming solely for the purpose of clearing inventory will lose its competitive advantage. What will really matter is cultivating users' livestreaming shopping habits and tapping into their demand. Therefore, products with high cost-effectiveness and quality-price ratio will have more growth space.

## Online shoppers' consumption decision-making changes

### Why Chinese consumers watch livestream shopping



### Why consumers in China's lower-tier markets watch livestream shopping



Source: iResearch's 2021 online shoppers survey, i-click online survey.

Note: Question - For which of the following reasons do you watch livestreaming for shopping?  
N=1044.

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Background and drivers of China's livestreaming e-commerce industry

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Case study analysis of China's livestreaming e-commerce industry

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Future trends of China's livestreaming e-commerce industry

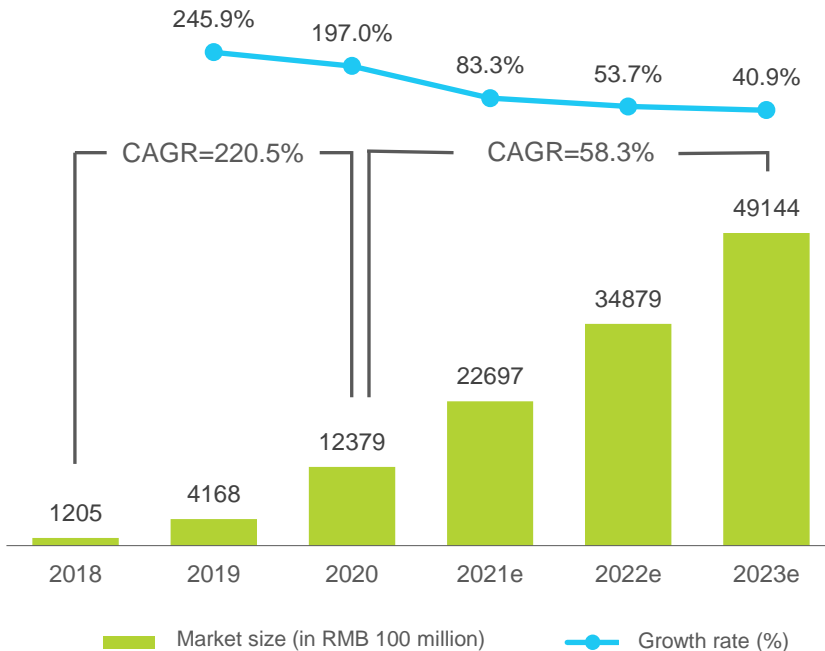
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# The Livestreaming E-Commerce Industry is Developing Rapidly

The size of China's livestreaming e-commerce market has exceeded RMB 1 trillion and is projected to boom in the future.

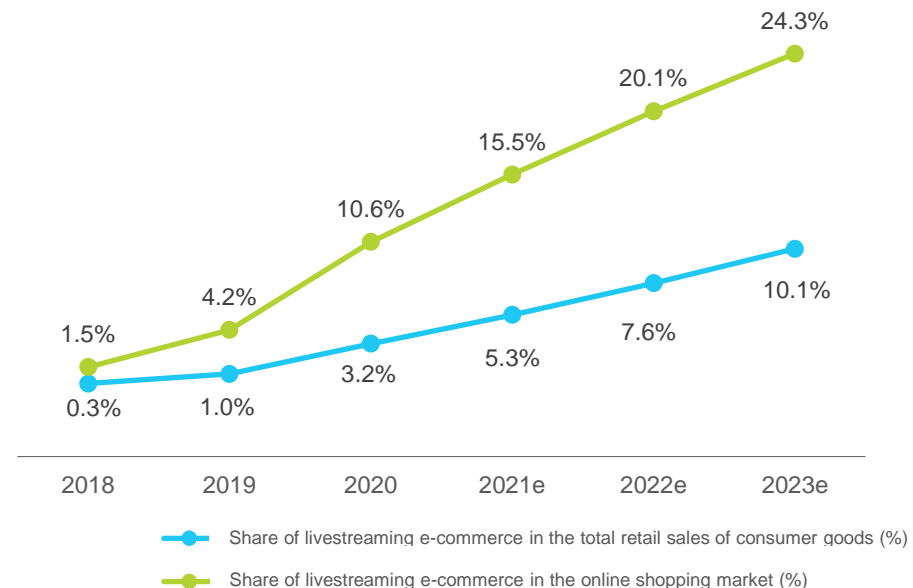
The size of China's livestreaming e-commerce market hit RMB 1.2 trillion in 2020, with an annual growth rate of 197.0%. It is estimated to grow at a Compound Annual Growth Rate (CAGR) of 58.3% in the next three years and exceed RMB 4.9 trillion in 2023. Livestreaming has become a common marketing method and sales channel in the e-commerce market. The number of users who place orders, order frequency rate, and sales per customer will keep increasing. While the number of users who place orders will increase a lot, the order frequency rate will increase by a smaller margin. Both are expected to reach saturation quickly. Increases in sales per customer will be small but is expected to continue in the long run. Livestreaming e-commerce quickly spreads in the consumer goods and online shopping markets. In 2020, livestreaming e-commerce accounts for 3.2% of the total retail sales of consumer goods, and 10.6% of the online shopping retail market. The latter is expected to reach 24.3% in 2023.

Size and Growth Rate of China's Livestreaming E-Commerce Market in 2018-2023



Source: Corporate interviews, public market information, and iResearch statistical forecast model. The researches and charts were done by iResearch independently.

Penetration of the Livestreaming E-Commerce Market in China in 2018-2023



Source: Corporate interviews, public market information, and iResearch statistical forecast model. The researches and charts were done by iResearch independently.

# Industry Map (Featuring Service Provider Classification)

Livestreaming e-commerce enters the era of lean operation, with service providers moving towards different segments or verticals

As the livestreaming e-commerce industry ecosystem continues to improve, an increasing number of players who provide segment-specific services and specialize in different categories have joined the industry. Based on their different business priorities, service providers can be divided into investment-seeking service providers, host agency service providers, training service providers, supply chain service providers, MCN agencies, industrial corridor service providers, etc. Based on their different scenarios, they can be divided into stall livestreaming service providers, village livestreaming service providers, etc. Apart from influencer livestreaming and corporate livestreaming agencies, other types of service providers are not clearly defined yet. On the one hand, many service providers offer comprehensive solutions. For example, MCN agencies may serve as both investment-seeking service providers and training service providers, as long as they obtain the necessary licenses from platforms. On the other hand, some service providers will choose to develop different priorities in the future, and there will be leading players focusing on different industry verticals (as the livestreaming e-commerce report for 2020 clearly described other major players already, here we would like to focus on the types of livestreaming service providers and representative companies).

## Map of China's livestreaming e-commerce industry



Source: Ali V Mission, Douyin website, Kuaishou website, and public information. The researches and charts were done by iResearch independently.

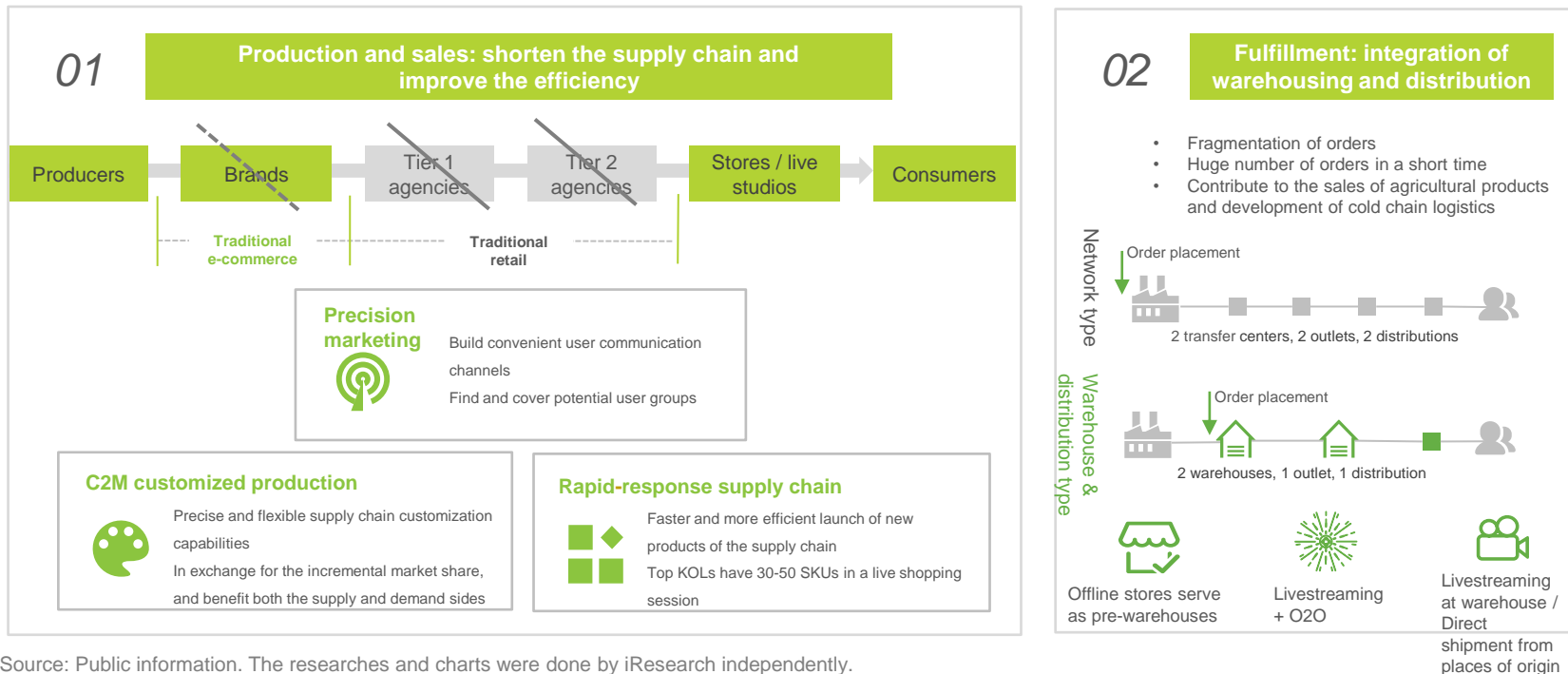
\* MCN (multi-channel network) is an organization that works with video platforms to attract new followers and provide the platform with influencers and content. They offer assistance to influencers in areas such as product selection, training, programming, funding, cross-promotion, partner management, digital rights management, monetization/sales, and/or audience development. The goal of MCNs is to grow their influence so they can get bigger and better clients to advertise with them and amass a large following for their KOLs and thus provide more value-for-money choices to consumers.

