

# Research on the impact and optimizing strategy of live streaming on the Chinese FMCG market

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**Abstract.** This paper mainly focuses on researching what influences live streaming has on Chinese FMCG goods and improvements of live streaming in the future. The live streaming method has been a hot topic since the Covid-19 pandemic. Therefore, it is worth investigating its significance and criticizing some of its shortcomings. This paper's relevant research methods are case study, literature analysis, and comparative analysis. This paper also demonstrates the industrial, consumer, and company findings and further detects user issues, platform & strategy, and quality & trust issues. In the conclusion of this paper, FMCG companies need to realize what they did well and where they have to work on the method of live streaming. In this case, FMCG companies can illustrate their existing and expected customer segmentation more clearly and tailor practical sales strategies later on.

**Keywords:** Chinese FMCG market, Live streaming, Impact, Optimizing strategy.

## 1. Introduction

### 1.1 Research Background

In the year 2020, the Covid-19 pandemic spread out around the globe at an incredibly fast speed, causing the lifestyle of Chinese citizens to experience a significant shift. To fight against the pandemic, the Chinese government had no choice but to temporarily shut down as many offline retailing sites as possible. However, the internet industry is undergoing a silent but remarkable development within this decision. Live streaming, for instance, is one of the most successful outputs during the pandemic period. According to data published on Statista, the number of online streaming users in China increased to 616.85 million in 2020, with a former data of 396.67 million in 2018. This growth seems to be continuous because the most recent data in 2021 is reported to be 703.37 million [1]. With the rising of live streaming, more and more people rely on online shopping, and live streaming has gradually become an irreplaceable part of people's lives. Therefore, investigating the impact of live streaming on Chinese customers and the entire Chinese FMCG retailing market seems to be a hot social topic. By conducting future research on the relationship between live streaming and the entire Chinese FMCG market, it is interesting to see and predict how live streaming will change the retailing trend in the future. This paper will mainly focus on the impact of live streaming on the Chinese FMCG retailing market, the pros and cons of the current live streaming pattern, and how live streaming can be further developed.

### 1.2 Literature Review

Live streaming, combined with real-time video and interactive chat functions, is heated in e-commerce economies to aid the online direct selling of electronics, clothing, and FMCG goods [2]. The anchor demonstrates products to the audience through live streaming to provide more realistic, comprehensive, live information and an authentic experience [3]. Meanwhile, the anchor also synchronously communicates with consumers, and consumers respond through written chat to enable

the anchor to interact with many people immediately [4]. This new selling and marketing strategy attracts many consumers around the world. Apiradee found that 16% of researched online consumers preferred purchasing products through live streaming [5]. Among these, Asian markets possess the highest rate of 30% consumers. Li also found that the Chinese live-streaming sales market was the most growing worldwide, with an estimated \$15.6 billion by 2022 [6]. With aggressively growing national policies supported and multiple online platforms, live streaming in the Chinese market is developing rapidly to reach a large scale. In China, e-commerce platforms like Taobao and Jingdong and social media like TikTok have provided live streaming functions and gained millions of people. Chinese consumers are more interested in purchasing live streaming to create a huge market worth more than 149.9 billion USD in 2020 [7]. Therefore, it is important for companies operating in China to adopt to live streaming strategy to promote more consumers purchasing products.

Featured with visibility, interactivity and real-time, live streaming is different from the traditional model in that consumers have different motivations to purchase [8]. Sun found that communication quality, information seeking, and the need for community influence consumers' attitudes and engagement in live streaming, which drive consumers to place orders [8]. The Chu also supports this, and those high consumers engagement help increase trusts to follow the anchor or brand, establish a favorable brand image and build a long-term relationship to follow live streaming seller [9]. Meanwhile, Chu discovered that price would less impact consumers' decision making when consumers are loyal followers to trust the brand on the live streaming platform. If consumers are loyal to the anchor or brand, they will constantly watch the live streaming and less easily switch to another brand [9]. Moreover, some research analyzes the features of live streaming that influence consumer decision-making and anchors' adoption strategies. The characteristics reduce consumers' psychic distance and uncertainty and increase trust-building [10].

### 1.3 Research Gap

Some researchers are studying from the seller's view. Chen compared the influence of using a live streaming sales strategy with non-live streaming via Taobao Live. The outcomes demonstrated that the result of live streaming is 22% better than those that did not adopt the strategy [11]. Additionally, Lin examined that inviting internet influencers for live streaming sales can benefit for the results to gain a higher volume of orders [12].

