

A Study of Livestream Shopping's Role in the Customer Journey

By

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BSc Civil Engineering
University of Calgary, 2017

SUBMITTED TO THE SLOAN SCHOOL OF MANAGEMENT IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF

MASTER OF SCIENCE IN MANAGEMENT STUDIES
AT THE
MASSACHUSETTS INSTITUTE OF TECHNOLOGY

MAY 2022

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Submitted to MIT Sloan School of Management
on May 6, 2022 in Partial Fulfillment of the
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Abstract

Livestream shopping is a form of commerce and marketing that combines entertainment, interaction, and product introductions. Following live commerce's boom in China in 2019, many US brands and platforms have also eagerly started experimenting with this new marketing format, however with lukewarm success at best even with the impact of COVID-19. To understand why it became so successful in China, apart from external reasons such as COVID-19, 5G infrastructure, smartphone and mobile payment penetration, an analysis of livestream shopping's role within a customer journey using the AIDAS model was conducted with case studies. It was found that in pre-purchase stages, when used along with network targeting and multi-channel marketing, shopping livestreams can be extremely effective in spreading awareness and arousing interest. The key is to leverage learnings from big data to design and recommend content and streamers best aligned with the characteristics of the targeted audience and the platform, as well as the brand image. Then, as the audience either is already interested in the product or have trust in the KOL, it is easy to stimulate the impulse to purchase with coupon, lowest price guarantee, scarcity marketing, conformity, and FOMO. In the purchase stage, capabilities that allow customers to easily complete order placement without interrupting the livestream is key to high conversion rate, which means e-commerce platforms have a natural advantage as they already have access to customers' payment information, eliminating an extra step of barrier. While advocacy comes naturally with livestreaming's social and word-of-mouth nature, satisfaction is the weakest link of this form of marketing, as concerns over quality and after-sales services worry at least 50% of customers who are unwilling to adopt livestream shopping. While livestream shopping is forecasted to grow rapidly within the next few years in the US, it is also forecasted unlikely to be mainstream like it is in China due to post-pandemic mentality driving people to shop offline, less mobile payment and 5G coverage and different shopping habits, but monetary incentives, tailored content, multi-channel marketing, integration with payment, in-live shopping capabilities, and trustworthy aftersales services can drive livestream shopping growth in the US.

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Table of Contents

Abstract.....	2
1 Introduction.....	4
2 Literature Review.....	5
2.1 Customer Journey	5
2.2 The Funnel of Marketing	7
3 Study of Livestream Commerce	11
3.1 History of Livestream Shopping in the US – From TV Shopping to TikTok.....	11
3.2 Current Live Commerce Market in the US.....	13
3.3 Development History of Livestream Shopping in China.....	18
4 Psychology Behind Modern Day Livestream Shopping Viewers.....	22
4.1 Factors Influencing Purchase Decision-making.....	22
4.2 Diversification in Customer Segments.....	27
5 Livestream Shopping in Customer Journey	29
5.1 The Offline Shopping Experience.....	29
5.2 Awareness	29
5.3 Interest.....	31
5.4 Desire	32
5.5 Action.....	33
5.6 Satisfaction.....	34
5.7 Advocacy	36
6 Recommendations & Conclusion.....	40
References.....	43

1 Introduction

Livestreaming, in contrary to traditional pre-recorded video content such as TV shows, is a video content format where the broadcasting and recording are happening concurrently on internet platforms, with the ability for the host and audience to interact in real time. Live commerce then can be defined as a commerce form in which the streamer introduces the product and interacts with the audience to trigger purchase behavior (Zhuo, 2021). Livestream shopping and live commerce are sometimes used interchangeably in literatures, but the former tends to describe the customers' behavior and the latter a marketing tool. Accelerated by COVID-19, livestream shopping in today's digital context has taken over the e-commerce industry in China by storm within a short few years since its birth in 2015 – 2016, many US brands and marketers have been eyeing up this relatively new marketing format in hopes to replicate its viral success among Chinese consumers. Since 2019, major social media platforms such as Facebook, Twitter, Instagram and Tik Tok, major brands such as Walmart and Nike, e-commerce giant Amazon, as well as many startups have all started piloting or launching livestream shopping to their customers with various degrees of success. Despite marketers still being hopeful, livestream shopping in the US has not yet achieved the virality it did among Chinese consumers. Through secondary market research and literature review, this paper studies the current landscape for the live commerce industry in China and the US, psychology behind drivers of purchase behavior in livestream shopping, phases of the customer journey and livestream shopping's role within each phase, in an attempt to understand why it became so successful in China and what it will take for it to become more successful in the US.