# Livestreaming E-Commerce Empowers the Supply Chain (1/2)

Livestreaming e-commerce streamlines the supply chain, and reduces information gap and feedback time

1. **Production and sales: supply chain simplification.** Livestreaming e-commerce directly connects factories and consumers without middlemen. A shortened supply chain reduces the feedback time and information gap, which helps brands tap into and acquire potential consumers. Producers quickly get feedback on the livestreaming performance of a product, and this indirectly intensifies competition in the industry. KOLs need a variety of high-quality SKUs (Stock-Keeping Units) to guarantee the frequency and attractiveness of their live videos, forcing the supply chain to respond faster and supply more new products on a frequent basis.
2. **Order fulfillment: increasing demand for warehousing and distribution integration.** Since livestreaming shopping usually generates a huge number of yet fragmented orders within a short period of time, an efficient model of integrated warehousing and distribution is needed. Preparing commodities in regional distribution centers in multiple locations based on the estimated number of orders, supported by fast turnaround and shipment, can save transshipment and distribution time. With improved digital supply chains and demand forecast accuracy, offline stores can serve as pre-warehouses, so the integrated warehousing and distribution solutions will become more common. The increase in order placements for fresh products from livestreaming drives the development of cold chain logistics. More live studios and warehouses have been established in the places of origin to ensure product quality.

## Livestreaming e-Commerce Is Changing the Supply Chain



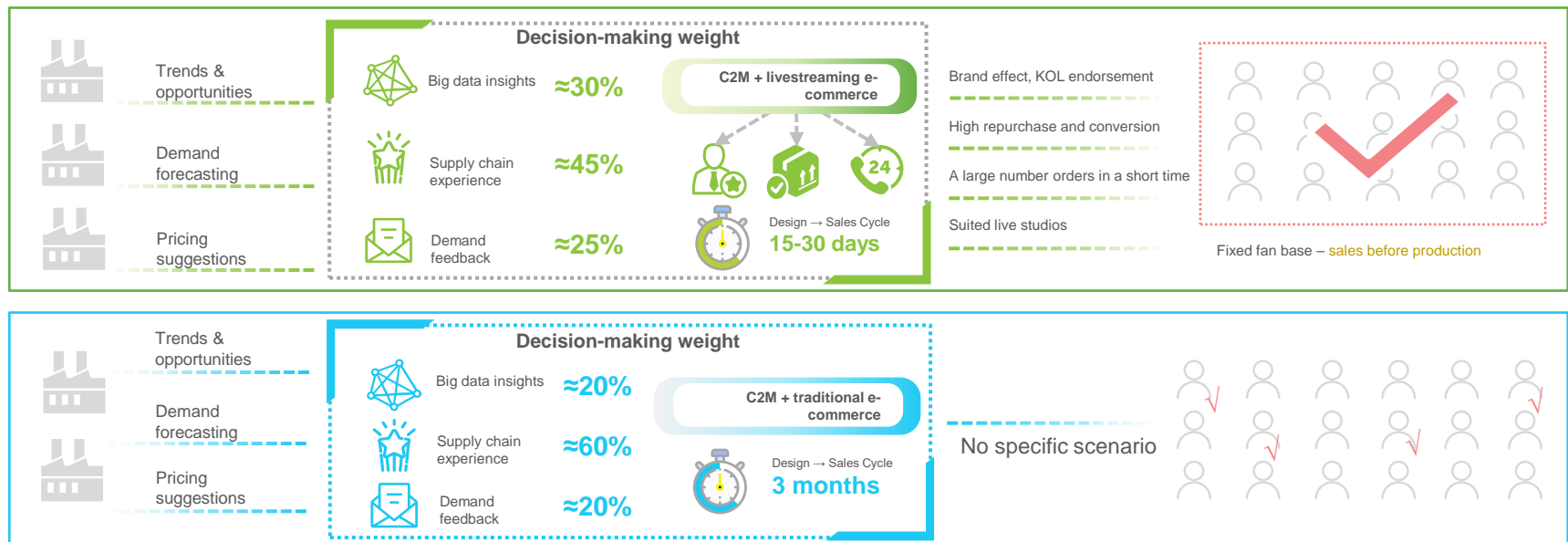
Source: Public information. The researches and charts were done by iResearch independently.

# Livestreaming E-Commerce Empowers the Supply Chain (2/2)

Enable in-depth cooperation and win-win situations through a more reliable, accurate and stabler demand-driven feedback system

- Faster, more accurate and reliable 'front-end' consumer insights.** As for the front end, C2M mostly builds upon big data insights + experience + feedback on customer demand to predict trends and opportunities. Livestreaming e-commerce, however, generates data on a large scale within a short period, **significantly shortening the data collection and analysis cycle** (12-14 hours). **The data offers stronger availability and conclusiveness** (for example, production will be stopped in time when the sales volume of a live studio is not satisfactory). In addition, the extensive product selection experiences of KOLs and their operations team, and collection and feedback of user needs in the live studios can be leveraged to more flexibly and accurately control the matching of R&D & design and production & sales.
- The huge and stable demand allows for the model of selling product before it exists.** Livestreaming e-commerce provides the best possible scene, especially for the best sellers, because in the live studios are KOLs serving as trusted endorsements, who have a fixed fan base with high repurchase and conversion leading to a large number of orders in a short time. Given sales guarantee, the order quantity and schedule can be fed back to the upstream prior to livestreaming, though users have not placed orders yet. Manufacturers create products on demand, and at the same time reduce production costs owing to intensive orders and bargaining with raw materials suppliers. This way, they can minimize inventory risks and increase profits.
- Long-term, more in-depth partnerships with the upstream help form a positive cycle of on-demand production and a win-win situation for the three parties.** Livestreaming e-commerce provides faster, more reliable, accurate, and stabler feedback on customer demand, while KOLs are supported by an efficient team that assist brand owners with order fulfilment and after-sales follow-ups. On the other hand, KOLs, with strong bargaining power and through understanding of cost structure, are able to make more reasonable pricing adjustments. Consumers enjoy cost-effective products, and factories have a reasonable profit margin - both sides of supply and demand benefit from it. As a result, livestreaming e-commerce operators and upstream manufacturers will have even closer cooperation between each other.

## "C2M + livestreaming e-commerce" VS "C2M + traditional e-commerce"

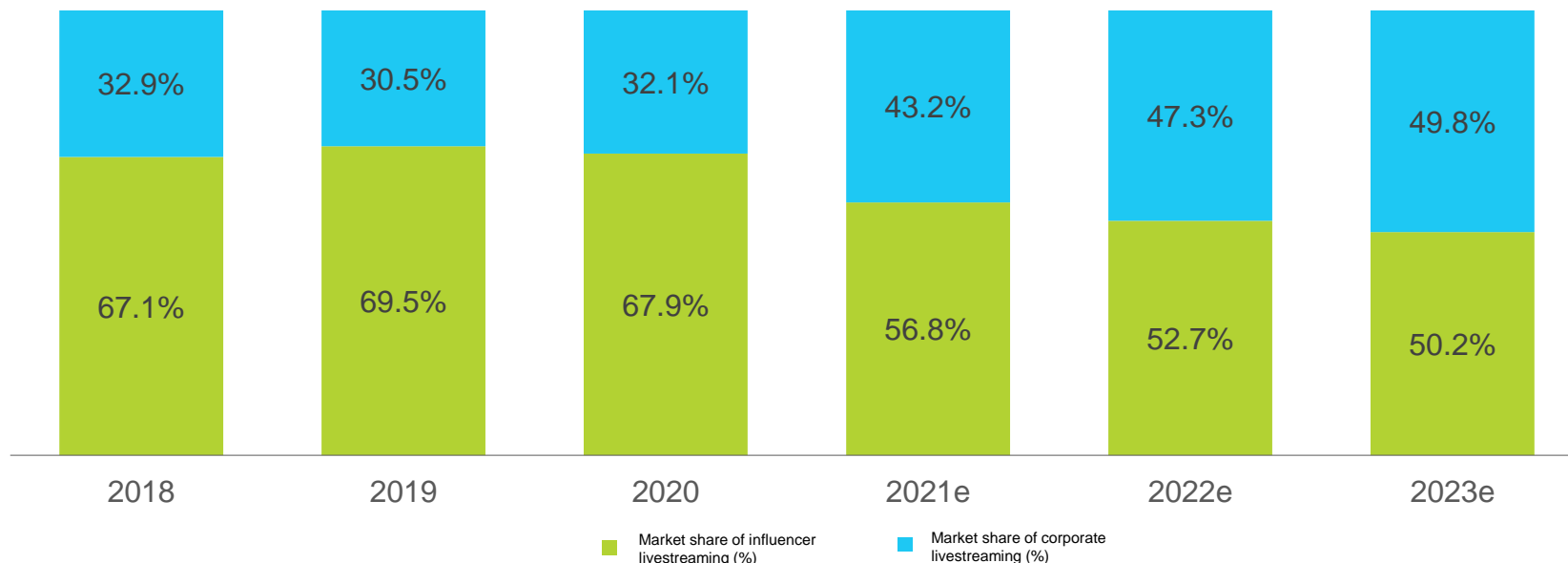


Source: Public information. The researches and charts were done by iResearch independently.

Corporate livestreaming represents a new trend, and its transaction volume accounted for more than 30% of the total in 2020

As one of the two main forms of livestreaming e-commerce, influencer livestreaming was adopted by businesses early due to its professionalism, high traffic, and high conversion rate, bringing a lot of customer flow for brands and increasing sales in a short period of time. However, this type of customer traffic generated over a short period largely depends on the KOLs, 's and such sales performance is a short-term improvement. Since 2019, more and more businesses have adopted corporate livestreaming. They provide specific services through instant interaction with consumers to help them make purchase decisions and in return gain customer loyalty to their brands. Businesses get more cost control input and stabler sales growth through regular corporate livestreaming. Actually, corporate livestreaming has become one of the main sales methods for many brands. In 2020, corporate livestreaming turnover accounted for 32.1% of the overall livestreaming e-commerce, and its share is expected to get close to 50.0% in 2023.

**Market share of corporate livestreaming and influencer livestreaming in China in 2018-2023**



Source: Corporate interviews, public market information, and iResearch statistical forecast model. The researches and charts were done by iResearch independently.








