

**An analysis of digital marketing strategy in the era of social  
media in China**

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## **ABSTRACT**

This thesis analyzes digital marketing strategies in the era of social media in China. With the development of information technology, the gradual stabilization of China's economic growth, and the catalysis of the epidemic, advertisers need to achieve breakthroughs through more effective marketing strategies. The rise of social media undoubtedly provides opportunities.

This thesis will focus on the three digital marketing strategies: content marketing, live streaming e-commerce, and trust fission. As a marketing method that has existed since the paper media era, content marketing has been given new meanings in the social media era. In Chapter 2, this article goes back to the history of content marketing and proposes how to design content marketing based on the characteristics of content marketing in the era of social media, as well as case analysis. With the development of 4G technology and the gradual commercialization of 5G, the importance of live broadcasting has become increasingly prominent. This thesis analyzes e-commerce live streaming in Chapter 3. Live streaming e-commerce is a recombination of the three elements of traditional BtoC: people, goods, and fields. Meanwhile, live streaming can use various methods to encourage consumers to make purchases during

the live streaming, thereby generating a large number of instant transactions. The author points out in Chapter 4 that as centralized public domain net flow becomes increasingly expensive, advertisers urgently need to consider building and operating private domain traffic. Social media's social and media attributes are the natural platform for building private domain traffic pools, and trust fission is the key to building traffic pools and further operations. In Chapter 5, the author pointed out that the widespread influence of social media determines that the use of social media marketing does not need to prioritize the target population but achieves a wide range of influence by evaluating the demands of businesses and increasing the topicality of the advertising. Social media are characterized by the integration of sales and marketing, especially in e-commerce live streaming. The marketing strategy at this stage is decentralized.

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# CHAPTER 1 INTRODUCTION

In 2020, the number of internet users in China has reached 989 million, an increase of 85.4 million from March 2020, and the internet penetration rate has reached 70.4%. (CNNIC,2021) Till Q1 in 2020, the App users in China reached 1.023 billion, and the overall daily active users reached 0.893 billion. Due to the pandemic, the average hour spends every day is 7 hours in 2020, which increased by 17.8% compared with 5.97 hours in 2019. (Analysys, 2020) The daily average number of times of opening Apps on smart phones is 62 times, which increased by 4.3% compared with 60 times in 2019. The monthly active user of social media has reached 1.019 billion, which covers 73% of the total Chinese population. (Analysys, 2020) Meanwhile, the pandemic has catalyzed the brands and dealers to conduct digital marketing strategies based on social media to enhance their business performance and brand awareness. All those facts demonstrate that the digital marketing strategy in the era of social media is a topic worth discussion.

## 1.1 Social media

The definition of social media often faces challenges due to the variety of stand-alone and built-in social media services. (Jonathan A Obar, 2015) The author believes that social media are virtual communities that combines the social functions and media functions. From the social perspective, social media could provide platforms to users to do socialization activities which include but not limit to learning, building networks, communicating with others, shopping, and recreation. From the media perspective, social media could allow users to receive, create, share, and exchange information and opinions. Social media have multiple forms, such as Weibo, Wechat, Instagram, Video websites such as Youku, Youtube, QQ video, and iQiyi, and shopping guide community. The services provided by social media are delivered through APPs or

Web. To use the services provided by social media, users have to download the APPs on the mobile phone or browse the web on the PCs. With the advance of information technology, social media could provide content that are more abundant and specific, for example clear pictures and high-defined videos. The rapid development of social media has extensively deeply affected consumers' behavior of building networks, acquiring information, and communicating, and thus has provided the soil for social media marketing.

Social media in China could be classified into three categories based on the features of their services:

1) One-stop social media: The platform supports one-stop services to consumers, such as networking, communication, recreation, shopping, and other social functions. Wechat, QQ, and Weibo, could be classified into this category. Currently, the functions provided by this type of social media is more comprehensive. For example, a user could pay the electric charge, apply an ETC, and book tickets.

2) Relation-based social media: Users could use the platform to build and maintain relationships. Linkedin, Maimai, Momo, and QQ zone could be classified into this category. As we indicated above, since one-stop social media such as Wechat provide comprehensive serviced to users, they also have the function of building and maintaining relationships.

3) Vertical social media: Vertical social media's function and target population are relatively vertical compared with the first two types, and are heavily depends on the quality of the content. Zhihu, Bilibili, and Tiktok could be classified into this type of social media. Zhihu is a Q&A forum, Bilibili is a video community for two-dimensional enthusiasts, and Tiktok is a short video sharing APPs. Despite the fact that the vertical social media also provide networking functions, the content are their main features that attract potential users. In this type of social media, key

opinion leaders, one type of influencers, have strong influence to their subscribers. Since the KOL have professional knowledge in vertical sector, and thus their recommendations are more reliable than the Word of Mouth. (F. Meng, J. Wei and Q. Zhu, 2011)

## **1.2 Marketing strategy based on social media**

Since social media contain both social functions and media functions, they are naturally platforms for advertisers such as brands and merchants to conduct digital marketing strategies. The advertisers will build a more real-time, bidirectional, and direct link with the potential consumers through a marketing strategy based on social media.

Social media marketing has a wide range of impacts at the period of acquisition, activation, retention, revenue, and referral. For example, during the acquisition period, social media marketing can play an informative role: the brand promotes its enterprise culture, brand reputation, or product information through social media, making users resonate. During the activation period, users can identify the companies and products by confirming information that is useful to them on social media. During the referral period, some users will take the initiative to share and disseminate information about the company and products, resulting in a second communication effect. The trust between the brand and the customer would incur trust fission.

Furthermore social media marketing not only has a positive impacts on the procedures mentioned above, but also combine some of sequential procedures into one, which greatly enhanced the efficiency of conducting it.

Due to the socialization and information dissemination functions of social media, social media marketing has the below differences compared with traditional marketing.

**Vividness:** As most essential carriers of social media marketing, content could be short videos, long videos, live streaming, articles, graphs, and even the users' comment and forwards. All those content have a high degree of vividness and are thus eye-catching, cause discussion and reproduction.

**"High credibility":** The high credibility means that although the friends' recommendation are not necessarily of high credibility, an individual tends to believe the people around him or her. Social media is a natural place to form high credibility.

**Self dissemination:** Due to the vividness and "high credibility", social media can motivate users to participate actively and give feedback. Users are not only receivers of information but also creators of information. Therefore, when companies conduct social media marketing, they could let the users generate future discussion simultaneously, thus making users spontaneously become part of corporate marketing strategy. Meanwhile, users can quickly form a community, based on the functions provided by social media, and use a common topic as the connection for mass communication. Therefore, the dissemination on social media is multi-level dissemination. Marketing content can be diffused multiple times through social media platforms, which significantly increase the speed of information dissemination, thereby making the discussion have impact beyond the initial target population.

**Policy Restrictions:** China's social media marketing has experienced extensive development early, followed by sales of fakes and fraud. Some content marketing content has a risk of violating the policies, and the Chinese government has gradually introduced more relevant policies to regulate social media marketing.



### **1.3 Structure of the thesis**

In this thesis, the author would like to explore three main marketing strategies based on social media. In Chapter 2, the author will introduce content marketing in the era of social media, including the basic concept, the design of a successful content marketing, and case analysis. In Chapter 3, the thesis will discuss the ecosystem of live streaming, the design of live streaming marketing strategy with cases. In Chapter 4, the article would introduce the concept of private traffic and trust fission and elaborate how advertisers could enhance business performance by conducting trust fission through case analysis. Lastly, the thesis will conclude according to the discussion of the digital marketing strategy in the era of social media.

## **CHAPTER 2 CONTENT MARKETING IN THE ERA OF SOCIAL MEDIA**

It is commonly believed that users naturally hate advertising, so any advertising that looks not like an advertisement would be regarded as successful content marketing. Such a definition is limited and could not cover the nature of content marketing in the era of social media. The purpose of any marketing strategy would be to let the potential buyers become more willing to accept the brand, and therefore the content marketing would be getting the potential buyers to accept the brand by generating high quality content. Another misunderstanding about content marketing is that anything that could attract audiences is successful content. Indeed, every advertisement may need interesting content, yet the content is only the way to deliver the brand's message. Without the advertiser's intention, content marketing could not be called content marketing but would be considered a story. Thus, content marketing are marketing formats that involve the creation or sharing of content for the purpose of engaging current and potential consumer bases. ( Joe Pulizzi & Newt Barrett,2009)

However, it is necessary to noticed unlike traditional marketing strategy, content marketing often engages consumer in an inapparent way. Thus,the author would define content marketing a marketing strategy that the message the advertiser would like to pass to the potential consumers have been planted into a well-devised "content," and the audiences get the message unconsciously or without noticing that such a "content" is an advertisement. In social media, content marketing has evolved- the content needs to have clout that could automatically entail heavy discussion among target populations or even among mass populations and thus facilitate the transaction.