2 Literature Review

2.1 Customer Journey

The concept of a customer journey was initiated by Schmitt (1999), where he explained that in contrary to traditional marketing in which customers are rational beings that only care about functionality and value, experiential marketing incorporates an emotional element to customers, as they are seeking to also achieve a pleasurable holistic experience. The definition of customer journey or the customer experience varies slightly among scholars, but generally can be summarized as a collection of touch points between the customer and a firm and its offerings throughout the customer's decision and purchase process, involving "cognitive, emotional, sensory, social, and spiritual responses" (Lemon et al., 2016). Customer journey driven marketers are more customer-centric (i.e. tailoring to individual customer needs instead of a mass market) which will lead firms to create stronger customer experiences (Lemon et al., 2016), instead of focusing on revenue-driven metrics such as Customer Life Time value. This is a fairly recent development in marketing philosophy, both research and application-wise. The shift is believed to be caused by omnichannel interactions between customers and the firm, resulting in a myriad of touch points which created more complexity in the customer journey (Lemon et al., 2016). A positive customer journey created through improving performance at various touch points is believed to improve marketing outcome (Marketing Science Institute 2014 & 2016), trust, satisfaction, as well as "customer loyalty and word of mouth" (Court et al. 2009). The touch points within the customer journey or experience, as summarized by Lemon (2016), can be brand-owned, customer-owned, partner-owned, co-created by two or more stakeholders, or independent. Different combinations of touch points can have various effects, both positive and negative – for example, too frequent exposures of the same campaign on the same media may cause annoyance, turning the customer away. This topic in itself can be extremely complex to study, usually through attribution models.

The phases within the customer journey can be generally categorized into three categories: pre-purchase, purchase, and post-purchase. The pre-purchase phase is consisted of "recognition, search and

consideration” by Lemon et al. (2016) or “awareness, consideration, preference” and similar terms in other marketing funnel models. As defined by scholars such as Hoyer (1984), it is the recognition of need to consideration of satisfying the need with an action of purchase. The purchase phase is consisted of the transaction, namely “choice, ordering, payment” (Lemon et al., 2016), or simply “action” in other marketing funnel models. While this seems close to the finish line for some marketers, Lemon et al. mentioned that in the digital age, the customer may receive too many touch points from multiple companies which may result in choice overload, affecting purchase confidence. Decision satisfaction is another factor that may affect purchase behavior. Post-purchase is then usually linked with consumption, service requests, return, review, loyalty and advocacy, or anything that happens after the transaction. Most pre-purchase and purchase touch points are brand-owned and partner-owned, customer-owned touch points are mostly post-purchase, and independent touch points such as exogenous events and peer-to-peer influence can happen throughout the journey.

When it comes to managing the customer experience, marketing experts such as Schmitt (2003) have defined the process as understanding customer experience, then construct a platform where the brand experience is designed and customer experience structured, followed by continuous innovation. Technological advancement has made this process easier to design a more robust customer journey by leveraging big data analytics to customize the journey to each customer (Wedel et al., 2016) and multi-channel marketing to create more frequent and positive interactions at multiple touch points, which was proven to be powerful enough to shift brand preference (Macdonald, Wilson, Konus, 2012). In multi-channel marketing, more seamless integration between channels is found to lead to better sales growth (Cao et al., 2015) and increase in customers’ trust in the online channel and perceived quality (Herhausen et al., 2015). The development of smartphones also enhanced synergies significantly among channels in multi-channel marketing, creating more possibilities such as showrooming (“search in store, buy online”) and webrooming (“search online, buy in store”) (Brynjolfsson et al. 2013; Rapp et al. 2015). Combined with big data analytics, it provides potential for significant firm-initiated touch point to provide extremely

personalized marketing to potential customers (Bart et al., 2014). The role of mobile devices in the customer journey is further explored by Haan et al. (2015), where they found customers like browsing for products on the mobile phones and placing orders on a more fixed device such as PC. Even though conversion rate seems low on mobile, it is found that the conversion rate is completely compensated or even doubled when customers switch to another device, especially to view the same product. Therefore, learning to leverage the unique capabilities of different devices can lead marketers to develop a more seamless customer journey that leads to higher conversion rate. This is related to the spillover effect among touch points studied by Li & Kannan (2014) where visits or conversion happened through a different channel than originally being exposed to, as opposed to carryover effect where subsequent visits and conversions are through the same channel.

