The Current Situation, Problems, and Coping Strategies of Chinese Live-Streaming E-Commerce Against the Background of Metaverse

Mengjie Ma[1], Jiawei Tian[2], Jiani Yang[1]

1. Guangzhou Xinhua University, Guangzhou 510520, China.

2. China Europe International Business School, Shanghai 201206, China.

Abstract: Live-streaming e-commerce, as a new business model, reshapes traditional retail from the three dimensions of people, goods, and venues, and plays a positive role in promoting agriculture and increasing employment. Chinese live-streaming e-commerce has gone through a rapid growth period, commercialization period, and has now entered a period of commercial explosion. From the perspective of the metaverse, the main characteristics of Chinese live-streaming e-commerce are strong support from national policies and active promotion by local governments; rapid development, driving the growth of surrounding industries; live-streaming e-commerce promotes the "revitalization of domestic products", with first- and second-tier cities leading the consumption of domestic products; the business model is gradually taking shape and evolving towards diversification. Regarding the problems of live-streaming e-commerce in China, the article attempts to provide solutions.

Keywords: Live-Streaming E-Commerce; Metaverse; Development Status; New Business Model; China

1. Introduction

The Report of the 20th National Congress of the Communist Party of China points out that we must comprehensively promote rural revitalization, adhere to the priority development of agriculture and rural areas, and accelerate the construction of a strong agricultural country. It is of great significance and an arduous task for China to stabilize the agricultural foundation and do a good job in the "Three agriculture(agriculture, rural areas and farmers)" work. In February 2022, the No. 1 central document "Opinions of the CPC Central Committee and the State Council on Doing a Good Job in Key Work of Comprehensively Promoting Rural Revitalization in 2022" was released, which explicitly mentioned the "live stream of agricultural products with goods" for the first time. Digital technology is an important lever for promoting rural revitalization, among which rural e-commerce is an important means of transforming China's agricultural development mode. In summary, live-streaming e-commerce, as a new business model, reshapes traditional retail from the three dimensions of people, goods, and venues, and plays a positive role in promoting agriculture and increasing employment, expanding domestic demand, and promoting the development of the digital economy. Impacted by the pandemic on traditional industries, live-streaming e-commerce has become a new channel for many domestic companies to seek sales growth with its online platform advantages, and also an important means of promoting China's economic recovery.

2. The Development Process and Characteristics of Chinese Live-stream E-commerce against the Background of Metaverse

2.1 The Development Process of Chinese Live-stream E-commerce against the background of the Metaverse

Compared with selling products through pure picture and text display, selling products through live streaming can generate timely user interaction and provide a comprehensive display of the products, thus improving sales efficiency.[1] Chinese live-streaming

e-commerce has gone through a rapid growth period, commercialization period, and has now entered a period of commercial explosion. (1) Rapid Growth Period (2015-2016): In late 2015, Taobao first launched " live streamer live-streaming sales" and officially launched this business in May 2016; that same year JD.com, Vipshop, and other well-known e-commerce platforms also launched related businesses. 2016 was also known as the "pioneering year" of live-streaming e-commerce. (2) Commercialization Period (2017-2019): Taobao launched the "Super IP into Taobao Plan", and live streamer representatives such as Viya and Li Jiaqi began to gradually emerge, with well-known live streamers generating sales of over 10 billion yuan. With well-known short video platforms such as Kuaishou and Tiktok successively entering the live-streaming e-commerce sector, more and more merchants have entered this field, offering increasingly diverse live-streaming content and products for consumers to choose from. Gift rewards and advertising were the main monetization models during this period. (3) Commercial Explosion Period (2020-present): Influenced by the pandemic, "shopping from home" became the lifestyle for many people. Traditional e-commerce platforms gradually lost their appeal in livestreaming sales, while social e-commerce quickly gained popularity in live-streaming sales. Currently, the Chinese live-streaming e-commerce market is dominated by three major platforms - Taobao, Tiktok, and Kuaishou, with a total market share of over 99%. In addition to these, new entrants like WeChat Channel and Bilibili have also joined the competition. WeChat Channel officially began the live-streaming e-commerce this year, accelerating the commercialization process. WeChat Channel not only accessed information flow advertisements for the first time, but also launched "WeChat Channel stores". Previously, WeChat Channel had gradually opened up online live streaming, rewards, shopping carts, and other capabilities to experiment with commercialization.