## 2.1 The history of content marketing

Content marketing has been evolving with the evolution of technology that could spread "content." In the recent decade, such technology is information technology and software technologies. There are three periods of content marketing:

1) The period of spreading content by papers: In this period, the content spread with newspapers and books. At those time, most of the advertisements had been printed on paper. Due to the limitations of paper media, the scope for spreading was highly limited. The picture below shows an example. (John Deere, 1900) The John Deere company has started to publish the magazine *The Furrow*. The company has planted the information about their products into the scientific articles on agriculture. The content marketing strategy emphasizes the importance of how the content may be helpful to the readers. The nature of content marketing is centralized: namely, it is from paper media to readers. The content is articles, especially stories and popular science articles, on newspapers or books.



Figure 1 The Furrow

2) The period of spreading by televisions: With the invention of television, the content is more attractive than before. The form of entertainment has become diversified. Some brands and companies noticed the power of using the new media. In 1929, Popeye Spinach planted the content into the cartoon “Popeye Spinach” and influenced every child who watched that animation. The author of this article still remembers that he asked his mother to buy spinach to become strong many years ago. Some of the marketing strategy conducted during this period even have an impact till now. In 1995, Haier Group, as the biggest refrigerator producer in China, published a cartoon series “Haier Brothers” on TV. In 2015, at the 20 years anniversary of publishing “Haier Brothers”, the cartoon has been broadcast again on iQiyi and Tencent video, and led to heavy discussions among the the audiences bore between 1980 to 1999, who are the first group of the audiences of the cartoon. (Shen Lin, 2020)

The content marketing strategy in this period emphasizes the attractiveness, and the route is still centralized: like content marketing in the paper media period, it goes from media such as television stations to audiences. The content are videos, such as cartoon or TV shows.

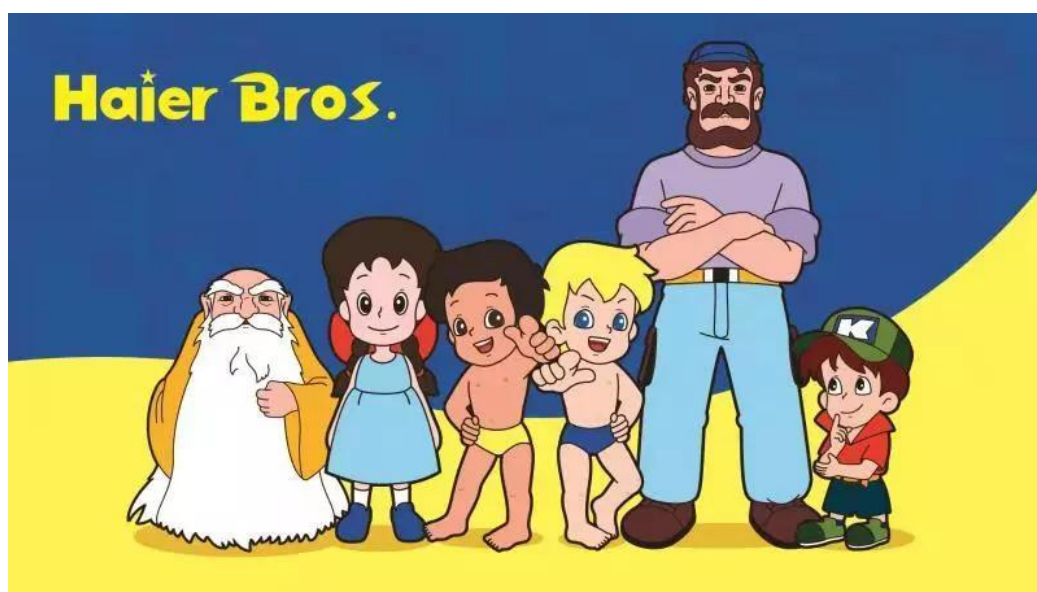


Figure 2 The Haier Bros

3) The internet period: with the advent of the internet, the decentralized spread model has made a low barrier for content marketing. Everybody may become the audience of content marketing, and everybody could be the creator of content marketing. There was a position in some travel companies called “Travel experiencer.” Some travel companies paid all the costs for the travel experiencer and paid salaries. The only thing the travel experiencer needed to do was to write an article about the travel experiences on the companies’ official website. Later, many travel companies canceled this position because they realized that simply encouraging their service users would have the same effect. However, as social media became more popular, many companies realized the power of KOL and accounts that generate content. Thus, the “experiencer” became professional and commercialized again. In this period, the marketing strategy emphasizes the among between audiences and the interaction between the audiences and content creators. The spread route is decentralized- it is from users to users. The content is the trigger of the discussion on the internet and thus plants the brand image into the mind of the users who have engaged the discussion.

Content marketing in this period is both short-term and long-term. Through social media, the advertiser could conduct a content marketing campaign easily. However, the advertiser may need to continuously generate more high-quality content to build the link with potential consumers and consolidate the brand image.

## **2.2 The design of content marketing**

In a good content marketing campaign, the content, the form, and the social media are the three main elements.

Content: the target of any marketing strategy is to deliver the message that the

advertiser would like to deliver, and thus the value of the content and the fitness of the content is of great importance. The value of the content could be evaluated by the degree of “clout” and whether the content has presented a positive image. The fitness of the content is decided by the content and the product.

Form: Form is how the content is presented. For example, a short video is one of the most common ways of presenting content. The time length, enjoyment, and innovativeness of the short video should be taken into consideration. The adaptiveness of the form is also relevant. For example, if you are promoting a mobile phone, a short video is a better way than a long blog.

Social media: social media are the channels of delivering the message to the consumers, and therefore the number of active users, the profile of the users, and the promoting contacts are the key factors in choosing the social media. For example, Kuaishou is one of the most influential short video social media in China, and due to its high permeability in Tier 4 cities, Kuaishou fits with products with a high price-performance ratio better than TikTok does.

Therefore, designing a successful content marketing strategy is a process of choosing the right content, the right form of content, and the right social media. The standard of choice is based on the need of the advertiser. The next four steps help the advertisers or the strategy designers to execute a purposeful content marketing strategy.

- 1) Assessing the need of the advertiser
- 2) Choosing the form of the content
- 3) Choosing the media
- 4) Conveying the message to consumers by content through social media

### **2.2.1 Assessing the need of the advertiser**

All the nature of a commercialized product is to meet the needs of customers. Thus, the concept of target population, or target audiences, is of great significance. In marketing and advertising, target population is a particular group of consumers within the predetermined target market, identified as the targets or recipients for a particular advertisement or message. (Kotler, 2005) Normally, a marketing strategy designer may believe target population is the dominate element in every step of devising a campaign, since it is essential to have a higher conversion rate, which might decrease the overall cost. However, at the beginning of content marketing campaign, there will be lively discussions among the initial target population. With the topicality of the content, this content will further affect people who have a certain similarity with the initial target population. This discussion will be further automatically spread among the mass along with the social function of social media, and finally achieve widespread dissemination. At this time, the discussion on this topic is no longer limited to the target audiences, or similar groups of the target audiences, but a broader group of people that are users of social media. Since the self-dissemination feature of social media marketing, the impact on a broader group of people do not need much cost, unlike that of the traditional marketing strategy. Thus, the design of content marketing has the option of not putting the target population into the first priority but focusing more on the advertisers' need and the topicality of the content.

The advertiser could be brands, dealers, governments, NGOs, or even a person, such as freelancer. In content marketing strategies, the first step is to evaluate whether to conduct content marketing. Sometimes, a traditional marketing strategy is more efficient. For example, a health care product targeting the elderly may not have an acceptable impact if content marketing is chosen since most of the elderly hardly ever use social media in China. Due to the diversity of the advertisers, the needs of the advertisers also vary. For example, the government usually needs content marketing to deliver positive messages to citizens, and thus the designer should focus on the influence and the political correctness but not the ROI. For a brand, the designer should care more about the "hot buzz." For merchants, content marketing should

focus on the ROI of the campaign. Normally, the need of the advertiser could be classified into two categories: one is the business performance, and the other is the brand impact. The business performance level could be reflected by indicators such as revenue increase, market share increase, customer acquisition cost decrease, customer retention rate increase, and the life-time value increase. The brand impact level could be reflected by indicators such as the enhancement of the brand awareness and reputation, the enhancement of the brand personality, the enhancement of the brand emotion and culture value, and the enhancement of the social impact of the brand. Overall, the fundamental need of every advertiser while choosing content marketing is to expand the brand's influence to allow more people to form the brand awareness and brand memory, deliver the brand concept and brand value to people in order to build an emotional connection between the potential users and the brand, and create a consuming scene to stimulate the user to buy, thus helping the brand realize sales conversion.

### **2.2.2 Choosing the form of the content**

After assessing the needs of the advertiser, we should focus on deciding the form of the content. The decision point is target population and implementation difficulty.