To better craft a customer journey centered around the needs of the customer, the firm needs to first collect sufficient information about the customer, which is relatively easy to do with the technology today; then the firm needs to learn from the past behavior deeply to predict future behavior; as the journey is ongoing, the firm needs to respond to customer needs in real time (Gulati et al., 2005). As explored in this thesis, livestream shopping is a good embodiment of this customer-centric marketing philosophy.

2.2 The Funnel of Marketing

In the traditional and most well-known AIDA (Attention-Interest-Desire-Action) model, the customer journey is described to start from Awareness, which means that the firm will try to make customers aware of its brand or product usually through a firm-initiated touch point such as TV commercials, newspaper ads, or billboards. Without the help of big data and algorithms, customer segmentation is usually quite coarse through demographics like gender and age (e.g. perfume ads in the Vogue), and companies spend most marketing budget in this stage to reach as big of an audience as possible. Then, it moves to the Interest phase, where customers develop interest after being exposed to the awareness marketing campaign. In this stage, the customer could have been exposed to marketing materials from multiple product options, and could have initiated some sort of action to compare these options (e.g. going to the

mall to sample multiple perfumes after seeing ads from the Vogue). In the Desire phase, the customer develops a clear intention to buy for a product after perhaps testing out a few options. In this phase, even though the customer has already developed the affinity, there are exogenous factors that could stop the customer from actually making the purchase, such as proximity to the store or other distractions. Then finally, the customer takes action to commit a purchase in the Action phase. Although very close to the finish line, there is still the risk of abandoning the purchase due to issues that can arise during the transaction, such as a declined credit card. The funnel analogy is accurate in a sense that there are risks where customers can drop off during any stage of the experience. It should also be noted that this is a heavily acquisition focused model, as it does not address much of the post-purchase experience. In later literatures, the “S” was brought into the improved AIDAS model as in “Satisfaction” by Arthur F. Sheldon, that tries to capture the post-purchase customer experience, such as re-purchase. However, nowadays, the customer journey can be incredibly diverse that cannot be simply captured by this linear model.

In the book *Flip the Funnel* by Jeffe, the author describes in detail why he believes the traditional funnel is no longer valid or relevant in today’s digital world. With technological advancement, consumer behavior has changed drastically. Traditional media usage such as cable tv and newspaper has decreased, while smartphone usage has skyrocketed, which means that traditional forms of mass marketing to bring awareness such as billboards, TV commercials and newspaper advertisements are becoming more and more obsolete. Instead, smartphone and the internet in general provides providers with lots of data about individual customers, allowing for extreme personalization based on learnings from location, browsing history, demographics, etc. From a firm’s perspective, access to the data will result in a few strategic changes in marketing: within each channel, the firm can save money by shifting from spreading awareness broadly to focusing on customer segments that are predicted to be interested in this product to a higher conversion rate. The firm can also invest in cross-channel optimization to reduce advertising spending on channels and partners that are known to be less effective for targeted customer segments (e.g.

if gen-Z customers are targeted, cable tv commercials are likely to be less effective compared to Tik Tok ads).

On the other hand, information has become a lot more accessible and available than in the traditional media times, resulting in different and more diverse customer journeys. For example, instead of gaining awareness through exposure to a firm-initiated touch point which is usually the case in the “before” days, nowadays it is much more likely that the first touch point in a customer journey is experienced through word of mouth of some sort – through the customer’s favorite influencer on Tik Tok, friends and families on social media, or something trending on their feed because so many people were talking about it near you at the exact moment. Instead of searching for reviews after being made aware of the product through firm-initiated marketing campaigns, it is becoming more often that customers see the reviews through advocacy from other customers first, then develop a desire to purchase. Popular Chinese App Xiaohongshu (or Little Red Book), a social-commerce platform where people share their experience with using products and services often with shoppable links embedded is a good example of the reversed funnel of marketing.