The main difference lies in the cooperation model with brands, with increasing fragmentation and competition in both markets

Influencer livestreaming features a strong 'IP' attribute, mixed livestreaming focusing on KOLs, and cooperation between businesses and KOLs on a single show basis. In the corporate livestreaming model, however, businesses and host livestreaming service agencies cooperate on a long-term basis, and corporate accounts are operated for regular livestreaming throughout the year. For long-term cooperation, only a commission fee is charged in corporate livestreaming, and its ROI is generally slightly higher than that of influencer livestreaming. Due to different audiences, KOLs of influencer livestreaming have a strong 'IP' attribute, leading to higher conversion and returns compared to corporate livestreaming.

Both markets are relatively fragmented in terms of competition, but barriers to top-level livestreaming e-commerce are being formed, and the competition is becoming increasingly fierce. Each of the top 20 MCNs has at least one KOL with annual sales of over RMB 1 billion, which determines their negotiation power.

## Corporate Livestreaming versus Influencer Livestreaming

	Influencer livestreaming	Corporate livestreaming
 <b>ROI</b>	<p>Generally slightly lower than that of corporate livestreaming</p> <ul style="list-style-type: none"> <li>High appearance fee</li> <li>Low commission fee</li> </ul>	<p>Generally slightly higher than that of influencer livestreaming</p> <ul style="list-style-type: none"> <li>Low service fee</li> <li>High commission fee</li> </ul>
<p><u>Cooperation Model</u></p>  <b>Differentiators</b>	<p>Short term and low frequency of cooperation. Influencer livestreaming charges appearance fees + sales commission on a single show basis, and whether to include guarantee of sales, as well as product presentation time and sequence of livestreaming vary in different circumstances.</p> <ul style="list-style-type: none"> <li>Strong IP</li> <li>High conversion</li> <li>High return rate</li> </ul>	<p>Quarterly / semi-annual / annual cooperation, and high-frequency livestreaming throughout the year. It involves annual operation plan, and in-depth communication and cooperation as well.</p> <ul style="list-style-type: none"> <li>In-store consumers</li> <li>Low conversion</li> <li>Low return rate</li> </ul>
<p><u>Profit model</u></p>	<p>Appearance fee + sales commission are collected on a single show basis, and the general charge is higher than that of corporate livestreaming</p>	<p>① Fixed service fee + sales commission are charged on a single show basis ② Charged by hours</p> <p>Generally lower than that of influencer livestreaming per show</p>
 <b>Current competition landscape</b>	 <p>CR5~10%</p> <ul style="list-style-type: none"> <li>Influencer livestreaming CR5 is slightly higher than that of corporate livestreaming, but both markets are relatively fragmented</li> <li>It is too late to enter join the game at this stage, and most leading agencies have at least one top KOL with annual sales &gt; RMB 1 billion</li> </ul>	 <p>CR5~9%</p> <ul style="list-style-type: none"> <li>Influencer livestreaming CR5 is slightly higher than that of corporate livestreaming, but both markets are relatively fragmented</li> <li>In 2020H2 - 2021H1, many MCN agencies extended their business into corporate livestreaming, resulting in fierce competitions. Now the market sees both pricing and profitability going lower and lower.</li> </ul>

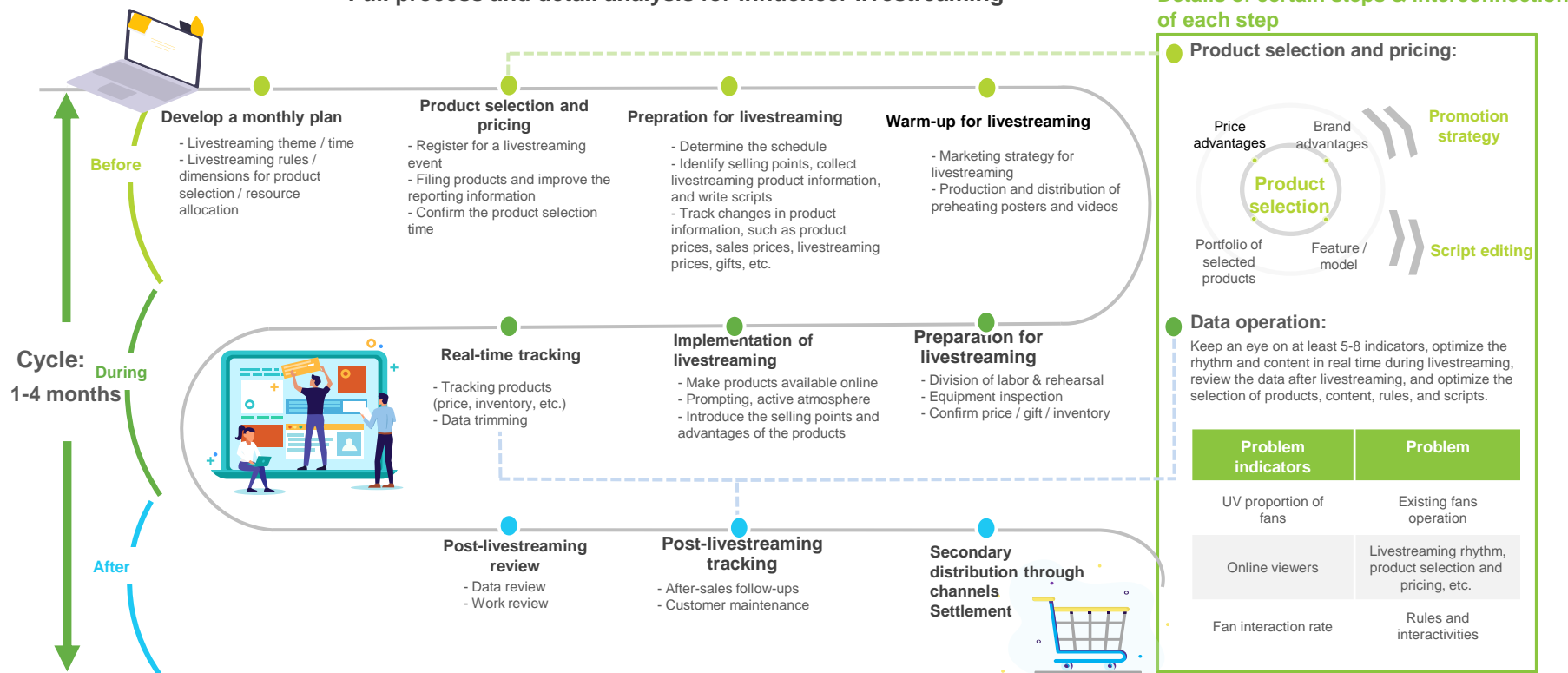
Notes: 1. ROI (return on investment) = livestreaming turnover / total investment in livestreaming agencies; 2. CR5 = sum of the turnovers of top five agencies of influencer livestreaming or corporate livestreaming / overall turnover of the entire influencer livestreaming or corporate livestreaming industry.  
Source: Expert interviews. The researches and charts were done by iResearch independently.

## Service Provider Analysis - Basic Chain for Selling Products via Livestreaming

All the steps are important with many details interlocking each other, and lean operation is the key

The simplified livestreaming process includes investment seeking and product selection - strategy development - go-live - review. This process features low barriers but involves multiple details that are interlocked. Therefore, detail control and lean operation are fundamental; for example, user trust and MCNs' pool of products both matter to product selection. The key points are the professionalism of the team and in-depth understanding and analysis of prices, brands, categories and styles. In addition, grouping together traffic-attracting products, best-sellers, products with high profit margins and regular products will directly affect the subsequent promotion strategy, scriptwriting and livestreaming performance.

### Full process and detail analysis for influencer livestreaming



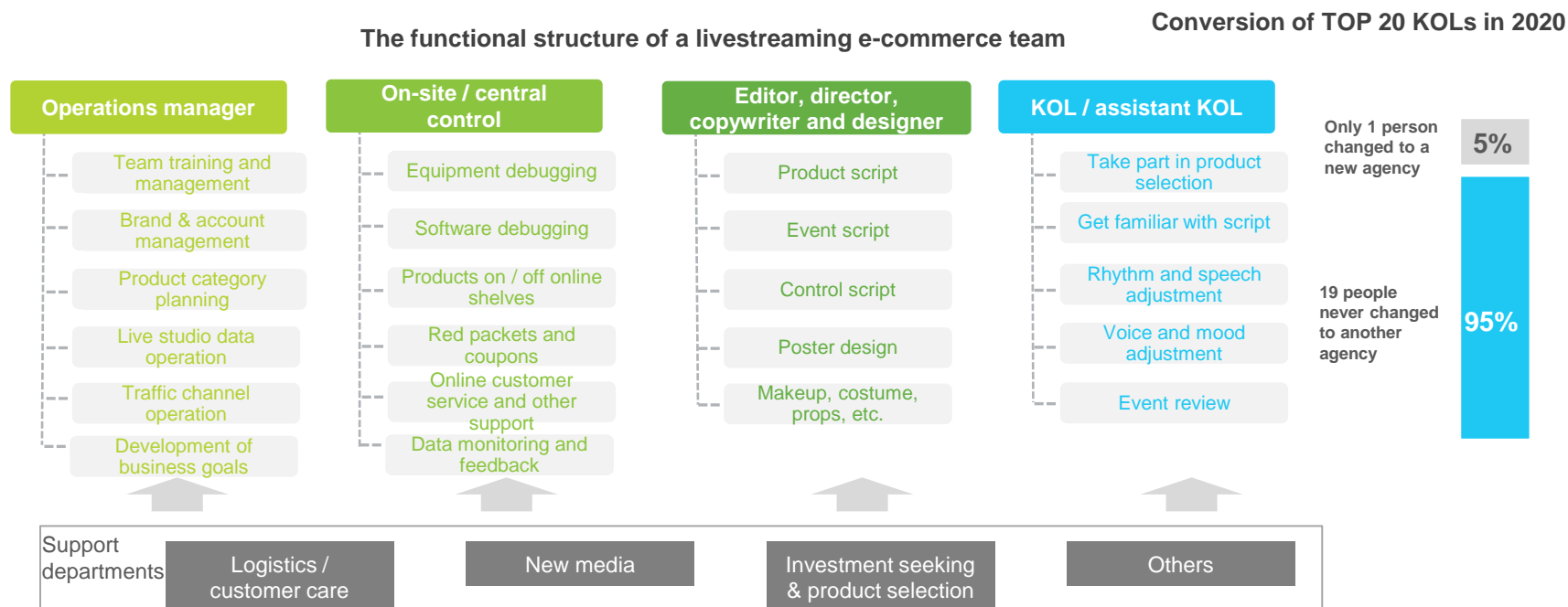
Source: Public information. The researches and charts were done by iResearch independently.

## Service Provider Analysis - Division of Labor within a Livestreaming E-Commerce Team

The industry lacks experienced and talented people. It relies on operations in the early stage and KOLs in the later stage. The conversion rate of top KOLs is extremely low.