Initial target population: Different types of content marketing could address different initial target populations. Videos, context, and graphs are the mainstream of content and could cover nearly all the population. Such content could be adopted for mass marketing. Music and games are “vertical” content, and thus the target population always belongs to the same community. The interest and characters of the target population are obvious, and thus using music and games as the content could be applied to accurate and customized markets. However, as the author indicates above, the self-dissemination feature of content marketing could lead to an impact to initial target population and also to mass.



Implementation difficulty: The cost, production cycle, and cooperation conditions are different between different types of content, consequently making the implementation difficulties differ. For example, long videos, such as talent shows and online drama, usually have long production cycles. Such type of content with highest quality is rare, and the cooperation cost is relatively high. The graphics and contexts have a low barrier. The production cycle is short, and the cost is low. Meanwhile, the advertiser could cooperate with more than one professional producer to have a larger impact. Thus, due to the different implementation difficulties, the designer should carefully choose the form of the content.

However, in social media, content marketing is not a single-choice question but a multiple-choice question. Sometimes, the combination of short videos and long videos, or the combination of live streaming and graphics and contexts may have a synergistic effect.

### **2.2.3 Choosing the media**

Media are the channels to convey the message from advertisers to consumers. The decision points are media adaptiveness- which type of media- and media value-which social media.

The adaptiveness: The media adaptiveness could be evaluated by the advertiser's need. Suppose the purpose of content marketing is to have better business performance, such as increasing the revenue or increasing the conversion rate. The e-commerce platform or shopping community is the better choice. If the purpose of the marketing is to increase brand awareness, the portal website is suitable. Yet, as the social media became popular and commercialized, Tiktok or Weibo is an available choice for both scenes. If the profile of the potential consumers is vertical, then vertical community

media should be taken into consideration. For example, if the product that needs promotion is Naruto garage kits, two-dimensional social media, such as bilibili.com, or mobile games with the same IP such as *NARUTO Shippuuden* is an eligible option.

Social media: After choosing the media type, the marketing strategy maker should focus on specific media. In the era of social media, the media could be the platform that presents the content or also the content creator. Youku, as one of the largest long video platforms in China, used to only be a platform that allows users to upload videos. Later, Youku started to make online drama and variety shows by itself. QQ Video and iQiyi have gone through the same road. Hence, being both a platform and a content creator is one of the key elements in evaluating the media's value. Furthermore, the quality and the number of the content are also of great significance. The number of active users and the interaction of the users is other key elements. The user's posts, comments, and forwards together compose another form of content, the user generated content (UGC), which has more impact.

#### **2.2.4 Conveying the message to consumers by content through social media**

After deciding the form and the social media, the marketing strategy designer may focus on how to plant the message into the content and then to deliver to the audiences. The decision points of devising how to convey the message to consumers through content marketing are the content value, and the visibility and invisibility of the content. The advertiser and the designer should make a trade-off decision between the visibility and invisibility.

Content value: the content value could be classified as tangible and intangible. The tangible value could be evaluated by observable parameters, such as the number of audiences of a show. Such parameters are easy to observe, and the content with better performance has bestowed the content maker bargaining power. Therefore, the cost of using such content might be out of budget. The intangible value is hard to evaluate since the data is difficult to gather and observe. However, one of the key performance

indicators of the intangible value is that whether the content has topicality that could lead to “Chuquan”, which means a more impact to mass population besides the initial target population. However, it is necessary to point out sometimes a content with negative topicality needs to be abandoned. For example, Bilibili.com, as China's largest two-dimensional social media, has been accused of patriarchy and of not respecting women, so it would be a disaster for products targeting female users to plant advertisement in Bilibili.com's self-made content.

Visibility: In general, the advertising comes more frequently, more directly, longer time per occurrence, and the higher degree of stimulation would consolidate the memories in audiences. Yet, the experience of the reading or watching content would dramatically be reduced if the visibility is too high.

Invisibility: Invisibility means that the content present no obvious feature of advertising. Nevertheless, such a situation also faces the fact that the message that the advertiser would like to deliver is difficult for the audience to perceive, and thus it has led to "best game but no one player" and failed to complete the dissemination of the messages.

Some researchers have proposed effective methods to evaluate the effectiveness of some forms of content. For example, Jeremy Yang, Professor Juanjuan Zhang, and Yuhan Zhang have proposed the concept of motion-score, or m-score, a summary statistic that captures the extent to which a product is advertised in the most engaging parts of a video. The video content producers could use the concept of m-score to develop their video; the advertisers could also pay the KOLs according to the m-score of their video ads. (Jeremy Yang, Professor Juanjuan Zhang, and Yuhan Zhang, 2021)

## **2.3 Case analysis**

Content marketing based on social media have a wide range of usage and thus in this section, the author will introduce two cases.

### **2.3.1 Case 1: Vehicle industry in China**

On January 13, the production and sales data for the full year 2020 released by the China Automobile Association showed that the sales volume was 25.311 million vehicles, a YOY decrease of 1.9%. China has become one of the largest vehicle markets, and thus the competition of the Chinese market is extremely fierce. The profit of the industry has also been decreasing. Meanwhile, with the advance of intelligent connected vehicles (ICV), the industry is in the earlier stage of the revolution. ICV is the combination of automatic drive and telematics. For a consumer, a vehicle is no longer a transportation tool or a symbol of economic condition but also becomes an attitude towards life. In China, the car industry has been impacted by new vehicle companies, such as Xiaopeng and NIO, and also new entrants from other industries such as Baidu and Huawei.

Therefore, the fierce competition with low profit and the foreseeable revolution require the vehicle industry in China to employ a suitable marketing strategy to face the obscure business situation. Content marketing is one of the options.

In 2020, Volvo, one of the leading vehicle brands which are famous for its safety, cooperated with Deyun Group, the largest cross-talk, the Chinese version of standup comedy, performance group in China, in the reality show Deyun Making You Laugh. Volvo has planted its safety image into the show, such as emphasizing subtitles with the keyword “safety.” The cross-talk artist integrating jokes and the safety image together and thus leave the safety image subconsciously to the audiences while making them laugh.

Jeep has cooperated with Chuang 2020, the most influential talent show in 2020. The audiences of Chuang 2020 are young people at the age of 15-30. Unlike Deyun Making You Laugh, the nature of the talent show requires many offline activities such as fans meeting, thus allowing Jeep not only to plant advertisement at the show, which is the first round of broadcast but also to build a direct connection between Jeep and the audiences, who are the future buyers of Jeep.

A good variety show content marketing would create a long term effect for the brand. The consociation of Elantra and Tencent Video All-Star Night 2020 is a case. Even though the Tencent Video All-Star Night 2020 is a ceremony lasting for 4 hours, the impact lasts for a relatively long period and the topicality caused by the All-Star Night has lead to the impact to the mass. As one of the influential entertainment events, the All-star night, together with Elantra, uses the power of social media, such as Tencent, which covers a large amount of Tencent users. Elantra also took advantage of star's clout to enhance its brand awareness and reputation. Outside the show, the star's short endorsement for Elantra entails a second broadcast and further plants the brand image into the consumers. Later, the brand used its own energy to retain and operate the new fans, thus increasing the future business profit.

### **2.3.2 Case 2: The Professional content provider- Xiaohongshu**

In this section, we will explore the content marketing strategy of shopping community social media - Xiaohongshu.

According to public media, till September 2020, the cumulative users of Xiaohongshu have reached 450 million, with an average usage time of 25 minutes per person. Among monthly active users, the number of which is 100 million, 88% of the total users are female users, 56% of them are from Tier1 and Tier 2 cities, and 70% of them are bored after the 1990s. The daily active users are 35 million. The

consumption-ability of Xiaohongshu users is high: 50% of the users could afford products above \$170 dollars, and 90% of users could afford products above \$30 dollars.

An ordinary user's habit is to use other channels, such as Weibo, WeChat, Douyin, or friend's recommendation. When the user knows a certain product and wants to know more about it to make a consumption decision, the user will open the Xiaohongshu to search; the searched product content will directly affect subsequent transactions. If the search content is positive, the user is more likely to open e-commerce apps or go to offline stores to make purchases.

The content marketing strategy of Xiaohongshu could be concluded as follows:

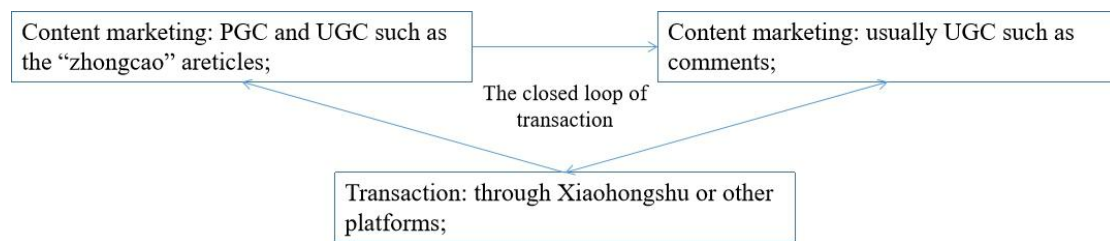


Figure 3 The closed-loop of transaction on Xiaohongshu

The "Plant the seed" and "Self Dissemination" are the key steps in designing a successful content marketing.