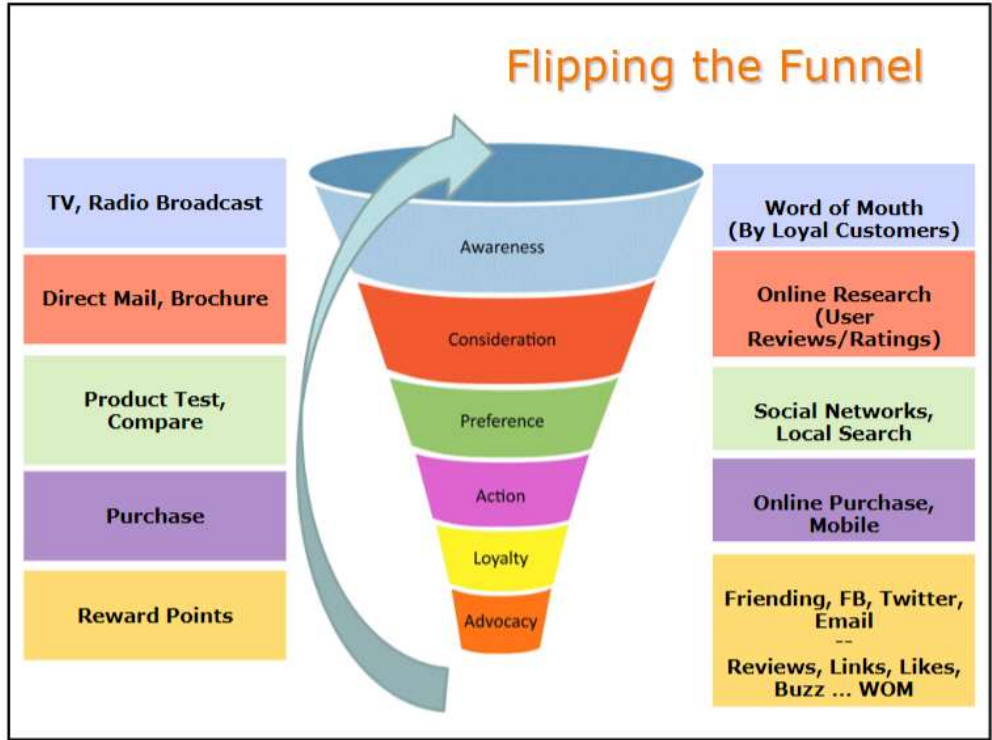


Figure 1: Flipping the traditional marketing funnel

Source: 15.786 Digital Marketing and Social Media Analytics

3 Study of Livestream Commerce

3.1 History of Livestream Shopping in the US – From TV Shopping to TikTok

Although livestream commerce is a relatively new format in most of the western world that is still under exploration, the US audience might not be unfamiliar with the concept of real-time shopping delivered through video. TV shopping channels such as QVC and Home Shopping Network have been around since the 90s, when most companies still relied on traditional marketing methods such as TV commercials, mailed brochures, newspaper ads and billboards. What made TV shopping channels so successful was that 1) millions of audiences can be reached simultaneously, spreading awareness quickly; 2) more context and demonstration is provided by professional hosts, so the audience can actually see the item being used live in action to gauge the product's performance. Unlike TV commercials or brochures, the real time live factor makes it difficult to fake the product's true performance (at least that was the case in the 90s), which makes customers trust TV shopping programs more than other marketing media; 3) related to the last point, TV shopping programs deliver content with richer communication media formats, such as photos, videos, testimonials, try-ons, which would also lead to increased trust among the audience for the platform (Cho, Phillips, Hageman, & Patten, 2009 and Burgoon et al., 2002); 4) audience will start to develop fondness and trust in the hosts, further increasing the pleasure for consuming the content and reducing the cognitive load in making purchase decisions. Another powerful tool brought by the live nature of the selling is that it forces customers to shorten the journey from being exposed to the product (the customer can be in either Awareness, Interest or Desire phase) to having to make a decision about purchasing the product with the intense call-to-action prompts such as “[customer name] from [state] just made a purchase!” or “hurry up! Inventory is running out!”. According to QVC, sales of a product usually spike after the warning of it being sold is displayed (Goldfingle, 2013).

However, even though there are major similarities between the old-fashioned TV shopping and trendy livestream shopping, TV shopping was not able to transition seamlessly with strong market force. With the switch to smaller screens such as smartphones and tablets from TV, QVC had attempted to update its model to a multi-channel one to match the behavior changes led by evolving technologies with other

broadcasting channels such as Facebook Live, developing of e-commerce, integration with the website so customers can place orders online in addition to phone. QVC’s profits have been declining since 2017 despite fluctuating revenue.