### 1.4 Research Framework

Most papers emphasize consumers' perspectives and the positive impact of live streaming selling on sale orders. However, few findings are related to how to design successful live streaming strategies to gain and maintain more consumers. Meanwhile, existing literature less considers strategies for specific product categories. Since FMCG goods are fast-consuming, the company needs to gain massive consumers. Therefore, with the benefits of increasing the sales of products and quickly clearing inventory, live streaming is helpful and useful for FMCG companies to enhance their performances [13]. This benefits to gain a comprehensive insight into sellers' better strategies for live streaming selling, which helps companies design an effective strategy to gain more competitive advantages from live streaming. Firstly, this paper will analyze the benefits of live streaming sales for Chinese FMCG companies. Then, it will use the literature analysis and comparison method to find effective and successful live streaming strategies. Next, it will discover the advantages and disadvantages of the current live streaming pattern. Lastly, future recommendations will be provided for further development.

## 2. Methods

### 2.1 Case Study

A case study is an acceptable research methodology when gathering tangible, contextual, in-depth knowledge about a specific real-world issue. It helps investigate the case's essential qualities,

meanings, and ramifications [14]. This paper will use different FMCG enterprises as examples to see whether there is a relationship between FMCG data and live streaming. By applying case studies, we will use the real-world data to verify our hypothesis – live streaming positively improves the Chinese FMCG market. The case study method is expected to be applied in the “Results” and “Discussion” sections to enhance our findings.

## 2.2 Literature Analysis Method

Literature Research/Analysis Method refers to reading, evaluating, and sorting books to determine the most important characteristics of the content. It differs from other techniques because it does not engage directly with the item under investigation, instead of relying on indirect access to data from several sources [15]. This paper will research several published pieces of literature related to FMCG markets and live streaming. We will summarize our findings and the research gap we tend to work on by analyzing the content. Besides, in the “Results” and “Discussion” parts, we will research data respectively on different FMCG companies’ websites to see each performance with live streaming.

## 2.3 Comparative Analysis

Comparative analysis is the practice of comparing objects and identifying similarities and differences between them. A comparison study can also give data to help make key decisions [16]. In this paper, the method of Comparative analysis will be used mainly in the “Results” section. We will compare online data about each Chinese FMCG company within the section. By comparing, we can determine their performance, especially what they did well and badly. Aside from that, we will compare the live streaming ways of each Chinese FMCG company and therefore conclude what they harvest most from live streaming. The live streaming method improvements within each company can also be further investigated and discussed in the “Discussion” part.

# 3. Results

## 3.1 Industrial Perspective

Recently, boosted by the Covid-19 outbreak, live streaming commerce has possessed rapid growth with huge market potential. Compared with 2020, the live streaming scale grew by 140%, reaching ¥2305 billion in 2021 [17]. Until December 2021, consumers who used live streaming for shopping have reached 544 million with a 65% growth rate [17]. Based on these statics, CITICS has estimated that this good prospect will last for the next few years since consumers accept and get used to purchasing through live streaming [18]. Currently, live streaming is dominated by Taobao, Douyin, and Kuaishou platforms, with an overall 80% market share of the total live streaming market [17].

As the earliest company to create a live streaming system, Taobao leads the market with a 42% market share. The second participant is Kuaishou, featuring many famous key opinion leaders (KOL) that consumers trusted [17]. Douyin, current at the growing stage, leverages its quality content and many loyal users. The company can develop different strategies for these platforms, such as inviting celebrities, creating their company accounts, and cooperating with streamers to promote their products. Live streaming largely contributes to clearing inventories and increasing sales for the FMCG industry. Like health and personal care merchandise, the sales revenue reached ¥278 billion with a 41% growth rate in 2021 [19]. Also, the sales volumes reached 9.8 billion times with 3 million types of products [19]. This shows that the live streaming strategy is vital for FMCG companies to improve their financial performances. Moreover, more and more companies pay more attention and money to develop tailored strategies for live streaming to promote their products better.

## 3.2 Consumer Perspective

According to Liu’s research, 66.2% of Chinese consumers prefer purchasing goods through live streaming, and 17.8% of customers spend over one-third of their expenses on live streaming

purchases [20]. Among these, 68% of consumers are willing to purchase FMCG goods through live streaming since 52% think live streaming offers price discounts and 43% are easily enticed by interactive recommendations to have impulsive consumption [20]. Therefore, FMCG companies should design more interactive or creative introductions to attract more consumers to place orders immediately. According to consumers' profiles provided by iResearch consulting company, over 60% of live streaming shoppers are female, and over 50% of users are from tier 2 or 3 cities [21]. Moreover, based on the target group index, most generation Z and generation Y pose heated attention on live streaming shopping.