### 1 "Plant the seed"-zhongcao

If a brand would use Xiaohongshu as the platform to apply content marketing strategy, then the first step is "plant the seed", in Chinese, "Zhongcao." "Plant the seed" means an article, a piece of video, or any content that has arouse the consumer's intention in buying a certain product, and when the transaction would have happened, we call it "Mowing," in Chinese, "Gecao." The "zhongcao" article is the most common way to plant the seed, and are consist of the following parts:

1) A good cover: The cover of the article could be a combination of graphs and texts, which could grab the user's eye straight to the mainstream. The comparison pictures are another option while the article is introducing a product that may incur long-term change, for example, losing weight. If the products are cosmetics, then an attractive selfie would be efficient because Photoshop would create a good picture under any circumstances. Overall, the cover should be attractive to the target population and could reflect some of the features of the product.

2) A good title: A good title is a combination of keywords and an eye-catching sentence. Since the users search the keywords in the App, and the ranking of the result is directly decided by the title, a good title must contain the key word. An astonishing title could be applicable, for example *if you use the wrong XXX, your face would be ruined*.

3) Pictures: The pictures in the text should give the readers a kind of first-hand experience. Like the cover, comparison pictures, selfies, or pictures of the product are good options. In general, a "zhongcao" article should have 6-9 pictures.

4) Text: The word should be vivid but also deliver the message correctly. Normally, introducing some scientific knowledge would increase the credibility of the passage. The discussion of hot events could also increase attractiveness. The writers could be professional testers, KOLs, or the brand itself. Sometimes, a simple user might write a good one. Besides "zhongcao" articles, short videos are also efficient ways.

## 2 Self-Dissemination

Self broadcasting is the most difficult part of applying a content marketing strategy because it is relatively uncontrollable compare with cooperating with KOLs. A powerful UGC must come from the consumer's own hand. Currently, the hired writer who pretend to be users and write embellished comments, an action called *brush the*

*comments*, are easy to tell. In 2019, CCTV, the national television in China, criticized behaviors such as *brush the comments*.

Meanwhile, Xiaohongshu has encouraged the users to share their experiences, and thus if the product is not of high quality, its shortcoming would spread in the platform quickly. Thus, such a situation reminds the brand and the merchants that quality is fundamental of successful content marketing.

## **2.4 Summary**

In this section, we discussed the history of content marketing and the steps of designing a content marketing strategy. By introducing two cases, the content marketing strategy of the vehicle industry and content marketing on Xiaohongshu, the article introduced how to apply content marketing.

Content marketing is an effective strategy in the era of social media and has a wide range of usability. Empowered by social media, the content is easy to spread and thus has a profound impact not only to the target population but also to the mass. For the marketing strategy designer, evaluating the need of the advertiser and choosing the right form, media, and content is of great importance.

Despite the fact that some of the content, such as "zhongcao" articles, would not be regarded as an advertisement, the regulation from the Chinese government is stricter than before. Thus, to avoid legal risks, the content creator should devise the content based on the fact and follow the policy requirement—some of the behaviors such as brush the comments should be abandoned.



## **CHAPTER 3 LIVE STREAMING: REORGANIZATION AND INSTANT TRANSACTION**

In the last section, we discussed content marketing. Despite the fact that live streaming is often regarded as a type of content marketing, it has presented great differences compared with other forms. Thus, in this section, we will discuss more about the live streaming marketing strategy. In 2020, the pandemic has harmed the offline business dramatically, and thus many brands are seeking for a channel to make up for their loss. The live streaming e-commerce offers both the optimized online shopping experiences and a sales channel. Consequently, the live streaming has been prosperous since 2020. In 2020, the number of live streaming users in China reached 617 million, a further increase of 57.03 million compared with the period of the epidemic in March 2020, accounting for 62.4% of the total Internet users. The number of e-commerce live streaming users is 388 million, an increase of 123 million from March 2020, accounting for 39.2% of the total internet users. (CNNIC, 2021)

The basic difference between live streaming and traditional marketing strategy, including other forms of content marketing, is that live streaming often could entail the transaction instantly. Even though some social media, such as Instagram, have already embraced “shoppable content” in which users could buy through the APP, live streaming can stimulate consumers' instant consumption by setting time-limited or quota-limited discounts. For example, some anchors set a ten-second countdown, and those who purchase the products within ten seconds will get a discount. Through the above “stimulus” method, consumers have been successfully motivated to consume immediately. Thus, there is still a gap between other marketing strategy and live streaming in the immediacy. The other marketing strategy usually have a long-term impact and the revenue increase has a time-lag. Due to the live streaming's instantaneity nature, it would have relatively low long-term impact and is harder for audiences to share than the static content are.

### **3.1 The convergent of e-commerce and live streaming**

One of the main newly emerged digital marketing strategies in the era of social media is E-commerce live streaming. E-commerce live streaming has already existed in China for several years. Yet, this new way of marketing has been taken off since 2019.

E-commerce live streaming means using live streaming as a channel to realize marketing and sales purposes, and it is the product of traditional live streaming and e-commerce business under the era of social media. The purpose of live streaming marketing is enhancing brand awareness and increasing revenue simultaneously. It uses live streaming as a channel to reorganize the three main element of traditional ToC transactions: people, field, and product.

#### **3.1.1 History of Live Streaming**

Live Streaming 1.0: The original form of live streaming is an evolution of instant communication. People realized that besides phone calls or texts, a chat through video could build a more close connection with each other. In 2008, inspired by the evolution of instant communication, the 9158 video website created a live show mode in China. Subsequently, YY, a website that offers audio communication for game players, launched live broadcast services. Computers were mainly used as the terminal. The content of live streaming are live shows, such as singing or dancing.

Live Streaming 2.0: In 2014, Douyu live streaming was launched, which promoted the expansion of live streaming from the live show to the vertical field of games, marking the beginning of the era of game live streaming. In 2015, the game

broadcasting sector of YY became independent, called Huya. Although some smartphones could watch videos, the computer is still the dominating terminal.

Live Streaming 3.0: The commercialization of 4G in 2015 promoted the explosive development of China's mobile internet. Network APPs such as games, videos, and live streaming have been planted on smartphones. Compared with the PC, the smartphone live streaming has more flexibility. With capital and policy support, mobile live streaming presents a rich and diverse trend. At this stage, live streaming gradually transferred from computers to smartphones, and the content transits from live shows to pan-entertainment. The number of users rapidly increased to 340 million people in 2017. (CNNIC, 2017)

Live Streaming 4.0: With the rapid development of the live streaming industry, mobile streaming platforms have rapidly increased to 200+, and industry competition has intensified. At the same time, due to the extensive staking at the early stage of the industry, some pan-entertainment live streaming platforms have inappropriate content and destructive competition. The regulatory authorities subsequently issued policies to strengthen supervision and industry rectification in content, anchors, and platforms. Internal and external factors jointly drive the industry to clean itself. Small and medium-sized live streaming companies are shuffled out. Attentions from the audiences, anchors, and capital are gathered to top players. In the competition of mobile internet net flow, content is the key factor that allows the platforms to have better performance. With the clear signal and low delay caused by 4G technology, vivid live streaming content and timely interactions penetrates into e-commerce, sports, education, corporate services, and other vertical fields, and derived a richer realization model, including live rewards, advertising, membership income, game promotion, and commission sharing.

### **3.1.2 Live Streaming e-commerce**

Supported by social media platforms, the combination of live streaming and e-commerce business has reorganized the traditional BtoC business scene. The reorganized business scene could allow advertisers to gather net flow and then realize it to avoid the high, increasing cost of collecting net flow from centralized e-commerce platforms. Catalyzed by the 2020 pandemic, the penetration of live streaming into different offline businesses has also accelerated. Some merchants even have a better business performance than before through conducting live streaming as their primary marketing strategy during the pandemic. In 2020, people who have purchased products through live streaming e-commerce accounted for 66.2% of the total live streaming e-commerce users, of which 17.8% of the users' e-commerce live streaming consumption accounted for more than 33% of all their online shopping consumption. (CNNIC, 2021)

From the platforms perspective, two types of players enter the live streaming industry now. One player is the traditional e-commerce company, such as Alibaba and JD, and the other is social media. We have classified social media into three category in the first chapter, the one-stop social media, the relation-based social media, and vertical social media, all of which have occupied its niche in the live streaming industry.

## **3.2 The ecosystem of e-commerce live streaming**

### **3.2.1 Platforms**

The main players in this ecosystem are traditional e-commerce platform, such as Alibaba, and social media, such as TikTok and Xiaohongshu. The main product of Bytedance, TikTok, is a short video social media that supports live streaming functions and thus could be considered an entertainment content creator. Xiaohongshu provides shopping recommendations to its users and thus could be called a shopping guide community or life-style sharing community. Both TikTok and Xiaohongshu could be classified into the vertical social media. The three type of platforms have

their own features. TikTok has rich net flow pools, and e-commerce live streaming is way of realization. Xiaohongshu has naturally advantage of reaching the their users' potential buying need.

Three kinds of platforms difference characteristics determine their advantages and shortcomings. Traditional platforms and the shopping guide community platforms are rich in SKUs and the conversion rate is high. The short video social media has the advantage of rich net flow, but the net traffic in the pool is mostly entertainment-oriented, causing a low conversion rate.

From the product perspective, traditional platforms have rich SKUs and normally the products belong to a brand. The latter two have limited SKUs, and the product are OEM products. The consumer image of traditional platform and shopping guide community is consuming oriented, and that of entertainment content platform is entertainment oriented. The conversion rate of traditional platform is medium, that of entertainment content platform is low, and that of shopping guide community is high.

Platform: Different operation logic and characteristics lead to different marketing effect of the three platforms, which is based on the difference in the value of revenue and anchorman fans.

1. Taobao: Fan consumption purpose is strong, thus bringing a higher turnover. Normally, people browse Taobao simply to buy things. Thus, the average revenue generated by audiences are high.

2. TikTok: People browse TicTok for entertainment. The distribution and operation logic of platform algorithm is not conducive to the aggregation of private traffic, and the emotional link between strong entertainment mental fans and anchors is relatively weak. Although the flow of TikTok is dominant and the GMV of the direct broadcast is considerable, the average revenue generated by audiences are medium.

3. Xiaohongshu: Xiaohongshu has the smallest flow pool compared with the other two. However, its users has the strong buying intention and the close emotional distance between the influencers and the followers drive such type of platform has a very high average revenue per audience.

### **3.2.2 MCN**

MCN is Multi-Channel Network, a platform that builds the link between platform and professional content creators. After the related concepts were introduced into China, the functions of the MCN were continuously expanding. Besides the its original function, aggregation of creators, MCNs in China have more abilities, such as the ability of content creation, of enhancing the mass of flow pool, and of making the flow more realizable.

MCN institutions have been blowout growth, from 150 in 2015 to more than 20,000 in 2020. (Topklout, 2020) New player's background is highly diversified: traditional film and television entertainment company; stars' own agent; brand's internal established MCN institutions.

After four years of rapid development, China's MCN has gradually formed three types of institutions: pan-entertainment, information, and e-commerce live streaming, covering content production, operation, marketing, brokerage, knowledge payment, copyright, live streaming, and other types of business. The realization mode of pan-entertainment MCN is mainly advertising; the information MCN organization takes the knowledge payment as the revenue source, and the MCN organization's is to earn commissions from the platform.

In the ecology of live streaming e-commerce, MCN organizations play roles as "intermediary ", cultivate the anchorman's whole life cycle, and transport the high-quality content to the platform.

### **3.2.3: Anchorman**

The trend of "cross-border" anchorman is obvious, and advertisers can choose the best type or combination of anchormen according to their marketing purpose.

One of the main disadvantages of the none-offline sales is that the consumers are lack of shopping experiences. The promoting power of graphics and contexts in traditional e-commerce platform is highly limited. Currently, no means could solve such problems, yet e-commerce live streaming could provide the utmost vivid shopping experience to the consumers. The anchormen are the link that shortened the link between the products and the consumers and thus building a more close connection between the merchants, the products, and the consumers.

Cross-Border: One of the key words that reflects the anchorman's feature is cross-border. Normally, when an individual is deciding whether to buy a product at a store, the promoter introduces the product to one customer. In a e-commerce live streaming scene, an anchorman could introduce the product to all the audiences. The low entry threshold and high monetary benefit of the anchor attract a large number of entrants, including the KOLs, entrepreneurs, and stars. For example, Luo Yonghao, an entrepreneur in the mobile phone industry, has started his live streaming anchorman life. On April 1, 2020, he invited Lu Weibing, President of Xiaomi China, and Wang Xiaochuan, CEO of Sogou, to interact in his live streaming room.

However, it is easy to enter the game and difficult to play well. The Matthew effect in the anchorman field is obvious. According to a public survey, 2.16% of the head anchors account for nearly 90% of the market share. If the waist end anchormen

would like to share a piece of the fierce competition, they need to face selection bargaining power, oral broadcast abilities, endurance, and other heavy assessments set by the platform. Some platforms have invited some movie stars or music stars to be the anchormen, yet the result is not promising.

At the present stage, there are four kinds of anchors: KOLs, celebrities, virtual figures, and advertisers' own member. The four kinds of anchors have different characteristics and thus marketing effects are different:

**KOL Anchorman:** Most of the KOL anchormen are affiliated with the MCN institutes. They have more experience in the vertical sector, and the conversion rate is relatively high. The fans of one KOL may have strong similarity in the profile, and follow the KOL for the content- under some circumstances, the content are shopping recommendations- that the KOL could provide. The Matthew effect is obvious. Weiya, and Li Jiaqi are typical representatives. According to the GMV ranking report published by WeMedia, Weiya and Li Jiaqi's monthly GMV in September of 2020 has occupied 50% of the total GMV generated by the top 30 anchormen in Taobao.

**Celebrity:** The celebrity are people with high popularity but are not professional KOLs. Celebrities are naturally with topics and thus attract net flow. On May 14, 2020, Liu Tao's Taobao live streaming was launched for the first time. According to public media, more than 21 million people watched it, and the transaction volume is 148 million RMB.





Figure 4 Liu Tao's live streaming performance

However, not all celebrities might have the same promising performance in live streaming, because most of the audiences are with minds of seeking novelty, causing a meager conversion rate. For example, Wu Mengda, a well-known actor in China, Hongkong, only sold few bags of rice in his live streaming, yet the merchant has paid 150,000 RMB for the position of planting their products and the purchase link into the live streaming.

Virtual Anchorman: Such anchormen are also affiliated with MCN. They are not real people but virtual figures with funny dubbing. Normally, they gained their reputation through entertainment and knowledge content. For example, "I am Bubaichi". "I am BuBaichi" is a video food blogger. Because of the funny dubbing and the informative short video of introducing food history, it has gained nearly 1.784 million followers on TikTok in China and 3.4 hundred million likes of his short video till 12<sup>th</sup> May 2021. Due to the vertical feature, it has a very high conversion rate.



Figure 5 The screen shot of the profile of “I am Bubaichi”

Advertiser’s owned anchorman: Some of the brands have formed a live streaming team or hired third-party companies to operate. Normally, such anchormen have deep understandings of the products. Yet, the exposure rate and the conversion rate are low. Many brands are exploring this type of live streaming due to the low cost, and thus the advertiser owned anchorman might become the future trend. Some entrepreneurs even act as an anchormen themselves.

Others: Some anchormen could not be classified into the above categories. For example, in some cities or counties which are well-known for their local specialties, the mayor will be the anchorman to promote the local enterprise’s agriculture product. Some courts even hold live streaming to introduce foreclosures, and the anchormen are officials. Such live streaming are totally non-commercial.

### 3.2.4 The commission model

In the e-commerce live streaming ecosystem, the commission model could be concluded as commission+pit fee.

**Pit fee:** A pit fee is the fee that the merchants pay for the position at a live streaming. For example, if an advertiser wants the anchorman to promote their product and put the purchasing link at a live streaming, besides commissions per sale, it has also to pay a fixed fee in order to "get on board." Anchormen with highest popularity has a stronger bargaining power for pit fees, and during the period such as "11.11 festival," the single's day, pit fees are rising. Part of the pit fee is directly linked to the ROI; only after the ROI reaches a certain threshold, the anchorman has the opportunity to obtain the pit fee.

**Commission to the platform:** The commission is based on the cost per sales. According to Taobao's policy, the range of the commission is 20% to 90% of the GMV. Let us assume that the commission range is 30% and the merchants are cooperating with Alibaba and short videos social media, such as TikTok , then 11.1% of the commission belongs to Alimama, the sub-brand of Taobao, 0.21% belongs to Tiktok, and the remainder 18.69% belongs to MCN and anchors. 70% of the revenue belongs to the merchants.

When the advertisers have their own anchorman and live streaming team, then besides the fee that has to be paid to the platform such as Alibaba and TikTok, the rest of GMV all belongs to the advertisers. That's why the advertisers are all starting to form their own live-streaming team.

**Commission to the infrastructure company:** Infrastructure companies provide the transportation service, online store building service, and other instant pay service. The online store building service companies are relatively newly emerged company. For example, SaaS company China Youzan, which is often regard as China's shopify,

provide building-store service on mini-program on Wechat, and their fees are 6,800RMB/year for basic version, 13,800RMB/year for advanced version, and 26,800RMB/year for flagship version.

### **3.3 The design of live streaming marketing**

In the above section, we indicated that live streaming e-commerce has reorganized the three main elements in ToC business: people, product, and field. Thus, the design of a successful live streaming marketing is based on the three factors.

#### **3.3.1 People**

Finding the right anchorman is of great importance. The choice of the anchorman is based on two elements: the overlap between the target population and the anchorman's fans, and the anchorman's ability in generating instant transaction.

Overlaps: Unlike other marketing strategy, which is designed based on the target population, the live streaming marketing naturally attract the fans of the anchorman but may have a low impact to people who are not the fans. In general, if the CXO of a brand may have a large fans group, then he or she is a good option. According to Kuaishou's official account, on May 10, 2020, Gree President Dong Mingzhu did her first live streaming and the transaction volume was 310 million RMB.



Figure 6 The transaction report of Dong Mingzhu’s live streaming

KOLs or virtual figures in vertical sector are also eligible options. Currently, KOLs tend to have a specific character setting: gourmet, beauty guru, or fitness blogger. Thus, the brand could chose the KOLs based on their character settings.

Ability: Platforms would provide data of the past performance of each anchorman’s broadcast, which make the evaluation of the ability of generating instant transaction easier. For some stars who is the first time to be an anchorman, then the lack of past data would bring uncertainty.

The demographic statistic of the live streaming e-commerce buyers shows that 49.7% of the buyers are born between 1990 and 1999 and that 32.9% of the buyers are born between 1980 and 1989, all of which are the main consumption strength in China. (China Consumer Association, 2020) Such data also shows that young people have high acceptance towards newly emerged business scene. 38.7% of the buyer’s monthly salary is between 6001-10000RMB; 26.2% of the buyers’ monthly salary is above 10000RMB; and 28.1% of the buyers’ monthly salary is bewteen 2000RMB to 6000RMB. The salary distribution shows that the buyers have relatively high

consumption ability. 34.4% of the buyers are staff person, and 21.4% are staff with managerial roles. (China Consumers Association, 2020)

The education background are as follows: 54.4% of the buyers have undergraduate education background.

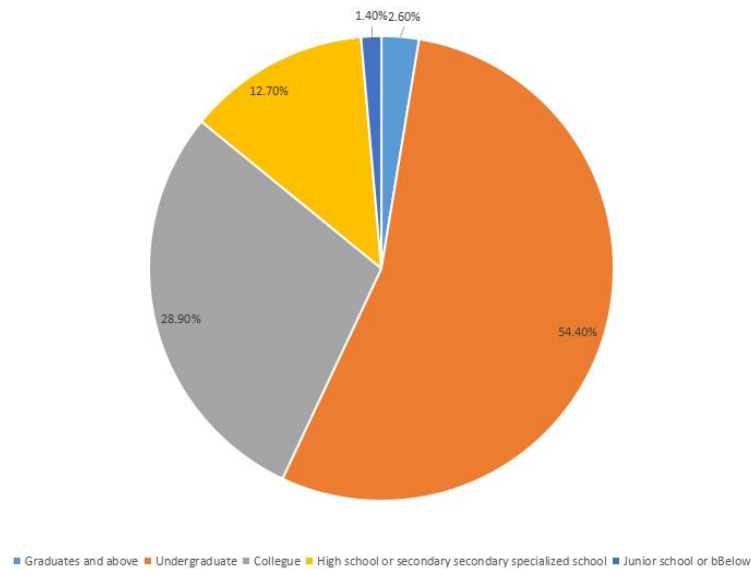


Figure 7 Education Background of the buyers according CCA's survey

### 3.3.2 Product

Whether to apply live streaming to promote product is based on the features of the product. Three aspects of the product should be evaluated: price and demand elasticity.

The price and the quality of the product are key factors in transforming the watching into shopping. The reasons for shopping are cost-effectiveness (60.1%), the popularity of the displayed products (56.0%), the relatively acceptable price (53.9%), and the limited-time discount (43.8%). Overall, the main reason that can attract consumers to

decide to shop is still the cost-effectiveness and price concessions of the products themselves. (China Consumers Association, 2020)

Clothes, general merchandise, food, and make up occupy the top four share of the total purchase of the respondents. Clothes occupy the largest share, 63.6%, of the total purchase of the respondents. The share of general merchandise, 57.7%, is second only to that of clothes. (China Consumers Association, 2020)

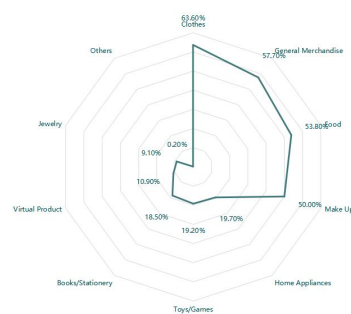


Figure 8 Percentage of the category of the products sold

Source: The online survey of live streaming e-commerce's consumer satisfaction.

Live streaming e-commerce is a promising option for products that are easier to be outmoded and that have high manufacturing cost but short manufacturing time cycle. The advertisers could manufacture such products according to the orders generated by the live streaming to avoid of generating too much high cost products that may be outmoded. The short producing time cycle could allow the manufacturer to manufacture and then to delivery timely.

### 3.3.3 Field

1. Preheating: Preheating is of great significance for live streaming. According to public surveys, 70%-80% of the audiences of live streaming come from the warm-up video released on social media on the broadcast day. Video preheating is also a necessary means to increase fans, and the sales conversion rate of fans is more than 15

times higher than that of non-fans. Among them, the sales conversion rate of new fans is much higher than that of old fans.

2. Choosing the best starting time: Starting from 18:00 to 21:00 is the most suitable since the audience has just finished a long day's work. Usually, after one hour, the live streaming will enter the peak sales period.

3. Designing a script with stories, rhythm, and interactions: The audience of live streaming is dynamic, and there will be users coming in and out all the time. To quickly let users understand the content and value, the live broadcast can be split into multiple small "time units" for script design so that the content of each unit can be divided into separate sections and have its theme, thus reducing the user understanding barrier. For example, by cutting a long live streaming into 30-minute "time cans," it ensures that anyone who enters at any time node can see 20 minutes attractive programs. Each "time unit" could be set with 20% repetitive content and 80% new content to balance the continuous delivery of core information. At the same time, it is necessary to pay attention to the interactive nature of the live broadcast to increase the user's sense of participation. The design of interactive content can include lottery, comments, and Q&A, which could increase the interest, build the link between users and brands, and make the transaction happen simultaneously.

Due to the advertisers' intention of instant transaction, the anchormen might devise eye-catching plot to stimulate the audiences to buy. For example, in some live streaming, the anchormen even devise a "debate" with the advertiser and "force" the advertiser to offer a good discount. Despite the fact that many audiences notice that such a scene is not true, but the plot still generates many orders.



### 3.4 Case analysis

In this section, we will briefly introduce the successful case of Xiaoxiandun, a cubilose brand. Xiaoxiandun was founded by Ms. Lin Xiaoxian in 2014. Despite the fact that the effectiveness of consuming cubilose has not been a controversial topic, the traditional Chinese medicine field believes that cubilose are beneficial to the skin. Thus, even the the debate of effectiveness of cubilose has never stopped, many people still consider cubilose valuable nourishment.

In 2020, 14th Jan, Mrs. Lin Xiaoxian, herself, acted as an anchor of a live streaming. Within 4 hours, the total turnover reached 4.24 million RMB, and thus occupied the champion of the tonic category of Taobao. During the 2020 new year shopping festival-a term that online shopping companies have created, the total revenue of Xiaoxiandun has reached to nearly 37 million RMB, increased by 347%, compared to that of last year. The success is based on several factors.

The anchorman- Ms. Lin: In the Taobao's live streaming program, "President's Meal", Ms. Lin Xiaoxian, together with her friend, the founder of Girlup, Ms. Wu Jing, shared their lifestyle as women entrepreneurs. Such shares were extremely attractive to women viewers. By sharing, the anchor has built an image of an independent, successful woman.

The message delivered by Ms. Lin in the live streaming is that if female consumers would buy Xiaoxiandun cubilose which targeted on middle-class women consumers, then the buyers would be as elite as her.

The down to earth verbal: In live streaming, the founder also claimed that the purpose of live streaming is not only about making the transaction happen but also about answer potential users' questions and eliminate their concerns. The author has viewed much live streaming and thus had a very bad feeling about the anchorman simply

promoting the product. The image of "customer-oriented" built at the live streaming has gained the consumer's trust, and thus the anchormen may need abundant knowledge about the product. Another counterexample is Li Jiaqi's non-stick pan case. In a live streaming, the KOL anchor Li Jiaqi cooked dishes using a non-stick pan, yet he had no knowledge of using such products. In front of many audiences, the food stuck on the pan.