\$USD, In whole numbers	2020	2019	2018	2017	2016	2015
Sales	10,968,000,000	11,828,000,000	8,771,000,000	8,682,000,000	8,743,000,000	
Profits	817,000,000	928,000,000	947,000,000	642,000,000	662,000,000	

Figure 2: QVC Sales and Profits, 2015 - 2019

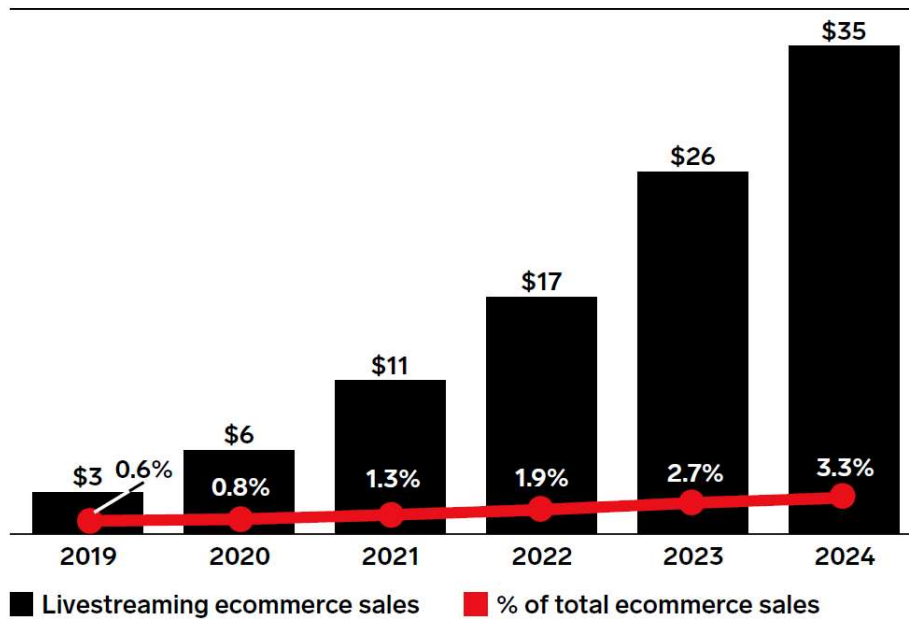
Source: Plunkett Analytics

Despite the success of livestream content platforms such as twitch, livestream shopping, or live commerce, is still emerging in the western world. Amazon Live launched in 2019, and now major social media platforms including Facebook, Instagram and Tik Tok are all either in the process of joining in or have already started piloting the livestream shopping features selectively. In 2020, Walmart did a livestream shopping event in Tik Tok, which grew their TikTok following by 25% and received 7x more views than expected (White, 2021). Building on its wild success, Walmart hosted another beauty-themed shoppable TikTok live shopping event three months after. In 2021, YouTube launched an activity called “Holiday Stream and Shop” where the audience was able to interact with influencers in shoppable livestreams and purchase products, win giveaways and find exclusive discounts (The Youtube Team, 2021). In the same year, Twitter also joined the live commerce bandwagon by launching its first shoppable livestream with Walmart in November. There are also other dedicated live shopping platforms such as Talkshoplive, NTRK and PopShop Live that launched in the past few years and have been growing under the influence of the COVID-19 pandemic.

3.2 Current Live Commerce Market in the US

Still in an exploratory phase, livestream shopping has raked \$6 billion in 2020, which is a 100% increase from the \$3 billion from 2019. Compared to the 24.6% e-commerce growth rate¹, livestream shopping is clearly accelerating much more rapidly, albeit the smaller market size. Over the next couple of years, this trend is expected to continue, and share of live commerce sales in the total e-commerce industry is also forecasted to increase to 3.3% in 2024 from 0.8% in 2020. However, unlike China which is expected to have more than 45% of e-commerce shoppers shopping from livestreams by 2023 (Cramer-Flood, 2021), customer adoption of livestream shopping in the US is not expected to be increasing rapidly or dominating e-commerce sales in the near future.