In contrast, generation X and other generations have less than average interest in purchasing via live streaming [21]. The majority of users are the young generation, while fewer older people engage in this trend. However, FMCG companies target massive consumer groups, indicating that the elder group should not be neglected in marketing strategies like live streaming. Furthermore, different generations have different perspectives on live streaming platforms. Younger generation Z is more willing to watch and purchase FMCG goods through Douyin and Kuaishou since they focus more on interactive content and tend to support their favorite streamers on these platforms [21]. Generation Y and generation X prefer purchasing FMCG through Taobao Live as they can be impulsive to purchase by the lower price and the recommendation functions [21]. Thus, FMCG companies can provide tailored strategies for different platforms to target different groups of consumers to increase their sales.

### 3.3 Company Perspective

FMCG companies adopt live streaming strategies to gain soaring sales growth. Double Eleven, one largest shopping events among live streaming platforms, provides huge opportunities for companies to promote their products. Take Unilever as an example. Cooperating with Taobao's famous streamer, the sales of Sunlight laundry detergent tripled, with 5 million people watching the live streaming [22]. For the Kuaishou platform, Unilever, with several KOL broadcasts over ten times live streaming to promote various products among millions of consumers [22]. Also, Unilever invites many celebrity endorsers for different brands through Douyin platforms. 80. Thousand of OMO, Dove, and Lux sold out in 4 minutes [22]. Compared with Unilever's strategies of leveraging the influence of KOL and celebrities, P&G focuses more on building a brand image of the online flagship store. P&G outsourced its live streaming business to a specific company called Chancemate which helps tailor strategies, organize interactive activities and manage the marketing process for the company [23]. As a result, the online flagship store gained more than 5 million people to follow, reaching 14 million fans. The brands of P&G all achieved great performance in the health and personal care category achieving a first place on Taobao Live, and several brands like OLAY reached the top in the subdivided category [23]. This benefits P&G to gain more loyal consumers and meet consumers' expectations. Compared with followers, P&G obtains more than Unilever, which means more consumers are connected to get further touch with P&G to repeat purchasing.

### 3.4 Issues

From a consumer aspect, the majority of users of live streaming are the young generation, while the older generation is relatively neglected. Since FMCG company targets massive consumer groups, consumers from all generations are vital to be focused on. Also, different live streaming platforms feature unique characteristics. The company needs to tailor its strategies to different platforms. Meanwhile, most companies have already applied live streaming strategies among the three main platforms. Being differentiated to attract more consumers is key for companies to improve performance. From a company aspect, they need to think about how to develop the best live streaming strategies that optimize their financial results. Moreover, since the quality of current products sold through live streaming is not guaranteed, consumers have become more skeptical about live streaming sales. The trust issue is a vital part for FMCG companies to consider.

## 4. Discussion

### 4.1 User Issue

As previously discussed in the “Issues” part, the audience of live streaming in the Chinese FMCG market is dominated by younger generations, aged 10 to 49 years old. However, according to the 45th China Statistical Report on Internet Development, Internet users whose age is above 50 accounts for nearly 17% in 2020 [24], indicating that more and more elder generations adapt to the Internet. Then, this may lead to a question – why is there an increasing number of older Internet users, but they seldomly become live streaming users? One of the obvious reasons is that some live streaming platforms are too difficult for the older generation to use. Take the live streaming function in Douyin as an example. Suppose the older generation wants to see the live streaming in Douyin. In that case, they have to firstly find a button called “Search” on the right top corner, then type in “Live streaming”, once the screen shows all the relevant results, they have to click on a small right arrow to go to the main live streaming plaza. Once they have arrived there, the content is displayed all at once without options to select which type of live streaming they want to see. These series of actions are based on the “Elders mode”. In other words, if the older generation does not know how to switch on the “Elders mode”, then they have to find a symbol of a magnifier first to proceed further. Therefore, we suggest that platforms simplify getting to the live streaming plaza, either by displaying the button directly on the home page or sending a notification of who is doing the live streaming right now within the app. Besides, especially for the older generation, the “Elders mode” should be put in a more obvious place. By having some of the basic personal information of users when they are registering, the “Elders mode” should be considered to switch on automatically based on their age.

### 4.2 Platform & Strategy Issue

The second issue we detected is that most FMCG companies have similar live-streaming platforms and strategies. In the post-pandemic era, the percentage of people watching live streaming increased nearly 41.1%, from 396,760,000 to 559,820,000 [24]. As a result, more and more apps are utilized as platforms for live streaming. According to a survey conducted in 2021, the top 5 platforms for live streaming in China are Little Red Book, Kuaishou, Taobao live, Inke, and Douyin [25]. However, Taobao lives, and Douyin is the two dominant ones in the FMCG industry. It is often to see FMCG brands live stream on both platforms. This leads to the issue of differentiation. How can FMCG brands ensure they are different from their competitors if they use the same live streaming platform and strategy?

We can see in daily life where brands such as Dove, Always, and Sassoon live stream on both Taobao and Douyin by using roughly the same promotional strategies. The incentive they create for customers is only about buying products at their original prices but getting some trial packs for free or purchasing a certain amount of money and deducting some of them through coupons offered during the live streaming. Thus, we are considering that FMCG companies should have to join new live-streaming platforms and creative new live streaming strategies. Using other popular platforms such as Bilibili or WeChat is another possible way. Take WeChat as an instance. WeChat has only the “Channels” function for people to watch short videos. Instead, if any FMCG companies can consider cooperating with WeChat and updating the “Channels” function to allow live streaming, new customer segmentation may be attracted. Also, P&G’s strategy to outsource its live streaming work to Chancemate is another effective method revolving around the platform and strategy issue. Outsourcing allows a professional team to work on its specialized business, and therefore the output can be substantial. But how cooperating well with the outsourced company can be another problem for FMCG enterprises.

### 4.3 Quality & Trust Issue

Another issue found is related to FMCG’s quality and customers’ trust. According to the 45th China Statistical Report on Internet Development, customers who suffer from online shopping fraud

account for 33% of all the fraud issues [24]. Although this figure has decreased from 35.7% in 2018, this remains a big worry in customers' minds. How to guarantee the quality and make customers feel trustworthy is a significant task. It is suggested that those live-streaming platforms should offer better after-sales services for customers. For example, Taobao offers most FMCG products a "7 Days No Reason to Return or Exchange" service. It should be acknowledged that this is a good starting point. However, as the name of FMCG suggests, this kind of product is consumed at a relatively fast pace. A 7-day guarantee is not enough to deal with the accidental issue during customers' usage. Different platforms should instead consider extending the time of their guarantee service respectively, according to what type of FMCG is. Secondly, the quality issue is about the product itself, but the quality of live streamers also matters. In the comments section of an FMCG product, we often see that customers complain about the streamers' attitude. Therefore, those corresponding platforms and FMCG companies should also be responsible for improving the quality of live streamers. They should consider setting recruiting requirements for live streamers higher or offering more strict training before allowing live streamers to work officially.

Last but not least, fake online shops nowadays pretend to be the real ones and start to deceive customers. A real-world example is a cosmetic brand – Colourpop. According to the clarification from the official account, the Taobao flagship store of Colourpop is a fake one [26]. The only formal way to purchase Colourpop's cosmetics is through the official website or Little Red Book. However, we can still see sometimes the live streaming on Taobao or Douyin, and people may still purchase fake products. As a result, FMCG companies need to clarify directly to their customers and request legal aid if necessary. Fake products hurt the company's reputation and destroy customers' trust.

## 5. Conclusion

### 5.1 Summary Findings

Nowadays, live streaming is experiencing explosive growth with a larger market scale and huge market potential. Adopting and developing live streaming strategies is essential for FMCG companies to improve their performances. Attracted by interactive and immersive experiences, more and more consumers prefer purchasing FMCG goods through live streaming. FMCG companies mainly choose three dominant live-streaming platforms: Taobao Live, Kuaishou, and Douyin, to promote their products and increase sales revenue. It is suggested to develop an "Elders mode" to facilitate older consumers in live streaming to expand FMCG companies' targeted consumer groups for further development. Also, FMCG companies can develop new strategies like expanding to new emerging live streaming platforms and outsourcing their live streaming work to gain better outputs. FMCG companies can gain more loyal and trusted consumers by guaranteeing the quality of after-sales services, live streamers, and the image of an authentic flagship.

### 5.2 Research Significance

This paper contributes to the understanding of live streaming strategies for FMCG companies. It reviews the advantages of current live streaming for FMCG companies and weaknesses that companies can further improve. This paper benefits FMCG companies to overcome current weaknesses and develop effective live-stream work strategies. This helps companies' future development improve their performances and establish a trusted relationship with consumers.

### 5.3 Limitations & Future Studies

This article also has some limitations that can be further addressed in the future. This study mainly focuses on research methods that collect and analyze secondary data with less primary data analysis. Future studies can collect primary data from a survey of FMCG companies and consumers' interviews to examine further the impact of a different combination of live streaming strategies on FMCG companies.

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