A livestreaming e-commerce KOL needs a team to assist him or her, which can take care of product operation, content edition/direction, and central/on-site control, and together with the support departments such as investment seeking and product selection, data operation, new media, and public relations. As the industry continues to evolve, the team members are required to be more professional. Top operators and traffic planners with 3-5 years of experience are rare. At a KOL account's early stage of development, it is important to have people experienced in pre-livestreaming operation and traffic procurement, as there is the need to trigger livestreaming content, build KOLs' public persona, products grouping and traffic conversion, all from scratch. At a later stage, however, operational staff play a declining role, while KOLs become the team's core.

Because KOLs need team support, the leading KOLs show a strong bond to his or her team. Plus, some KOLs themselves are founders of MCNs agencies or hold certain shares of agencies. It would unlikely happen that leading KOLs switch to a different MCN.



Source: Public information. The researches and charts were done by iResearch independently.

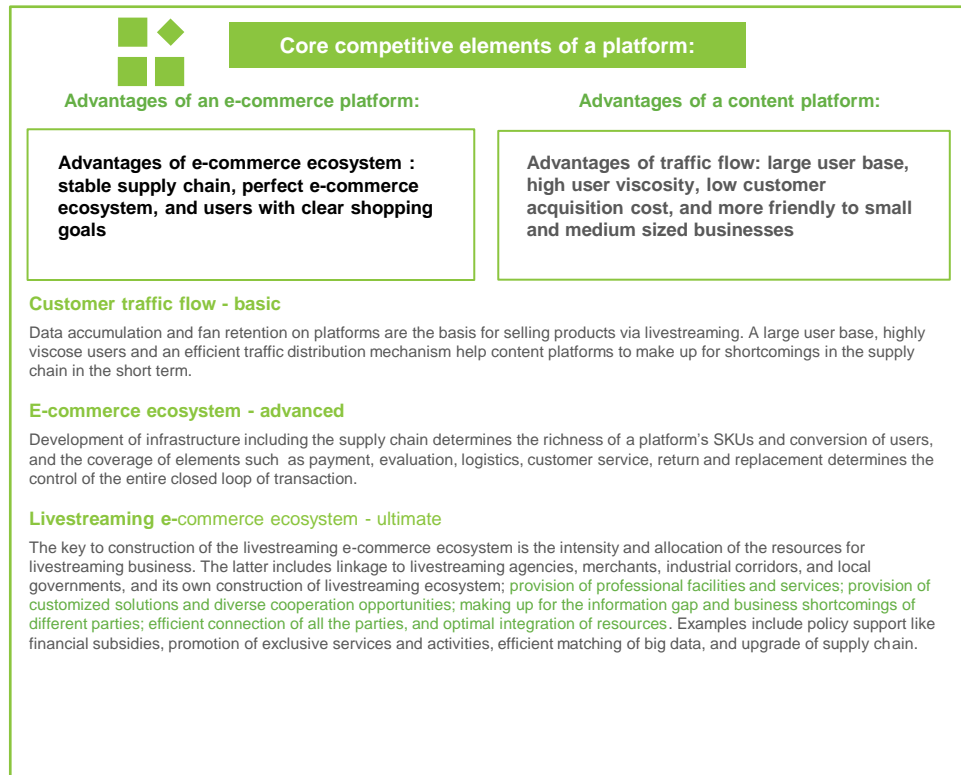
# Analysis of the Core Competitive Elements

Supply chain management capabilities have become a core competitive element of livestreaming service agencies

Most content platforms have been able to form a closed loop ecosystem. The key to competition among these platforms is the development of a livestreaming e-commerce ecosystem, which not only provides the best connection and integration for all parties in the industry chain, but also empowers them to move further in a bid for industry chain reform.

And for the MCN platforms, supply chain management capabilities have become a core competitive element. Especially for agencies with a strong array of KOLs, product selection and supply chain aggregation capabilities ensure the supply of products and brand effect of KOLs. Furthermore, empowerment and control of the entire process from upstream design, production and circulation has become the next growth point of value-added services in the supply chain.

## Analysis of the core competitive elements of all parties involved



Source: The researches and charts were done by iResearch independently.

Background and drivers of China's livestreaming e-commerce industry

1

Analysis of the development status of China's livestreaming e-commerce industry

2

Case study analysis of China's livestreaming e-commerce industry

3

Future trends of China's livestreaming e-commerce industry

4

# Kuaishou & Douyin - E-Commerce Ecosystem Maturity Research

艾瑞咨询

Building a complete e-commerce ecosystem, with new brands and KOLs growing rapidly

Kuaishou and Douyin have facilitated the rapid maturity of the ecosystem by a series of measures, including leveraging various traffic tools, providing support policies, building livestreaming sites, and acquiring payment licenses. They have basically built up a closed loop ecosystem where businesses, users, service providers, and KOLs can interact and partner with each other. Kuaishou started e-commerce earlier, which is based on the development of places of origin, with KOLs penetrating deeper into the supply chain. Third-party brands account for a relatively large proportion of Douyin, and they pay more attention to the marketing role that the platform plays. 2020 saw a rapidly growing proportion of transactions on Kuaishou and Douyin platforms. Meanwhile, both platforms provided significant support for brand self-livestreaming, and today such transactions account for nearly 30%.

## Kuaishou and Douyin e-commerce ecosystem building



快手

- Its large-scale development of livestreaming e-commerce started in 2018
- Closer to the source of supply chain; KOLs' own brands / sources account for a relatively high proportion, and the business development of places of origin is more mature
- Focus on private traffic with high fan viscosity

Proportion of corporate livestreaming GMV



≈30%  
As of 2021H1



抖音

- Its large-scale development of livestreaming e-commerce started in 2019
- Third-party brands account for a relatively large proportion, and they are more inclined to use the platform's public traffic to increase brand awareness in the process of selling products via livestreaming
- Focus on public domain traffic, and high uncertainty with placement

Proportion of corporate livestreaming GMV



≈30%  
As of 2021H1

**Magnetic Engine:** Help businesses with their marketing plans, ad. production and placement, etc., and help brands with customer reach.

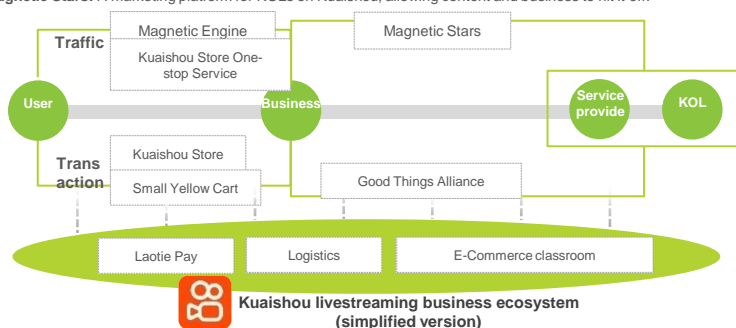
**Kuaishou Store One stop service:** Commercialize advertising products to help e-commerce businesses gain fans and increase product visits.

**Kuaishou Store:** A merchandise sales platform for businesses or high-quality users who can convert their own traffic into revenue.

**Small Yellow Cart:** Selectively display the products in the business' Kuaishou Store, and will be displayed as a shopping cart symbol during livestreaming.

**Good Things Alliance:** A distribution platform linking KOLs and businesses, providing KOLs with supply of high-quality products.

**Magnetic Stars:** A marketing platform for KOLs on Kuaishou, allowing content and business to hit it off.



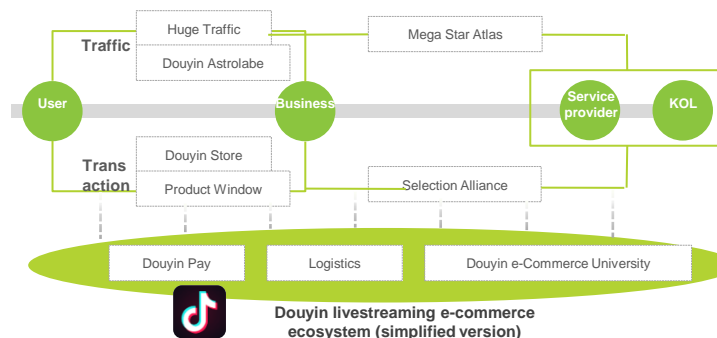
**Douyin Store:** Businesses open their stores and provide transaction scenarios/platform.

**Huge Traffic:** Integrate all the traffic tools and provide integrated e-commerce advertising solutions.

**Product Window:** with links to the Selection Alliance or Douyin Store, the shopping cart will be displayed during the livestreaming.

**Selection Alliance:** Businesses enable Selection Alliance and set commission fees, for KOLs to sell during their livestreaming.

**Mega Star Atlas:** A service platform for brand owners, MCN companies and celebrities / KOLs to conduct content transactions.



Source: Kuaishou e-commerce website, Douyin e-commerce website, Kaiyuan Securities, and public information. The researches and charts were done by iResearch independently.



# Kuaishou & Douyin - Policy Differences

Kuaishou distributes traffic inclusively based on trust relationship, and Douyin emphasizes the algorithm for relevant recommendations

The core difference between Kuaishou and Douyin is in underlying values and starting points. Kuaishou attaches great importance to the conversion of private traffic and trust relationships, and values the principle of fair and inclusive traffic distribution. Douyin, however, pays more attention to matching high-quality content with users interest tags. Kuaishou, which emphasizes the relationship chain, provides top KOLs with more concentrated and fixed traffic while enabling the middle-low ranking KOLs and their content to get a fairer exposure opportunity through a more balanced distribution algorithm. The traffic concentration of KOLs or corporate accounts is lower on Douyin, and there is no limited traffic distribution, but it is crucial to output high-quality content to get continuous attention from users.

Although both Kuaishou and Douyin regard brand owners as their key targets, Kuaishou's fair and inclusive traffic distribution principle is more conducive to the development of small and medium-sized brands and white-labels products, while Douyin focuses on self-livestreaming of brands. Kuaishou and Douyin have developed precise requirements for service providers, KOL qualifications, and team size. Kuaishou has relatively low access barriers for GMV and successful cases, but stricter thresholds for the incentives to service providers' rights and interests, along with higher corresponding rebates. Douyin, however, sets lower thresholds for new businesses and GMV growth of existing businesses, aiming to cover more service providers.

## Policy analysis of Kuaishou and Douyin platforms

	 快手	 抖音
<b>Incentive system for service providers</b>	<p><b>Paying more attention to the GMV level and service upgrade of businesses</b>, offering higher rebates for high-volume service providers, and adjusting the rebates by business satisfaction</p> <p><i>0.8% and 1.0% rebates are provided based on the overall GMV RMB of 10 and 50 million, respectively. For the service providers who acquire "500,000 new merchants" in one month, a maximum of 4% rebate in the next 6 months will be provided</i></p>	<p><b>Focusing on market expansion and GMV growth</b>, with incentive policies focused on covering more businesses</p> <p><i>Based on the growth of GMV, depending on the existing service providers and new service providers, and give the former a cash rebate of 6% of the actual sales growth and the latter 3% of the GMV</i> Rigid standard: the rating score is no less than 4.4</p>
<b>Traffic distribution to brands</b>	<ul style="list-style-type: none"> <li>ROI-driven; <b>the profit margin is stable for new brands</b></li> <li>Recruiting top brand owners, while focusing on supporting middle-ranking KOLs and businesses</li> <li><b>The traffic distribution to the top (KOLs or brands) is fixed</b>, but at the same time, the decentralized recommendation algorithm is applied to content distribution, which is mainly two-column display, and with a lower traffic price.</li> </ul>	<ul style="list-style-type: none"> <li>*GPM-driven; it is necessary to pay attention to multiple indicators such as view counts so as to trigger natural traffic, <b>which is of greater uncertainty for new brands, but the branding effect will be higher in the future</b></li> <li>Focusing on brand owners and KA (Key Account) customers</li> <li><b>There is no limit to the traffic distribution</b>, but the content quality and video feedback are more valued. The exposure to long tail content is less and the traffic price is higher.</li> </ul>

\* GPM = sales generated per thousand plays.

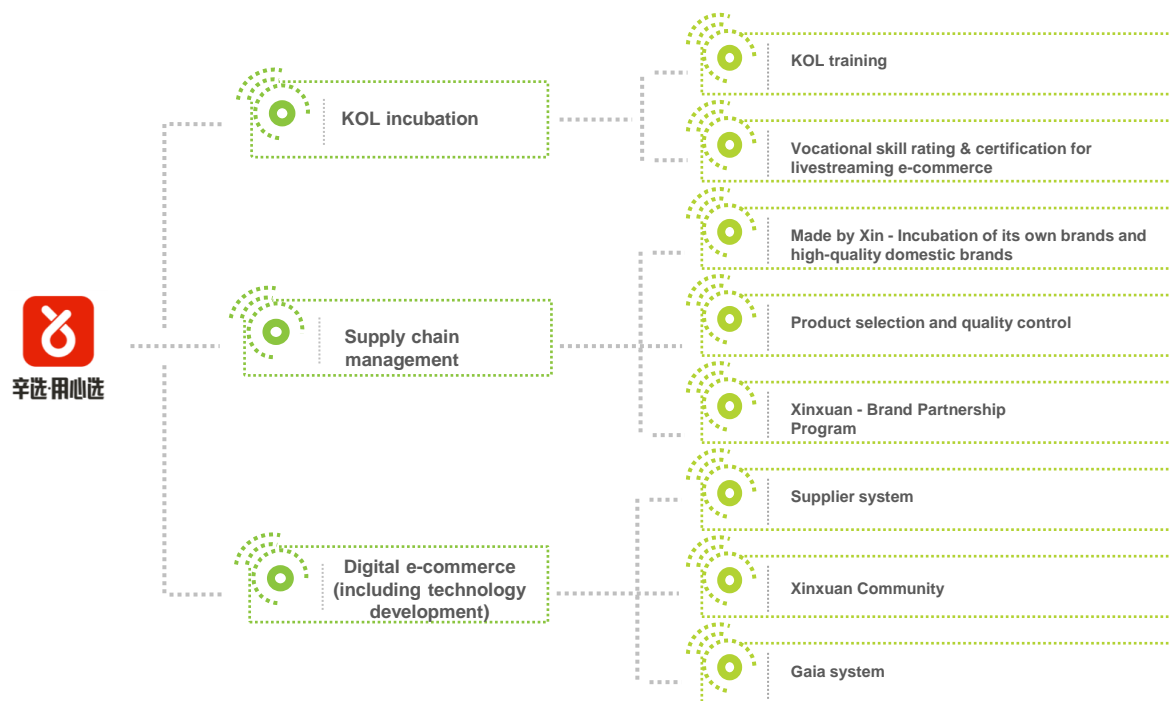
Source: Expert interview, and Kuaishou website. The researches and charts were done by iResearch independently.

# Xinxuan Group (1/5)

Xinxuan Group - a digital retail enterprise with supply chain at its core


**Founded in 2017, Xinxuan Group is a new retail enterprise of livestreaming e-commerce focusing on the KOL economy, with supply chain at its core.** Xinxuan is committed to building a leading e-commerce supply chain system that links global brands, factories and industrial corridors, and currently build three business segments, i.e., supply chain management + KOL incubation + digital e-commerce (including technology development). **Xinxuan penetrates multiple parts in the industry chain, and integrates as a supply chain service agency, an MCN agency, and a digital retail company. It is a prime example of a leading integrated business in the industry.**

## Business Segments of Xinxuan Group



 **6000W+**  
Xinxuan users

 **5W+**  
Core SKUs

 **5000+**  
Brand partnerships

Source: Xinxuan Group. The researches and charts were done by iResearch independently.



# Xinxuan Group (2/5)

Meet the needs of the upstream supply chain for upgrading, and tap into the needs of new mainstream consumers

**Back in the early days, Xinxuan realized that the value of livestreaming should not lie in promotion and sales only, and that a livestreaming agency should regard supply chain upgrading as its core and the most long-term competencies.** Supply chain management is the core business of Xinxuan Group. In this regard, Xinxuan is committed to integrating top supply chain resources, linking upstream and downstream industries, driving the "Selected by Xin" and "Made by Xin" development initiatives, helping brands develop products that are truly suitable for users, and generate considerable orders while controlling costs.

For downstream users, on the one hand, in the early days of short video e-commerce, Xinxuan covered many non-traditional e-commerce users; and on the other hand, it removed the unnecessary brand premiums and stimulated users in lower-tier markets to consume mid-to-high-end brands and other high-quality products. Since 2020, Xinxuan has partnered with multiple high quality brands with their sales record exceeding RMB 100 million and high sales per customer. And, Xinxuan's consumer base is also expanding from low-tier markets to top-tier cities.

## Analysis of Xinxuan Group's supply chain business sections



## Brands that Xinxuan Group partners with whose sales exceed RMB 100 million



Source: Xinxuan Group. The researches and charts were done by iResearch independently.

# Xinxuan Group (3/5)

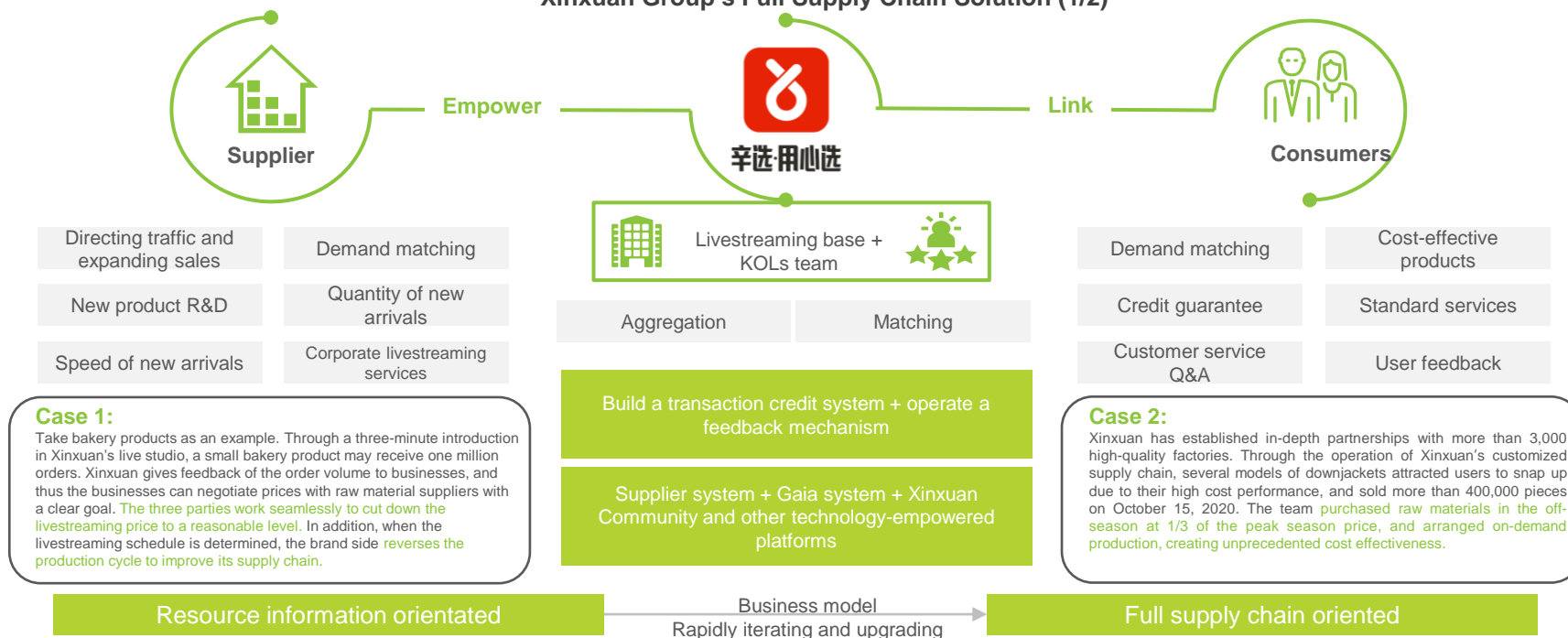
## Deepen partnerships, step into the era of full-service marketing 3.0, and provide full-chain solutions

Xinxuan Group has moved from the era of livestreaming 2.0 to **full-service marketing 3.0**, where the full-case thinking and ecosystem thinking are much more prominent. It has also penetrated from the sales end to the upstream and downstream of supply chain.

Xinxuan Group builds upon large-scale stable customer demand and feeds back the upstream supply chain with authentic user profiling and market demands. The specific measures taken are as follows: 1) Accelerating the new arrivals, and improving their quantity accuracy and scale across supply chains, to reduce inventory risks and market prediction costs; 2) Helping brand owners tap into the user groups that have not been covered; 3) Efficiently linking and matching products and KOLs by building livestreaming sites; and 4) using C2M to intervene in design and production in the upstream supply chain, providing consumers with the most cost-effective products, and enabling brands to grow on a long-term basis.

Xinxuan also shows the attribute of "systematization" – registration of suppliers and the following processes are carried out intelligently via digital systems, thus empowering more brand owners.