US Livestreaming Ecommerce Sales, 2019-2024 billions and % of total ecommerce sales



Source: Coresight Research as cited by Retail TouchPoints, Oct 6, 2021

Figure 3: US Livestreaming Ecommerce Sales, 2019 – 2024

Source: Coresight Research, compiled by eMarketer

¹ eCommerce - United States. (n.d.). Retrieved May 02, 2022, from <https://www.statista.com/outlook/dmo/ecommerce/united-states>

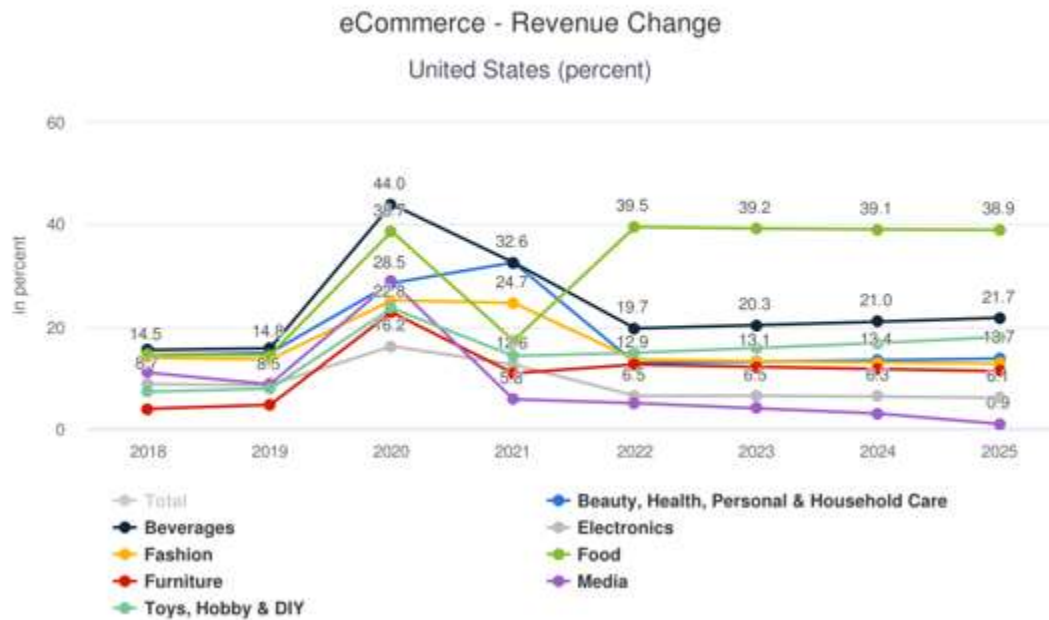


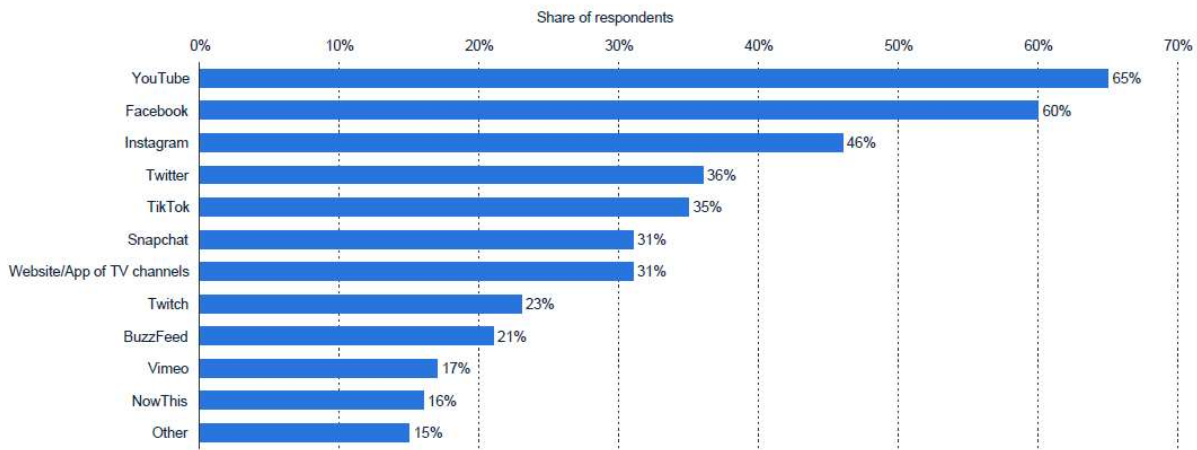
Figure 4: eCommerce – % Revenue Change, 2018 – 2025

Source: Statista

It is interesting to see that the platforms users use to watch livestream shopping content largely mirrors the platforms users use to consume other short videos. Among the 242 out of 1630 US respondents in a Coresight Research and Retail Touchpoints survey conducted in March 2021 the top five most popular livestream shopping platforms are (in descending order) Youtube, