An Analysis of the Live Commerce Business Model

Wei Huang
School of Economics, Guangzhou College of Commerce Guangzhou 511363, China.

Abstract
This paper discusses and studies the new business model of live commerce. Based on the premise of sufficient statistical data, this paper analyzes the defects and problems of live commerce, such as the lack of credit field of the streamer, the ambiguity of industry threshold, and the weakness of regulation. According to general business laws, this paper proposes corresponding countermeasures: 1. streamer needs to improve professional ability and moral cultivation; 2. Live streaming host's entry threshold needs to be raised; 3. supervision departments, live streaming platforms, and consumers need to cooperate in supervising; 4. the parties involved need to divide responsibilities clearly.

Keywords
Live Commerce; Business Model; Development Status; Countermeasures.

1. Introduction
Nowadays, with the popularity of online shopping and live streaming in China, a new business model called "live commerce" has emerged and is growing rapidly. Live commerce first appeared in March 2016. At that time, live commerce was live on the e-commerce platform-mogujie, followed by Taobao, Jingdong, Kuaishou, Jindo, and other e-commerce platforms one after another. The emergence of live commerce not only enriches consumers' shopping channels and enhances their consumption experience but also opens up a new sales channel for products with quality assurance and service guarantee. Live commerce has a unique scenario. The bringer of goods to embed and tandem series of operations to create a supply and demand sides in product promotion, product display, purchase decision and transaction connection and other aspects of the business model, and build a closed-loop cash model of goods and traffic, which is the key element of the live commerce model to become a business model.[1].

On December 5, 2018, nine county governors from poor counties across China and Taobao netizens jointly promoted 102 agricultural products from 50 poor counties in a public service live event held by Alibaba in Hangzhou to fight poverty. This public welfare live event attracted the attention of millions of netizens, and all the products were "swept away" that night. The demand of the broad market has helped poor counties across the country to sell more than ten million yuan of agricultural products, promoting the implementation of the national strategy for precise poverty alleviation, helping rural towns and villages to open up sales of high-quality goods, and helping agricultural products to create a distinctive brand image. In particular, in 2020, live commerce has played an important role in driving the resumption of production in various industries during the corona virus disease-2019. During the epidemic, "cloud shopping," "cloud selling cars," "cloud selling houses," "cloud concerts," and other forms have emerged, and even the traditional real economy has begun to appear the "cloud work" model. However, as an emerging business model in the Internet era, live commerce has gradually revealed some problems that deserve the attention of society, such as false propaganda, exaggerated claims, high return rate, inconsistent goods, and so on, while it is booming.
2. The current state of development of live commerce

2.1. The definition of live commerce

The so-called live commerce refers to the behavior that is hosted by public figures such as netizens, celebrities, entrepreneurs, or media people to drive product sales and product popularity and hot sales through webcasting. This way not only creates the passion of consumption process and the trend of Carnival shopping but also innovates the iterative business form of business model.

2.2. The main models of live commerce

2.2.1. Talent Mode

The essence of the so-called talent mode is that it is a consultative approach to lead generation, which is based on consumer trust. This model is not product-centered but individual-centered. Consumers believe in Talent first and then believe in the products recommended by Talent. Among these Talents, Li Jiaqi and Vea are among the top Talents. By relying on emerging media to play the role of opinion leaders, they have the characteristics of wide social range, large information dissemination, and strong personal influence, and can transmit their own inclinations and attitudes towards products to their fans, thus influencing their purchase decisions. [2] The characteristics of this model are that it can recommend many product categories, large sales volume, and high repurchase rate.

2.2.2. Store Mode

On Taobao live, store mode is particularly large. The merchant itself opened a store in Taobao, through the live broadcast of the way to sell store products, streamer did not deliberately create their own personal IP, live product prices are not particularly favorable, the merchant is only through the live broadcast of this way to introduce the store's products one by one, by virtue of the characteristics of the product itself to arouse the interest of the audience, so as to achieve the sale. Taobao also hopes to support the "store live" rather than just rely on weblebrities to do live.

2.2.3. Base Walk-around Mode

Base walk-around mode is a form of live broadcast base built by the product supply chain, streamer go to the base for the live broadcast of goods. Base walk-around mode is generally based on the advantageous local resources to build a live broadcast base and by the government department to attract famous streamers from all over the country to the base for the live broadcast. The advantage of this is that you can set up live sales channels on the basis of the existing industrial base, and thus the effective use of the original resources.

2.2.4. Live Production Mode

Live Production Mode means that the streamer goes to the origin of the product to broadcast live. For example, many villagers at the seaside live broadcast their own fishing process and then sell seafood in the live broadcast. The advantage of Live Production Mode is that it can show the "authenticity" of the products and strengthen the selling point of the origin, which makes consumers trust more.

2.2.5. Overseas Buying Mode

The so-called Overseas Buying Mode refers to the live-streaming of goods overseas by a proxy shopper to show fans how he or she goes shopping in a store. Through such a form of live shopping, the streamer can take consumers shopping in overseas shopping, which not only can avoid false substitution but also can increase the sense of shopping live.

Besides, there are also live commerce models such as "seckill mode" and "bargain mode," which are the common means of live commerce.
2.3. Market situation of live commerce industry

2.3.1. The outbreak of live e-commerce is driven by multiple factors

The main reasons for the outbreak of e-commerce live broadcasting are as follows: consumption habits, content upgrading, and technology iteration. (1) consumption habits: For the new generation of consumer groups they grow up in the period of the rapid rise of short video and live broadcast. Such a growth environment makes them prefer intuitive and interactive consumption mode and prefer online consumption of the mobile terminal. The interaction between consumers and marketers in traditional marketing methods can be constrained by time, the number of people, and venues, and also prone to inadequate understanding of marketing needs, communication delays, and information asymmetry. The live commerce platform not only brings together a group of people with purchasing potential but also expands the social and communication boundaries of the live streamer based on the development of live streaming technology, allowing for timely and high-intensity one-to-many interactions, thus creating value together[3]; (2) content upgrading: Compared with the graphic explanation of traditional online store goods, the content form of live e-commerce is more optimized. This is mainly manifested as professional, interesting, and diverse play. Since the beginning of 2019, more streamers have added entertaining content and interaction to the live streaming process, which not only increases consumer interest in watching live streaming but also makes live consumption an entertainment experience. During the live broadcast, the streamer's fans can consult with the streamer around the explosive products using comments, pop-ups, and links, as well as communicate in-depth with other participants on the platform to get a comprehensive understanding of the purchase and use experience, and thus perceive the ease of use and usefulness of the products in advance. This kind of live content upgrade helps to enhance consumers’ sense of closeness and satisfaction with the target products, which is beneficial to dispel fans' shopping worries and clear away consumption barriers[4]; (3) Technology iteration: The 5G era brings consumers a better viewing experience, and the continuous development of communication devices such as smartphones and live streaming devices also provides the hardware basis for live streaming.

Figure 1. Online Live Streaming User Scale in China from December 2016 to December 2020 (hundred million)

2.3.2. The growth rate of users in the live commerce market is amazing, and it has entered a stage of rapid development

First, the scale of users is growing explosively. As shown in Figure 1, as of December 2020, the number of live online users in China is 617 million. This figure is 57 million people higher than
that in March of the same year. Not only that, but the potential purchasing power is also surfacing. In 2020, the live commerce industry, represented by live e-commerce, will achieve booming growth. And it is expected that in the next few years, live commerce will be developed continuously and rapidly.

Second, the scale of live merchants continues to grow. In recent years, the scale of live broadcast merchants is a continuous growth trend. Taobao live, for example, the scale of Taobao live of the Double 11 shopping bonanza of Tmall in 2020 continues to maintain a high growth rate. As of 24:00 on November 11, Taobao’s 33 live streaming rooms had a turnover of over 100 million, with nearly 500 of them having a turnover of over 10 million. According to data released by Tmall, the total turnover of the 2020 Tmall Double 11 Global Carnival Season was 498.2 billion yuan. This figure represents an increase of 103.9 billion yuan over the same period in 2019, an increase of 26% year-on-year. As of 0:0:26 on November 11, the Tmall Double 11 shopping bonanza successfully carried 583,000 orders per second, creating a new peak. This new record of 583,000 strokes per second is 1,457 times more than the first Double 11 shopping bonanza in 2009. It can be said that the Double 11 shopping bonanza 2020 is the most participated and live merchant scale shopping feast so far. Among them, more than 800 million consumers and 5 million merchants participated in the Double 11 shopping bonanza together.

3. The problems and development countermeasures of the current profit model of live broadcast

3.1. Problems in live commerce profit model

Although live commerce has developed towards a standardized path with the efforts of all parties in the community, it still has many problems of its own, which deserve to be carefully examined.