### **3.5 Potential threat**

As we indicated above, the core of e-commerce live streaming is "e-commerce." Thus, e-commerce live streaming also inherits the gray area of e-commerce-brushing the order. In the traditional e-commerce scene, some merchants may hire people to place the order on in their online shop and then later to cancel the order. The traditional platforms would still present the data of how many orders have been made but will not minus the order later canceled. We call such kinds of behavior brush the order. Together with brushing the comments, brushing the order has presented a illusory popularity of the products and the online stores. Besides brushing the comments and brushing the order, the MCNs may also use AI technologies to generate fake interactions with the anchormen to counterfeit a ostensible hot atmosphere, thus allowing the MCNs to charge a higher fit fee to the advertisers.

On 11.11 of 2020, the most important promotion festival, Li Xueqin was invited to promote a product through live streaming. The data showed that the number of the audience had reached 3.11 million. However, after the live streaming, one of the workers of this program revealed that there is only 110 thousand real audiences. The rest 3 million are all robots. Such counterfeit has been criticized by China Consumer Association.

China's restriction and supervision of the live streaming industry has gradually become stricter. In June 2020, the China Advertising Association issued the "Code of Conduct for Online Live Marketing," which became the first national regulation for the live streaming e-commerce industry; In November 2020, the State Administration of Radio and Television issued the "Notice on Strengthening the Management of Live Streaming of Online Shows"; On April 23 2021, seven departments including the State Internet Information Office and the Ministry of Public Security, jointly issued the "Administrative Measures for Webcast Marketing (Trial)" (hereinafter referred to as the "Measures"). (CNNIC, 2021)The "Measures" will come into effect on May 25, 2021. The "Measures" put forward a series of precise requirements for live streaming platforms, covering aspects such as obtaining relevant administrative licenses, protection of minors, protection of consumer rights, and data security management. From the consumer protection perspective, the "Measures" require that anchormen follow the platform's guide in real-time interactive content management such as voice and video connections, comments, and barrage. Regarding the protection of minors, the "Measures" requires that anchorman are natural persons who must be at least 16 years old, and minors must obtain the consent of their guardians. If the live streaming includes the possibility of affecting minors' physical and mental health, platforms shall prominently make notices before live streaming.

### **3.6 Summary**

Live streaming is a reorganization of people, product, and the field. Compared with other marketing strategy, live streaming has the advantage of facilitating the timely transaction. In this chapter, we discussed the history, the ecosystem, the way of designing a successful live streaming, and the risk of live streaming.



## **CHAPTER 4 TRUST FISSION**

Private traffic or private net flow are new channels for the brands and merchants to get access to the potential consumers. The popularity of using private net flow is based on the fact that public traffic, or public net flow is becoming expensive. Thus, the traffic has presented a form of decentralization.

### **4.1 Basic concept**

#### **4.1.1 Public traffic- the traditional form of net flow**

As the advance of information technology, online shopping has appeared and has created significant convenience to consumers. Online shopping first appeared with BBS, and it was only a way to provide information to potential buyers and potential sellers to get connected. A buyer may post information on a forum, stating that he or she was seeking a particular product or vice versa. Many fraud or cheat have come with the transaction. The appearance of eBay in 1995 provided a platform specifically for online selling and buying, and, subsequently, public traffic has first emerged. The public traffic could be concluded as follows: a platform gathers the net flow and then distributed it to corresponding brands and dealers. We name the flow gathered and distributed the public traffic. For example, when an individual wants to buy a product, he largely will not post a piece of information on the BBS but will go to eBay or Amazon to look for such products. If the two platforms have the product, the transaction would be done on the platform. Since the platform is gathering and distributing the net flow, we name the platform the centralized platform.

In China, Taobao, Tmall, and Jingdong are the three largest e-commerce centralized platforms. The GMV of Taobao is 3387 RMB billion, the GMV of Tmall is 3202 RMB billion. (Taobao, 2021) The GMV of JD.COM is 2085.4 RMB billion. (JD,2021) Taobao and Tmall are not only the first and second-largest e-commerce platform in China but also the two largest in the world.

However, the cost of gathering net flow is becoming expensive. Such increases could be attributed to 1) the saturation of the e-commerce business- namely, nearly all the internet users are familiar with online shopping, and most of the non-internet users are elderly who might not have the intention and need to buy things online; 2) the fierce competition between different platforms- although such competition would provide better discount to consumers, yet the price competition decreased the profit of the platforms who will transform the decrease to dealers and brand. Therefore, the attractiveness of building a business on a centralized e-commerce platform is going downward. Overall, the increase of the cost entailed the decrease of the profit and thus harm the brands and the dealer's interests.

#### **4.1.2 Private Traffic, the new form of net flow**

In 2012, we-business, or "weishang" in Chinese, had appeared. The dealers often present the product at the "moment" of WeChat and the transaction is supported by the "WeChat pay". Therefore, this informal buying and selling procedure is called "weishang". Despite the fact that this form of business is informal because legal reasons, fake issues, and tax dodging have been involved, we-business has presented strong vitality. We-business is the first generation of social media marketing based on private traffic.

A social media marketing is a new form of online shopping transaction. Due to the cost increase of getting a customer on the centralized platform, some dealers of merchants started to use social media as a way of access to potential consumers. The key element in our we-business is "trust." The accounts of the dealers and merchants are just personal accounts and thus lack proof that the product they are selling is genuine. Thus, most of their buyers are their real friends. The domain of the net flow is based on a private relationship, and thus we call this kind of net flow the private traffic.

### **4.1.3 The closed-loop of infrastructure**

As we stated above, the key of social media marketing is “trust,” and thus, if the we-business only concentrates on doing business with the acquaintance, the revenue and profit are limited. An infrastructure is needed to solve the issue of trust and enhance financial performance. For example, several SaaS products, such as China Youzan, have thus occurred and have brought social media marketing based on private traffic.

The SaaS providers offer to build an online store on social media service to merchants and dealers, and through offering guarantee service, the SaaS product could allow the consumer to return goods if the product is not as expected. Thus, the “trust” issues have been greatly solved. The consumer could browse, buy, and return the goods through the store build by the merchants using SaaS. The transaction procedure is supported by the SaaS service that acts as the infrastructure of the transaction.

## **4.2 Trust fission: marketing strategy based on private net traffic on social media**

In the thesis above, we have introduced the basic concept of social media marketing based on the private net traffic. Content marketing and live streaming are all approaches to gathering personal traffic. In the next section, we would like to explore converting the traffic flow into better business performance using social media.

Trust fission is an evolution of “word of mouth” and virus marketing. The nature of trust fission is to let the old customers to bring new customers. In the era of social media, social media allow one old customer has the possibility of affecting all the

followers. To design a successful trust fission marketing strategy, the platform, tools, innovations, and future operation are of great importance.

#### **4.2.1 Platform**

A platform is a place where we could apply our strategy. Currently, the most effective one is Wechat due to its large daily active users and its diversified functions such as Wechat official account, Wechat group, Wechat mini-program, and Wechat personal account.

Take WeChat official account, for example. Normally, a brand has its own WeChat official account, where a brand could hold promoting activities. The main process is as follows: 1) The official account published its activity poster with a QR code; 2) Customer A scans the QR code to participate; 3) The official account would generate a customized poster with a QR code, saying that customer A needs friends' help to get the bonus; 3) Customer A sends the customized poster on WeChat moments; 4) Customer B scans the QR code on A's poster and helps A to get the bonus; 5) The official account would generate a customized poster for customer B, saying that B needs friends' help to get B's bonus; 6) B sends the poster on the moments; 7) Such procedure would replicate. The whole procedure is an example of trust fission.

#### **4.2.2 Tools**

The tools are essential in using the trust on B on A to reproduce more trust among more peoples.

Forming groups: Forming groups, or group buying, means a customer could invite friends to form a group with a certain number of people to buy products. Such an action would change a retail scene into a mini wholesales scene, and consequently would make the buyers to enjoy a good discount.



Secondary distribution: Secondary distribution means that customer A could share links or posters with QR codes to invite more friends to join the promotion activity. Furthermore, by using SaaS service, customer A could register as part-time sales for a brand and earn commission by selling products. “All staff marketing” is another form of secondary distribution: namely, all the employees use social media as a tool of promoting and using mini-function as the e-commerce platform to complete the transaction. The SaaS service would provide the sales record of register sales for the brands to pay the commissions.

Cutting price: In Chinese, it is “Kanjia.” Namely, a customer could invite friends to help him or her to bargain on the platform by giving a like. More people participate, more discounts the customer would be offered.

The above three tools are the most effective ways of expanding the influence of the marketing strategy by trust fission.

### **4.2.3 Innovation**

Innovation is the key factor to attract the initial customers’ eyes and to expand the influence quickly. For example, due to the pandemic, many Chinese airline companies faced a revenue decrease in 2020. To enhance their financial performance, those companies initiate activities “The Ticket Blind Box”-customers could pay less than \$16 to buy a ticket without knowing the destination. Such activities have successfully attracted the eyes of many none- heavy fliers.

### **4.2.4 Future operations**

Through the above method, a brand may have already successfully cultivated many potential customers, and the newly-added followers on their social media would be regarded as the private net traffic owned by the brand. The future operation of the fans is of great significance in increasing revenue and profit. A membership system or introducing the online traffic to offline stores is the applicable method.

### **4.3 Case analysis**

The liquor industry has always been a prosperous industry yet has always lacked an online layout. Since 2014, the online sales of the liquor industry have experienced substantial growth, from 11 billion RMB in 2014 to 76.7 billion RMB in 2018, but online sales accounted for a lower proportion of the liquor industry as a whole. (Sootoo, 2020) Take the brand Gujing Gongjiu as an example; its online share is between 3% and 5%, a fact showing that the liquor industry has a large room for growth in online sales. However, the industry is still facing the bottleneck of online development. On the one hand, the cost of acquiring traffic on a centralized public domain traffic platform is increasing, resulting in products being sold online at lower prices than offline sales, thus destroying its offline channels profit margins. On the other hand, a wine brand usually has a huge fan base, but it is difficult to realize the fan base because of the fragmentation of purchase channels. Due to government restrictions in wine consumption, the wine is no longer regarded as a gift.

The fans of the wine brand are middle-aged people. As the people born between 1980 and 1999 gradually become the mainstream of consumption, the wine industry might lose its industry advantages. The epidemic also caused a dramatic decrease in wine sales due to its offline layout. Urged the need to enhance the brand reputation in the potential customers and enhance the business performance after the pandemic, Gujing Gongjiu was looking for a new marketing strategy to meet the need. Through the adoption of secondary distribution based on social media, Gujing Gongjiu has

expanded its channels to reach consumers and improved its brand potential with the help of new marketing models such as live streaming.

1: Reaching consumers through multiple channels based on the trust fission to achieve mutual benefit and win-win cooperation with business partners

Gujing Gongjiu uses secondary distribution and all staff marketing to maximize internal and external sales forces to achieve full distribution. On the one hand, Gujing Gongjiu encouraged its internal sales promotion force, including its employees and core dealer's employees, to send WeChat Moments and expand the coverage of customer groups, and the transactions were processed on mini-program which allow the headquarter to track the performance of each employee. Such marketing strategy could allow the trust of the employees' friend to create revenue increase. On the other hand, with the help of external forces, such as entrepreneurs with in-depth cooperation with Gujing Gongjiu, group leaders, and through their social circles, Gujing Gongjiu reached customers with higher consumption power and gift-giving needs. Enterprises such as travel agencies, newspaper publishers, and telecommunication operators usually have staff with a large number of friends in social media, and they are idle during the epidemic. Thus, Gujing Gongjiu uses the power of those enterprise's employees to promote. This measure further quickly reached potential consumers. Online marketing through social media does not require distributors to stock up in large quantities, effectively alleviating the excessive capital pressure and cost of distributors during the epidemic.

2: the integration of brand and multi-channel touches with consumers

The liquor industry is an industry with consumer brand loyalty. Once consumers have formed brand recognition, they will not easily change brands. As a well-known wine brand, Gujing Gongjiu has a huge fan base, and its potential purchasers have opaque social relationships. Operating the fans group well is essential for Gujing Gongjiu to increase its brand reputation and speed up the conversion rate.

Through online and offline integration, Gujing Gongjiu manages its fans group, a typical form of private net flow, in the following three ways.

One is to encourage old customers to register in their online malls, combined with member activities, to gradually accumulate a certain amount of old customer data for refined operations.

The second is to build its points mall through the SaaS system, exchange gifts through the credit system to encourage members to spend multiple times and enjoy exclusive benefits.

The third is to establish the Xiaolishen Club, which is a typical way of operating private net traffic, to realize the transformation of online customers to offline social salons and increase the social dependence of members on the brand. The trust of the consumers on Gujing Gongjiu are transferred from online to offline and thus has formed a new type of trust, thus increasing the stickiness between the users and brands.

On the other hand, mainstream consumers in the liquor industry and the current internet population, mainly born between 1980 and 1999, have a certain degree of separation. The people born between 1980 and 1999 gradually become the mainstream consumer group. Gujing Gongjiu has realized its marketing method and purpose of matching future consumer groups through new marketing methods such as short videos and live streaming.

Through the above marketing strategies, Gujing Gongjiu successfully realized the maximization of marketing awareness and reached consumers through multiple channels. According to the data from the official website of Youzan, the SaaS service provider, Gujing Gongjiu has a sales force of 240,000 people by applying the marketing strategy, with a maximum monthly turnover of more than 9 million.

#### **4.4 Summary**

In this chapter, we introduced some basic ideas of private traffic and trust fission as one of the main marketing strategies in the era of social media. This marketing strategy could allow the dealers and brands to form their own net flow instead of using the net flow from the centralized platform, which is gradually expensive now. The online net flow could also be diverted to offline and form an offline social community of the brand. Sometimes, adopting the suitable infrastructure service, such as SaaS service, is of great relevance.

## CHAPTER 5 CONCLUSION

In this thesis, the author introduced three main digital marketing strategies in the era of social media in China. Through the discussion of the three digital marketing strategy, the author came out with the below conclusions.

1. Changes in the importance of the target population: The method of determining the target population in traditional marketing strategies and then increasing the conversion rate has been given new meaning in the social media era. In the era of social media, any content and information with discussion value will be widely disseminated due to social media's social and media characteristics. Its scope of influence often exceeds the actual potential audience of the product, that is, the target population in traditional scenarios. Among the three strategies discussed in this article, the actual audience of content marketing and trust fission will far exceed the target audience. For strategy designers, the needs of advertisers and the characteristics of the content itself are more important. Because of the real-time nature of the live streaming, its dissemination will be limited. The audience affected by it is often the anchor's fans or the audience attracted by the preheating video. The latter are also the anchor's fans in most cases.

2. Combination of Marketing and Sales: The three marketing methods in the social media era introduced in this article all have channels where marketing can be quickly transformed into sales. The live streaming is the most obvious. The immediacy and impact of the live broadcast greatly enhance the consumer's impulse to consume in real-time. Although content marketing embraces shoppable content, it still gives consumers room to consider, and its instant conversion is not as high as live broadcast sales.

3. Decentralization characteristics: Unlike traditional marketing strategies, the three marketing strategies introduced in this article all have strong decentralization characteristics. As the audience gradually accepts the information, the audiences will express each other, eventually forming a widespread. Every audience of a marketing strategy may become part of the strategy. The Internet has memories, and any content produced by a creator may influence beyond the times.

4. From barbaric development to standardized development: social media-based marketing has experienced barbaric development in the early stage. As the Chinese government gradually introduces relevant policies, marketing methods will gradually become more standardized.

5. Changes in marketing strategies due to technology advent: We realize that all changes in marketing strategies given by social media are closely related to the development of information technology. For example, 4G technology guarantees low latency, high-definition video, and instant payment, ensuring that live streaming e-commerce becomes a reality. Changes in SaaS technology can assist businesses in achieving a closed-loop of social media-based marketing strategies. The author believes that two information technology changes in the future will have a profound impact on marketing strategies. One is the improvement of AR and VR technology, and the other is the improvement of AI technology.

According to the conclusion above, the advertisers or the marketing strategy designer could take the below recommendations into consideration:

1. Bring the needs of advertisers and the widespread of marketing into the primary focus. For example, in content marketing, the topicality of the content and advertisers' needs can be prioritized. Its impact will inevitably radiate from the initial target population to a broader range for successful content marketing.

2. If advertisers need to achieve sales revenue growth through marketing simultaneously, they can use e-commerce live streaming. If a product is prone to obsolescence with a high production cost, then the product is particularly suitable for live streaming e-commerce.

3. Any designer of marketing strategy based on social media should grasp social media's social and media functions so that marketing can have long-term influence through self-dissemination between audiences. The audiences' participation through social media is of great importance.

4. Advertisers can consider implementing marketing strategies through some infrastructure software, which are crucial when conducting a trust fission marketing strategy.

5. Any marketing strategy designer should pay attention to the relevant policy changes of the Chinese government.

6. With the cost of acquiring net flow from centralized e-commerce platforms, brands or advertisers may conduct trust fission strategy to acquire the private flow and then to make the net flow into monetary benefit and to guide the online net flow into offline.

7. With the implementation of AR, VR, and AI technologies, marketing strategy designers should optimize marketing strategies in time according to technological changes.



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