2.2 The Main Characteristics of Chinese Live-Stream E-commerce in the Metaverse Background

2021 is known as the "first year of the Metaverse". PwC predicts that by 2030, the Metaverse market size is expected to reach $1.5 trillion. The Metaverse is accelerating from the "future tense" to the "present tense". The true significance of the Metaverse is to connect the virtual world and the real world. Its high real-time, immersion and interaction features can empower e-commerce platforms and user experiences, making the entire e-commerce chain more touchable and interactive with end users. According to a report by the global Metaverse leader Meta, more than two-thirds of potential social media shoppers in the Asia-Pacific region hope to be able to purchase goods without leaving their homes using virtual technology. By 2030, the Metaverse economy is expected to contribute more than $3 trillion to the world's GDP, with the Metaverse GDP in the Asia-Pacific region exceeding $1 trillion. In China, e-commerce giants led by Alibaba have begun to enter the Metaverse, bringing significant development opportunities to the industry chain. For example, during this year's Double 11 shopping festival, Alibaba introduced the Metaverse continent "Mantavos", where consumers can create virtual digital avatars and enjoy a new consumer experience in the Metaverse. At the Tmall Double Eleven gala, celebrities who participated in offline performances had digital avatars that competed with virtual images on stage. The JD Cloud team launched the "Ling Xiaobo Virtual Digital Person" live broadcasting product, which achieves 24/7 unmanned broadcasting, intelligent writing of live broadcast scripts, and automatic marketing lottery activities, improving the GMV transaction conversion rate of store sales during unmanned operation.

"E-commerce + Metaverse" has become a new attention-grabber for China's live-streaming e-commerce industry. The online shopping experience created around virtual live streamers and virtual scenes has gradually become a way for major e-commerce platforms to attract user retention and content innovation.[2] From a platform perspective, internet companies such as Taobao Tmall, JD, ByteDance, and Kuaishou have successively launched virtual live streamers and immediately engaged in a fierce battle to register virtual live streamer trademark rights. Taobao even claims that virtual live streamers and 3D scenes will be an important direction for their development. From a branding perspective, many well-known brands have used virtual people to sell products, and have achieved good results. These brands hope to use the technology and novelty brought by virtual people to create their exclusive virtual images, such as Huaxizi's digital person "Huaxizi" and Watsons' virtual spokesperson "Qu Chenxi". From a user perspective, the Z generation, which has grown up with elements such as the internet, anime, and mobile games, is gradually becoming the main force of the future consumer market. They are more accepting of the live-streaming sales form of virtual brand IP images. Specifically, the following characteristics can be observed in China's live-streaming e-commerce industry from the perspective of the Metaverse:

Firstly, national policies provide strong support, and local governments actively promote them. Since 2020, various national

ministries and commissions have introduced a series of regulatory policies, setting thresholds, and bottom lines, and establishing standards for the live-streaming e-commerce industry. For example, the "14th Five Year Plan for National Informatization" proposes to support the healthy and orderly development of social e-commerce, live-streaming e-commerce, and knowledge sharing, and actively develop emerging business models and scenario applications such as remote work, cloud exhibitions, contactless services, and employee sharing. Internet marketers have been included in the "National Occupational Classification Dictionary". Many local governments have also launched policies to strongly support the development of the live-streaming economy, increasing support for live-streaming e-commerce from aspects such as rewards for bringing goods, contribution incentives, talent introduction and training, and enterprise applications.

Secondly, live-streaming e-commerce continues to stimulate consumers' desire to buy and promote sustained and rapid growth in consumption by "expanding new customer groups, creating new scenarios, exploring new demands, expanding new product categories, and promoting new brands." According to relevant data, the number of live-streaming e-commerce users in China was 220 million, 250 million, 370 million, and 430 million respectively from 2018 to 2021. It is expected that the number of live-streaming e-commerce users in China will reach 470 million in 2022, a year-on-year increase of 10%. The rapid development of live-streaming e-commerce has provided a new channel for China to stabilize and increase employment. According to data from the Ministry of Human Resources and Social Security, as of the end of 2021, there were already over 10 million employees in China's live-streaming industry, with 1.234 million being live streamer. The number of employees is growing rapidly at a rate of 8.8% per month.

First of all, as the live-streaming e-commerce industry develops rapidly, the job positions at each end of the industry chain are becoming increasingly subdivided. In addition to the well-known live-streaming hosts who promote products, the front end of the live-streaming e-commerce industry chain includes scene designers, live-streaming instructors, content editors, product selectors, and others. The back end of the industry chain requires a large number of talents in technology, product production, operations, warehousing, and logistics, among others. According to the "2022 Double 11 E-commerce Talent Data Report" released by LaGou Recruitment Big Data Research Institute, in the e-commerce industry, live streamers have become popular hiring positions in recent years. At the same time, the demand for drivers and delivery personnel are also strong, and many companies are reserving logistics talents in advance. Secondly, live-streaming e-commerce also provides more employment opportunities for unemployed individuals or those who want to switch careers. For example, in Hangzhou, there is a sign language e-commerce live-streaming team with three deaf-mute live streamers, Ziwei, Saisai, and Beiling. They use sign language to explain products for more than six hours a day, allowing many deaf-mute people to "listen" to live-streaming. One-armed girl Fang Cunxin (online name "Baobao Super") became a fashion live streamer, confidently displaying her clothing style in front of the camera every day. According to the China Disabled Persons' Federation, currently, more than 68,000 disabled people have achieved network employment through information technology, including e-commerce and live-streaming sales. Among the online employment and entrepreneurship platforms of various e-commerce sites, the number of disabled people has exceeded 200,000.

Thirdly, live-streaming e-commerce is promoting the "national goods revitalization", with first- and second-tier cities leading the consumption of domestic goods. E-commerce platforms are gradually becoming an important channel to help domestic brands "go viral". Terms such as original design, cultural heritage, intelligent networking, private customization, scene experience, technological empowerment, and artisan craftsmanship have gradually become new labels for domestic products. Emerging brands have achieved significant growth with strong support from e-commerce platforms. Mature brands have expanded their consumer group and attracted more attention from consumers. Old-fashioned brands have effectively examined user needs through the platform, satisfying the new consumption demands of young consumers such as fashion and personalization, winning new market space. For example, old domestic brand Fenghua successfully broke through its traditional user impression and triggered emotional resonance among users, awakening memories and promoting consumption through short-video live-streaming. Double Eleven, as one of the year's major "sales events," is a critical moment for major domestic brands to boost their performance and demonstrate brand power. Last year's Double Eleven saw domestic brands such as Anta and Li Ning achieving their best ever results. According to the "2022 Douyin Double 11 Festival" report released by Douyin E-commerce, more than 90% of the top 100 best-selling products on Douyin Mall during Double 11 were domestically produced. On the other hand, many emerging Chinese brands are actively tapping into overseas markets. For example,

Perfect Diary has entered the Southeast Asian e-commerce platforms Shopee and Lazada; ZEESEA has become the best-selling Chinese beauty brand on Amazon Japan; and Colorkey and Feiluer are also expanding to Southeast Asia by joining platforms such as Shopee. It is worth noting that China's domestic consumption shows significant regional differences. Overall, the more developed the region's economy, the more prosperous the domestic consumption of goods, and second-tier and above cities account for nearly half of the domestic consumption of goods. In terms of cities, first- and second-tier cities lead the consumption of domestic goods, with Shanghai, Guangzhou, and Beijing taking the top three spots.