3.1.1. Lack of credit in live streaming host

The live streaming host is clearly able to give consumers a quality shopping experience and exclusive offers in live commerce. However, in essence, the ultimate purpose of the live streaming host is not to serve consumers but to serve merchants and live streaming platforms. In live commerce, the streamer actually assumes the role of "advertising spokesperson." And a key pivot to the legitimacy and reasonableness of the carry process lies in the adequacy of the streamer's credit. The lack of consumer trust in individual streamers may spread to the entire group of live streaming hosts. If this goes on, this "overdraft" of consumer trust will be very detrimental to the entire live streaming industry. Streamer's credit deficiency may be back to the following four points: First, the quality of the goods' "words" than its "real," and the business has done false, exaggerated publicity. Second, merchants advertise poor quality, counterfeit, "no date of manufacture, no quality certificate, and no manufacturer” goods. Third, in order to avoid Taobao and other third-party platforms, merchants will pay through WeChat, Alipay, and other private transactions, trying to get rid of the platform supervision. Fourth, buyers will create the illusion of data by buying fans and reviews to deceive merchants.

3.1.2. The threshold for industry entry is not yet perfect

In the case of the outbreak of the epidemic, the competition between e-commerce live streaming appears to be more intense. However, the rapid development of live commerce makes each e-commerce platform has not yet had time to establish a more complete live streaming host entry threshold. In addition to some netizens and professional streamers, a large number of unemployed laborers due to the epidemic have crowded into the wave of live commerce. This reality is one of the reasons for the uneven quality of live commerce streamers. Many streamers, in order to achieve the purpose of attracting fans and obtaining the most desirable economic benefits, do not hesitate to make their live content vulgar and unpleasant
and even promote false information for hype. The vulgar and false live content will not only pollute the network environment but also is not conducive to the healthy development of webcasting. As the direct supervisor of streamers and users, the network platform bears the main responsibility for the spread of vulgar content. However, under the lure of interest, many live platforms are very lax in the supervision of live content, and some platforms even deliberately ignore the vulgar and false live. This article takes Taobao, the largest e-commerce platform, as an example. The Taobao Live Platform Management Rules clearly stipulate that streamers need to have certain streamer qualities and abilities. Even so, The Taobao Live Platform Management Rules does not explain what certain streamer qualities are exactly. This shows that the current industry threshold for live streaming hosts is still in a blurred state.

3.1.3. Regulatory efforts are still weak

In today’s era of “everyone can be a streamer,” a streamer can recommend dozens of products in a few hours of live streaming. In such a high density of live broadcast, it is inevitable that there will be substandard, shoddy, and counterfeit products. This status quo is undoubtedly very unfavorable for the majority of consumers. However, there is no special law enforcement department to supervise live commerce from the perspective of regulatory bodies. As a "complex" of webcasting and e-commerce, live commerce for webcasting, the State Internet Information Office, the Ministry of Culture and Tourism, the General Administration of Press, Publication, Radio, Film, and Television, etc., have issued relevant regulations and have the right to supervise. In the field of e-commerce, industry and commerce departments and consumer associations at all levels are authorized to supervise it. However, such multi-headed management often leads to unclear regulatory responsibilities and inefficient regulatory problems.

3.1.4. After-sales service complaints are not available

After purchasing goods in live commerce, even if the consumer finds that there are quality problems with the goods, the consumer’s rights are not protected. This is also a common problem in live commerce. In traditional offline shopping, once consumers encounter after-sales problems, they can rely on the small ticket voucher to go to the store to pursue the responsibility of the merchant. But the new live commerce should be responsible for hiding behind the Internet, after the sale of goods in the live room is not responsible for after-sales. Merchants, live streaming, and live streaming platforms in live commerce all have interest dependencies, and they also pass the buck to each other. There is also a certain gray area in the practice of regulation. All these make it difficult for consumers to defend their rights.

3.2. The development of the profit model of live broadcast countermeasures

For promoting the transformation of the real economy, promoting public entrepreneurship, increasing social employment, and tapping the market potential, live commerce is of pivotal importance. In view of the current problems, the joint efforts of the streamer, live platform, supervision department, and the majority of consumers are needed to jointly promote live commerce in the direction of orderly and standardized.

3.2.1. Live streaming hosts need to continuously improve their moral and professional skills

Live streaming hosts need to have not only excellent professional carrying ability but also good moral cultivation. In the process of live streaming, the streamer should adhere to the principle of honest publicity and strictly control the quality of goods with a responsible attitude towards consumers. No matter how popular and influential streamer is, the ultimate goal of consumers buying products through streamer is to get quality products at a good price. As shown in Figure 2, the "Online Survey Report on Consumer Satisfaction of Live E-Commerce Shopping" released by the China Consumers Association shows that most of the reasons why consumers watch live
streaming are that they want to know the information about the special offers and the details of a certain product that the merchant is doing through live streaming.