### Xinxuan Group's Full Supply Chain Solution (1/2)



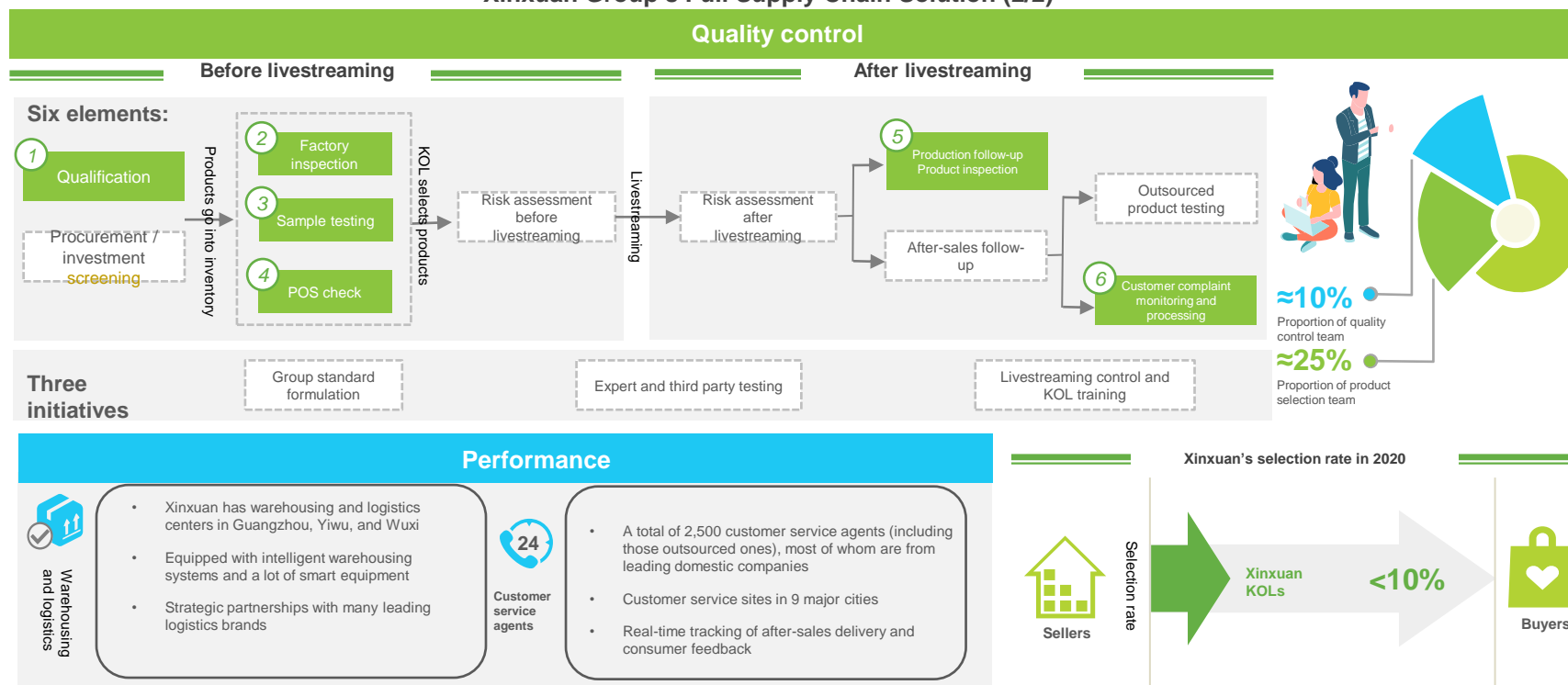
Source: Public information. The researches and charts were done by iResearch independently.

# Xinxuan Group (4/5)

Complete the upgrade planning and implementation of Quality Control 2.0, and build a professional customer service + warehouse and distribution center

As a top livestreaming agency in the industry, Xinxuan maintains a professional team of 1,000 people responsible for product selection and quality control, and its quality control system has been upgraded and optimized, involving "six key elements" and "three major initiatives." The "six key elements" strictly control product quality, including qualification, factory inspection, sample testing, point-of-sale check, production tracking, and customer service. The "three major initiatives" specifically include expert and third-party testing, livestreaming control and KOL training. In terms of order fulfilment, Xinxuan Group has 2,500 customer service agents (including those outsourced), and most of them are from leading Chinese companies. Xinxuan has warehousing and logistics centers in three cities, of which the Guangzhou warehousing center covers an area of about 40,000 square meters. In terms of technology, Xinxuan warehouses are equipped with intelligent warehousing systems and a lot of smart equipment. Xinxuan also integrates logistic resources by building strategic partnerships with many leading logistics companies such as SF Express, to make sure that consumers get Xinxuan's "stringently selected" high-quality products as quickly as possible. **Based on a strict quality control system and a complete fulfilment performance system, Xinxuan has a low product selection ratio but a high repurchase rate.**

## Xinxuan Group's Full Supply Chain Solution (2/2)



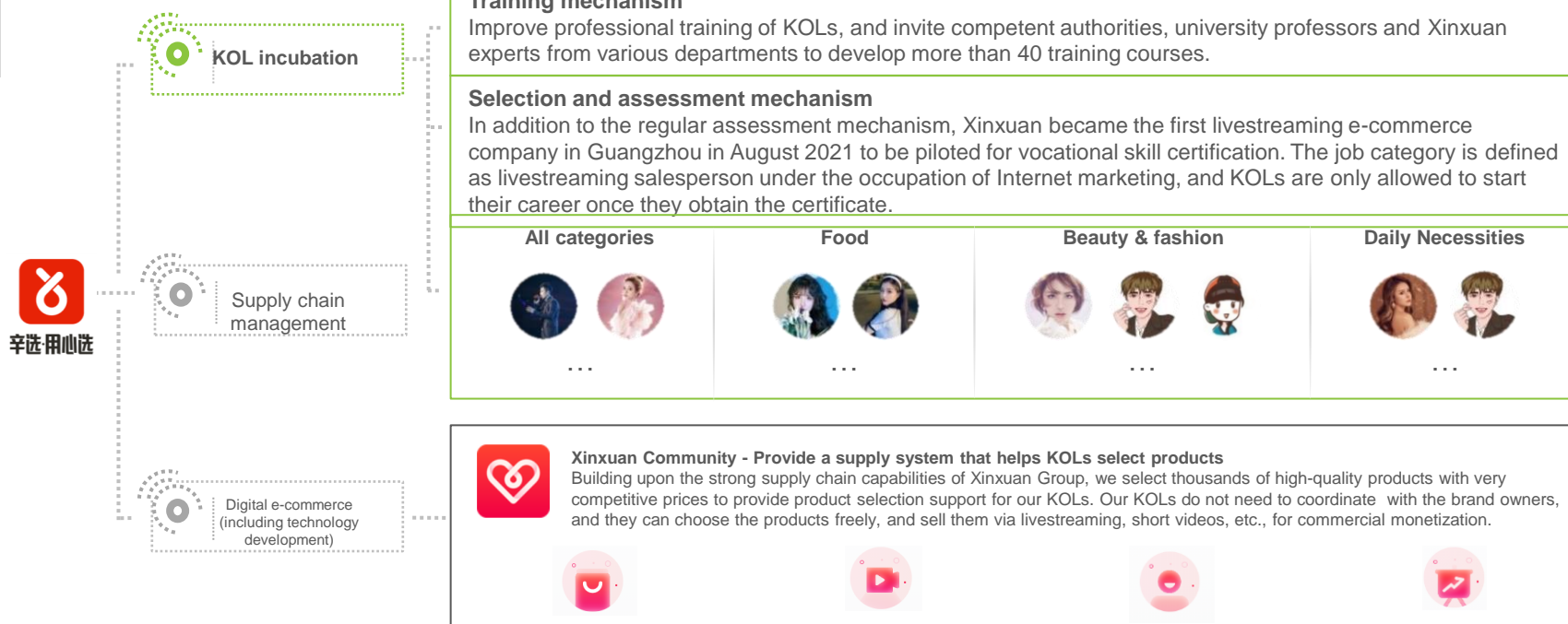
Source: Xinxuan Group, and expert interviews. The researches and charts were done by iResearch independently.

# Xinxuan Group (5/5)

The team of KOLs continues to expand, with professionalism of KOLs in various verticals being improved, aiming to build an integrated MCN agency

There is a strong synergy among Xinxuan's KOL incubation, supply chain management and digital commerce (including technology development). Xinxuan has basically established a complete leading livestreaming e-commerce model featuring top supply chain + top KOLs + RMB 100 million sales-level traffic. With a huge traffic matrix, it has incubated a number of top KOLs that lead the various verticals. In order to highlight the ecosystem effect of his team, Xin Youzhi, founder of Xinxuan, reduced the number of his individual livestreaming shows for selling products. Instead, Xinxuan has built a set of selection, training, and assessment mechanisms to develop a highly professional team of top KOLs. In 2020, Xinxuan incubated 11 KOLs who each recorded sales of more than RMB 100 million per live session.. They are now serving as engines in apparel, beauty, food and other verticals, driving the industry to operate in a more efficient way.

## Xinxuan's KOL Incubation and Technical Services



Source: The researches and charts were done by iResearch independently.

## QX MCN - Focusing on KOL matrix and brand empowerment

Since its inception in 2017, QX MCN has improved its capabilities in supply chain, KOL economy, video account matrix, livestreaming e-commerce and other segments so as to build barriers to competition. It has four subsidiaries, i.e., Qianhe, Qianyu, Qianxi, and Qianbo, involved in 7 major business dossiers, i.e., content production, marketing, operation, e-commerce, brokerage, IP licensing/copyright, and community / paying for knowledge.

In terms of partnership with businesses, QX MCN takes the development of KOL matrix and brand empowerment as the core drivers of its growth. For the former, it emphasizes the use of its resource advantages (such as professional supply chain management team, product pool and support services) to provide KOLs with full supply chain solutions. And for the latter, it emphasizes helping brand owners with efficient matching, joint marketing, and channel campaign. In terms of supply chain development, it has built up the Beijing star livestreaming site as well as Hangzhou and Guangzhou supply chain bases. On the one hand, they incubate KOLs, and on the other hand, they attract brands of multiple categories and realize resources sharing. Also, pre-sales links can be arranged in the live studios to help businesses carry out C2M production.

### QX MCN's business development analysis

#### Seven business models:



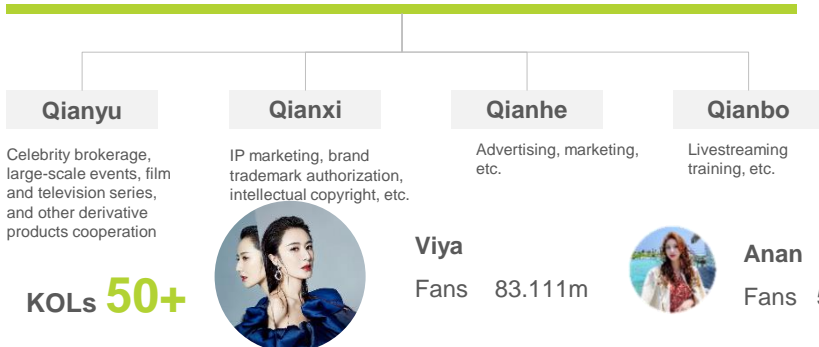
**Content production:** short videos, livestreaming, KOL incubation, etc.

**Livestreaming e-commerce:** KOL livestreaming operation, and corporate livestreaming operation

**E-commerce ecosystem:** e-commerce operations, supply chain services, etc.

#### Milestones:

QX MCN's full-service e-commerce business started with several integrated marketing projects such as Hailan Mystery and Innisfree, which are success stories highly recognized in the industry. As a result, QX MCN becomes one of the first key incubation agencies for full-service business.



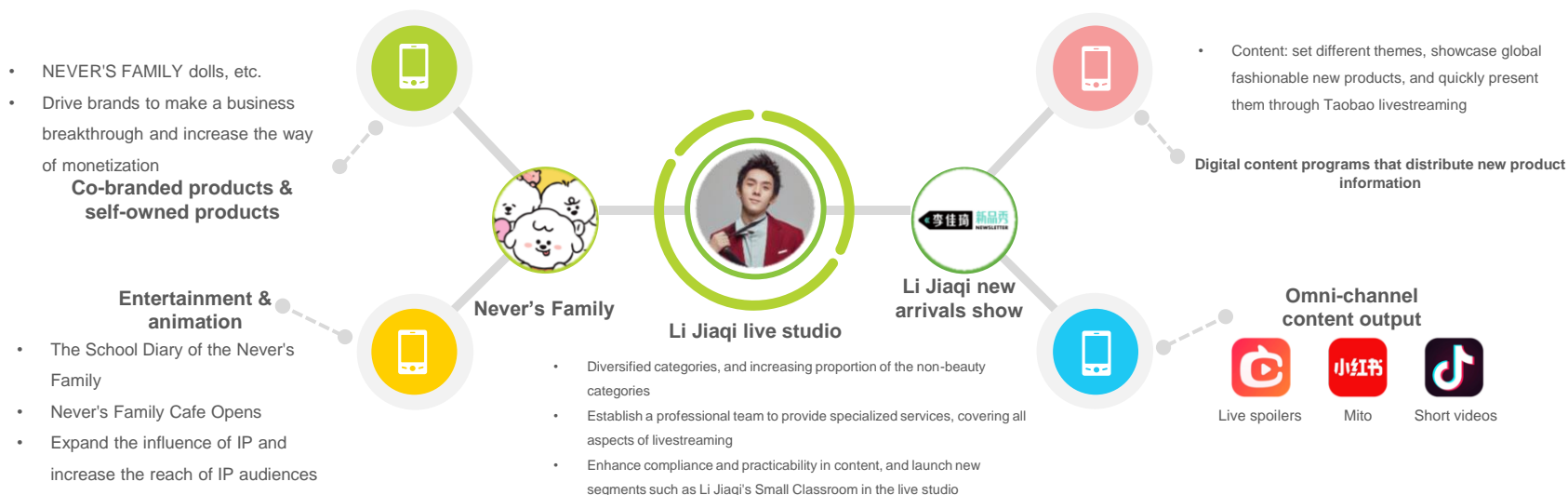
Note: The number of fans was from Taobao platform only, as of August 2021.

Source: Corporate website, Taobao Livestreaming, CBN Data, and public information. The researches and charts were done by iResearch independently.

## Mei ONE - Driven by consumer insights and its own IPs

Mei ONE, founded in 2015, has successfully incubated and operated a number of its own 'IPs', such as Li Jiaqi Live Studio, New Product Show, Never's Family and many more, covering 170 million fans on the Internet. Unlike other leading agencies, Mei ONE is deeply bundled with Li Jiaqi, the super 'IP', but its KOLs matrix is relatively singular. Its content strategy outside Taobao, however, consists of a strong fan base. Mei ONE's business is more focused on Li Jiaqi and its online derivative IP content. As of July 2021, the total turnover of the products of Li Jiaqi's derivative 'IP' Never's Family exceeded RMB 30 million. Mei ONE is more inclined to leverage the influence of Li Jiaqi, a super IP, and professionalism of advantageous categories to empower brands. It focuses on improving brand value and voice, but is less involved in supply chain to reduce costs and increase efficiency.

### Mei ONE's superior IP and relevant business



Co-creation with brands

#### Empower brands in depth and work together to create best sellers

- Product creation:** Provide important marketing advices in the design and R&D stages of products.
- Brand promotion:** Help partners with communications and advertising through various channels, and jointly create best sellers.
- Value addition:** Help brands tell their own unique stories and increase brand premiums.

Brands

LVMH

花西子

WINONA | 薇诺娜

逐本

永璞

Banana in 蕉内

Source: Corporate website, and public information. The researches and charts were done by iResearch independently.

Background and drivers of China's livestreaming e-commerce industry	1
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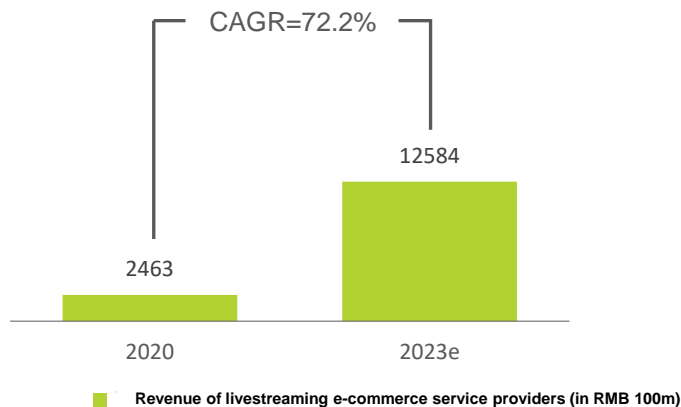
# Development prospects of the vertical market

Livestreaming e-commerce enables service providers to grow rapidly, and industry verticals represents a new opportunity

Livestreaming e-commerce continues to grow and the ecosystem keeps improving, accelerating the development of service providers and further segmentation of their business. Service providers are able to provide businesses with professional services including account operations, livestreaming operations and other full-range e-commerce services; provide platforms with considerable transaction volume; and provide consumers with a high-quality shopping experience. **Service providers are therefore becoming increasingly important. In 2020, the revenue of service providers reached RMB 246.3 billion, and it is expected to exceed RMB 1.2 trillion in 2023, with a compound annual growth rate of 72.2%.** As the market competitions are becoming increasingly fierce, **new service providers who have incubated top KOLs or developed more outstanding cases in vertical categories are more likely to survive the competitions.** In the future, service providers will play more diverse roles, leading to more new industry verticals and opportunities.

On the one hand, due to the global pandemic in 2020, the number of KOLs increased rapidly and competitions became fiercer. On the other hand, livestreaming users are even better educated and demand more professional content, and KOLs need to show their product expertise, thus gaining trust from consumers. In addition, the livestreaming categories are even more diversified, and the weight of specialized categories such as maternal and child and health care products keeps increasing. Therefore, KOLs without professionalism in verticals are unlikely to succeed in shifting livestreaming to product sales. **Most KOLs initially focus on a specific category to develop private traffic in high loyalty and good conversion rate. With the increasing number of livestreaming shows, duration and traffic, they may attract more brands for partnership and expand their pool of products, with the proportion of the initial category gradually decreasing.**




Revenue of China's Livestreaming E-commerce Service Providers



Note: Livestreaming e-commerce service providers exclude those who provide support services for livestreaming, such as logistics and payment service providers; and the revenue of livestreaming e-commerce service providers includes the technical service fees and traffic fees paid by sellers or service providers to platforms, but excludes guarantee and appearance fees.

Source: Corporate interviews, public market information, and iResearch statistical forecast model. The researches and charts were done by iResearch independently.

KOLs in Verticals

Leading KOLs	Major categories
 Viya	Apparel, skin care
 Li Jiaqi Austin	Skin care, make-up
 Shirley_Chérie	Apparel
 Dandan the kid	Apparel, make-up
 Little sister who loves food	Food
 Mr. Dong Jewelries	Rings, pendants, bracelets

Source: Public market information. The researches and charts were done by iResearch independently.



# Use differentiation strategy to build barrier to entry (1/3)

**Livestreaming agencies:** Strengthen the ability to control the order fulfillment process, build their own supply chain base / platform, cooperate with manufacturers to develop long-standing brands, and make a breakthrough in businesses

In the future, there will be more livestreaming agencies that strengthen their penetration into the upstream and downstream of supply chain and resources across the industrial chain. First of all, this will help with their efficient cooperation with all parties across the chain, especially partnerships with the top logistics companies for livestreaming e-commerce. At the same time, they will be able to refine and develop their own supply chain team. In addition, the MCN agencies will gradually build their own brands and supply chain, and as led by the head KOLs in their organizations, leverage more industry resources, while forming their own supply chain platforms for integration of channel resources and KOLs. Finally, they will be able to cooperate with the high-quality supply chain, participate in the R&D and production process, reduce the dependence on KOLs, build their own brands, and form a long-standing competitive barriers.

## Capability building of livestreaming agencies' order fulfilment

### 1. Link up the industry chain resources such as brands, platforms, and top logistics service providers

It is expected that in the future, MCN agencies will first form deeper cooperation with platforms, brands, and top logistics companies to ensure timeliness of logistics, involving reasonable estimates of sales volume, better preparation of products, integration of live studios with production sites and warehouses, and integration of livestreaming, placing orders, packaging and delivery into live studios. At a later stage, livestreaming agencies may establish their own integrated warehousing and distribution solutions or pre-warehouses based on the business volume and development of their own brands to ensure time-efficient large-scale reduction of intermediate links in circulation.

### 2. Self-build or outsource supply chain team

Although suppliers are still responsible for the order fulfilment of livestreaming e-commerce, a **professional fulfilment team is already indispensable for top KOLs**. In the future, the fulfilment team will become a must and will be further refined into warehousing logistics management, order tracking management and after-sales services.