Fourthly, the business model is gradually taking shape and evolving towards diversification. Live-streaming e-commerce replaces the traditional e-commerce model of "finding people for products" with the "finding products for people" model, reconstructing the existing business model.[3] With the help of the metaverse, live-streaming e-commerce will usher in a period of development dividends. Compared with traditional live-streaming, virtual live-streaming has advantages such as self-contained stream of virtual IP, stable live streamer image, large manipulable space, flexible scene changes, rich interaction forms, and low labor costs, which truly achieve 24-hour, lower risk sales. The intelligent production of goods and the continuous intelligentization of the supply chain promote more efficient circulation of goods in live-streaming e-commerce. In addition, the field of live-streaming will move towards low-latency, more immersive, real-time rendering interactive experiences. On the other hand, the live-streaming e-commerce industry is gradually transitioning from being driven by stream to product-driven, entering a new phase of development characterized by brand-sponsored streams, knowledge-based live streamers, customized live-streaming, and metaverse-enabled live-streaming. Emerging forms such as "knowledge live streamers" (such as East Buy`s Dong Yuhui), "customized live-streaming" (such as the "6.18" Tmall's all-star live-streaming festival customized by consumers), and "metaverse-enabled live-streaming" (such as JD's virtual beauty live streamer "Xiao Mei") make the live-streaming e-commerce ecosystem more diverse.

3. The Main Issues and Coping Strategies of Chinese Live E-commerce in the Metaverse Background

In recent years, live-streaming e-commerce has been rapidly developing, but many irregularities have emerged, such as celebrity live-streaming rooms selling counterfeit goods, false product advertising, fake manipulation of the fan base, product quality problems, theft of user privacy, enticing minors to "tip," and difficulties for consumers to exercise their rights for after-sales and protection.[4] A survey conducted by the Social Survey Center of China Youth Daily and the Questionnaire Network on 2,668 respondents showed that exaggerating the quality of products, selling counterfeit and shoddy products, and using ambiguous marketing methods were identified as the top three problems with live-streaming e-commerce. 82.9% of the respondents admitted that the existence of these problems has reduced their favourable attitude towards live-streaming shopping.

In the context of the metaverse, there are several main problems with live-streaming e-commerce in China. Firstly, there are issues with exaggerated effects, false advertising, and problems with product quality and after-sales rights. Secondly, there are problems in the live-streaming e-commerce industry such as low entry barriers, high income, and a large number of practitioners but a lack of professional talent. Thirdly, there is a lack of effective supervision over virtual live streamers in e-commerce, resulting in technical problems that affect performance and manage risks for "real people" who manipulate virtual live streamers. Fourthly, the lagging development of logistics infrastructure seriously affects consumers' shopping experience.

To address the issues mentioned above, the following measures can be taken: Firstly, further improve the regulatory mechanism for live-streaming e-commerce. Secondly, enhance the basic skills of practitioners in the industry. Thirdly, strengthen legislation on virtual live streamers, providing solid legal protection for the application of metaverse in e-commerce live-streaming. Fourthly, increase efforts to improve e-commerce logistics services, especially focusing on solving the "last mile" problem.[5]

References

[1] Guo Q. Development Motives, Current Status and Trends of China's Live Streaming E-Commerce. News and Writing, 2020 [J] (08), 84-91.

[2] Guo LS. Background, Feature Analysis and Mode Innovation of Metaverse E-commerce [J]. Business and Economic Research, 2023(04): 127-130.

[3] Xia, Z. Analysis on the Path of Yuan Universe Promoting E-commerce Reform from the Perspective of "Human-Goods

Field"[J]. Commercial Economic Research, 2022(20), 99-102.

[4] Zhou S. Communication Confusion and Function Upgrade of E-commerce Live Broadcasting[J]. Youth Journalist, 2021(06), 39-40.

[5] Huang C, & Wu M. Development Status, Existing Problems and Optimization Path of Live Streaming E-commerce in China[J]. Media, 2020(17), 11-14.