Table 1. The reasons why consumers choose to watch live streaming

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Percentage of electors</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are celebrities and streamers that I like</td>
<td>14.30%</td>
</tr>
<tr>
<td>I like to interact with the streamers and have a sense of participation</td>
<td>22.90%</td>
</tr>
<tr>
<td>Boredom, to kill time</td>
<td>25.0%</td>
</tr>
<tr>
<td>Learn some skills through live streaming</td>
<td>26.70%</td>
</tr>
<tr>
<td>Live streaming gives me peace of mind and pleasure</td>
<td>32.50%</td>
</tr>
<tr>
<td>I can learn more through live streaming</td>
<td>33.40%</td>
</tr>
<tr>
<td>Merchants do activities with special offers</td>
<td>47.50%</td>
</tr>
<tr>
<td>Learn more about a product through live streaming</td>
<td>49.50%</td>
</tr>
</tbody>
</table>

Before putting up the products on the shelves, the live streaming host must screen and check the products to stop the utilitarian thinking of "profit first." In addition, the live streaming host needs to carry out a healthy docking between merchants and streamers before bringing goods to ensure the quality of upstream goods and after-sales service. For the live streaming host, the only way to gain the trust of customers is to be responsible to them and to increase the likelihood of repeat business.

3.2.2. Live streaming platforms need to refine the entry threshold for streamers

Live streaming hosts who are often in front of the camera, their words and actions are transmitted in real-time with no chance of correction. Therefore, their words and actions may have an impact on the viewers watching the live stream. The live streaming platform is facing the current live streaming host mixed, good and bad situation, has the responsibility and obligation to streamer industry personnel to gatekeeper screening. The live streaming platform also needs to improve the threshold for live streaming hosts and specify the requirements for streamers to enter. The e-commerce network platform must strengthen the quality of its own practitioners and personnel management and assessment training, aimed at further improving the quality of streamer personnel.

3.2.3. Supervision departments, live broadcast platforms and consumers need to carry out joint supervision

For live commerce, there is currently no dedicated enforcement agency to oversee it. Therefore, there is a need for a "cooperative division of labor" among the various law enforcement agencies or the establishment of a special monitoring team for live commerce. Live streaming platforms need to educate and guide streamers to disseminate positive and healthy content on the topic and resist vulgar, vulgar, and unrealistic marketing campaigns. The live streaming platform strengthens the supervision of streamers through multiple methods such as follow-up visits to consumers who watch live streaming and anonymous evaluation of streamers against each other. In addition, consumers should also assume the responsibility of supervision. Consumers not only need to supervise the live streamer and the quality of the goods purchased but also have the responsibility to provide timely feedback to the relevant departments and e-commerce platforms when problems are found. Only when regulators, platforms, and consumers cooperate with each other and all take positive action can we truly achieve the purpose of effective regulation for all.

3.2.4. Use market participants as the main line to clarify the division of responsibilities

The four parties - live streaming platform, streamer, merchant, and consumer - are the main participants in the sale of goods. They form a trust relationship in the commodity transaction.
Among them, for the protection of product quality, improve after-sales service, streamer, business, the live platform has an inescapable responsibility. Merchants should strengthen their awareness of the quality of their goods, strictly control the quality of goods, resist false propaganda, and effectively do a good job in after-sales service. Streamer needs to adhere to the integrity and moral bottom line, uphold the attitude of responsibility for consumers to live products to try personally; live platform needs to strengthen the supervision of the business and streamer, and actively assume the relevant responsibility. Only through the concerted efforts of multiple parties can we truly guide the sustainable and healthy development of the "live economy" [5].

4. Conclusion

To sum up, for the development of merchants from traditional offline marketing to live commerce, this situation, on the one hand, this is a change in the marketing model. On the other hand, this is a reflection of the profit model and social progress. It is true that in the post-epidemic period, live commerce has played a huge role in promoting the resumption of production and relieving employment pressure. Nowadays, most of the hot channels of major e-commerce network platforms are talent streamers and live commerce broadcasted by merchants themselves, showing a rapid development trend. However, the current legislation regulating live commerce is still lagging behind. The industry access threshold has not been perfected and the relevant regulatory mechanism is not strong enough, and other factors have led to the live mode of regulation out of control, which in turn endangers the rights and interests of consumers and seriously undermines the safety of consumers shopping. Therefore, for the field of live broadcast, improving the industry entry threshold and improving the relevant systems and regulations is a matter of urgency.

References