Livestreaming customer service agents accounted for an increasing proportion of livestreaming staff

## Self-built supply chain system

### 1. Self-built supply chain base to efficiently match channel resources with KOLs

Building livestreaming and supply chain bases is an important way for the industrialization of MCN agencies. The livestreaming base first addresses their own KOLs' demand of product selection and matching. In the future, the supply chain base will become a necessity for livestreaming agencies, but whether it enables commercial monetization depends largely on the differentiated competitions in various aspects such as high-quality KOLs, product sources, warehousing and logistics.

### 2. Build self-owned brands and form long-standing barriers to competitors

The self-owned brands of livestreaming e-commerce agencies mostly feature the KOL IPs, and involve apparel and FMCGs. A customized supply chain model cooperation with high-quality factories is a good starting point.

**辛选** Xinxuan Group integrates the resources of more than 3,000 high-standard factories, using consumer-to-manufacturer (C2M) for production. It discovers the needs of consumers, intervenes in product design and development, and cooperates with factories to customize and develop new products. It provides excellent factories with capital, orders, and industrial chain resources, thus empowering Made in China products and foreign brands. By the end of 2020, 10 self-owned brands with sales exceeding RMB 100 million had been incubated.

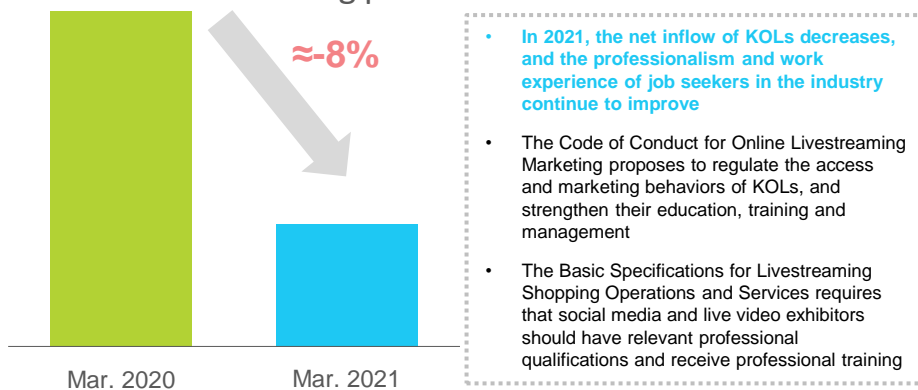
Source: Zhilian "2020 Spring Report on Livestreaming Industry HR". The researches and charts were done by iResearch independently.

## Use differentiation strategy to build barrier to entry(2/3)

KOLs: The threshold has increased for livestreaming, and KOLs need to have an in-depth understanding of vertical products

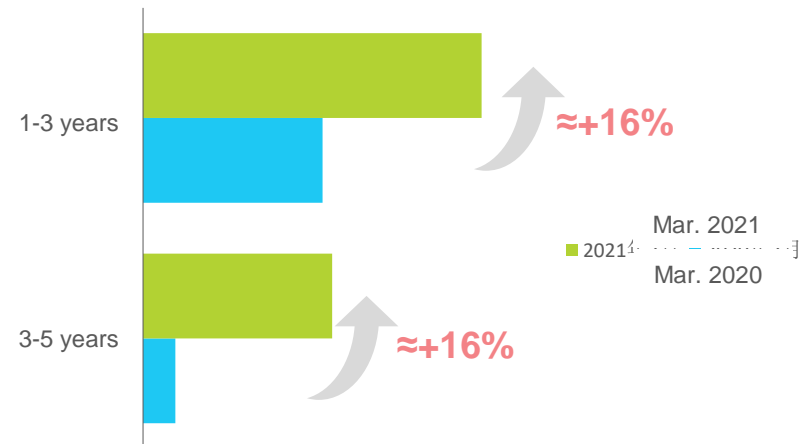
There are barriers to access the industry for KOLs, which are not very clear when one benefits from initial traffic flow dividend. As the industry continues to evolve, with competition becoming fiercer and policy and regulations tightening, **the threshold for KOLs to access the industry rises and KOLs need to be more professional**. This is characterized by **a slower net inflow of KOLs in 2021H1 than in 2020**. **The underlying logic is that although there is no class consolidation in the industry, it is more difficult to incubate a middle-ranking KOL or top one**, and there are higher requirements for newcomers. Firstly, the regulations have become increasingly stringent, imposing higher requirements for the training and employment of social media and livestreaming practitioners. Secondly, the cost of traffic flow procurement has increased, and the start-up capital for training a KOL is now at least multiple millions. Thirdly, the overall industry has passed the period of recruitment boom. After a round of wash-out and reshuffle, the industry has now retained a batch of competent KOLs. Fourthly, as the industry has undergone continuous trial-and-error and development, **the threshold for access to livestreaming gets higher, and especially when appearance, perseverance, and communication have become the essential qualities, professionalism has become a more valued competitive advantage for KOLs**. So, it is necessary for KOLs to have in-depth understanding of and strong professionalism in their specific categories, as well as all processes of supply chain. Therefore, professional training is indispensable. For example, Xinxuan requires three months of training for KOLs before they start to work. Such training includes more than 40 courses designed by competent authorities, university professors and Xinxuan's internal experts from various departments. In the training and practice, a strict wash-out system is implemented.

Proportions of vloggers / celebrities /  
livestreaming salespersons to overall  
livestreaming profession in China in 2020-2021



Source: Zhilian "2020 Spring Report on Livestreaming Industry HR", and expert interviews. The researches and charts were done by iResearch independently.

Proportion of livestreaming positions with requirements for relevant  
work experience



Source: Zhilian "2020 Spring Report on Livestreaming Industry HR", and expert interviews. The researches and charts were done by iResearch independently.

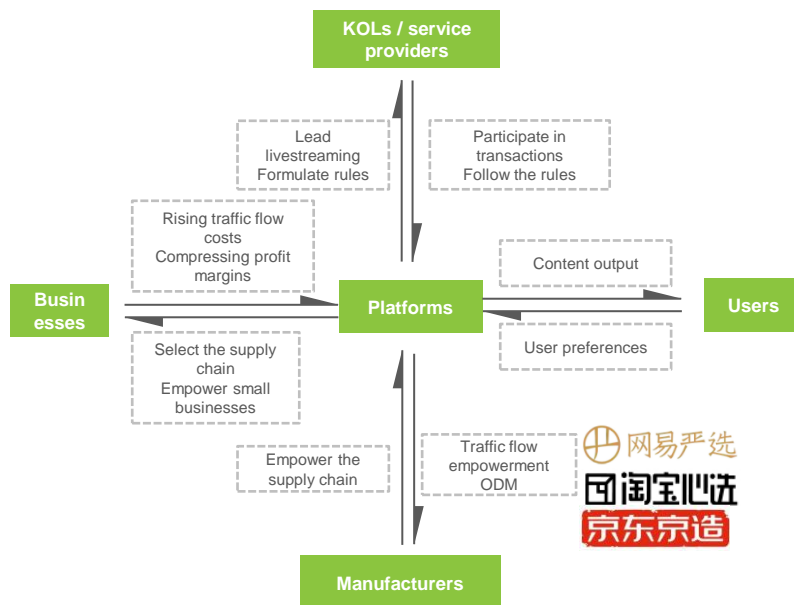
# Use differentiation strategy to build barrier to entry(3/3)

**Platforms:** Will continue to tap into the industry chain and vie to outcompete for the best e-commerce content

As more and more businesses take part in livestreaming e-commerce competitions, there is an increase in homogeneous products on platforms, and customer traffic resources have become one of the targets of competitions at this stage. Rising traffic costs squeeze the profit margins of businesses, and thus improving the efficiency of supply chain is now one of the solutions. Playing a leading role in the industrial chain, platforms will, on the surface, partner with more players in depth, select high-quality supply chain and support their development, empower manufacturers and small and medium businesses, and improve operational efficiencies, in order to enhance the supply chain capabilities.

In addition, content is one of the drivers of livestreaming e-commerce. The quality of content directly affects consumers' shopping experience and stickiness. In 2021, many platforms rolled out a number of rules successively, governing the behaviors of various parties such as KOLs, businesses, and service providers. This is to remove bad content through 'crack-down', 'governance' and 'incentive', build a platform where specialized training is provided, and create innovate content together with service providers. It is expected that the output content of livestreaming e-commerce will be even more valued, standardized and innovated.

## Platforms tap deep into the industry chain



Source: Public information. The researches and charts were done by iResearch independently.

## Platforms control the quality of content

### Content specifications



- Rolled out the Implementation Rules on the Restriction of Promoting Products on Taobao Livestreaming Platform by KOLs



- Crack down on non-compliant commercial promotion behaviors, control low-quality commercial works, and provide traffic flow incentives for high-quality commercial works
- By the end of 2020, more than 30,000 pieces of non-compliant commercial content had been cleaned up, and more than 10,000 accounts had been punished.
- In February 2021, the Announcement on the Governance of Magnetic Stars Content Ecology was issued and a number of special governance actions were carried out.
- Since February 2021, governance has been intensified and dual check of "algorithm + manual review" has been made to improve the quality of content.



- The Rules for E-Commerce Creator Management was launched, and nearly 80,000 KOLs were punished for violations after it took effect in May 2021.
- The e-commerce KOL rules test center was launched to reward credit points for those who pass the test.
- Starting from July 2021, the creators who have been punished for unfair competition are listed publicly on a monthly basis.

### Content upgrade



- Built an e-commerce learning center and provided livestreaming courses, covering industry rules for KOLs and businesses, strategies for selling products, planning and operation, script production, video shooting and other specialized trainings.
- Service providers and platforms jointly build an ecosystem, allowing variety shows to enter the live studios, and more ideas will be employed to enhance comprehensive consumer experience in the future.

Source: Public information, Kuaishou e-commerce website, and Douyin e-commerce website. The researches and charts were done by iResearch independently.



## Industry Consulting

- Market Access  
Provide companies with market access opportunity scanning, feasibility analysis and path planning
- Competition Strategy  
Provide companies with the formulation of competition strategies and help them build long-term barriers to competitions



## Investment Research

- IPO Industry Consultant  
Provide companies with industry consultant services in the preparation of listing prospectus and related processes
- Fundraising  
Provide companies with financing & IPO report writing and consulting services
- Commercial Due Diligence  
Provide investment institutions with in-depth investigations on the fundamental industry research where the bid is involved, as well as the opportunity, return and risk of the target project.
- Post-investment Strategy Consulting  
Provide investment institutions with post-investment project tracking & evaluation, including profitability, risk profile, competitors' performance, future strategy and so forth; and help investment institutions to provide consulting services for the long-term business growth of project companies

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Since its founding in 2002, it has published more than 3,000 industry research reports, and developed the industry-leading research capabilities in Internet and the new economy.

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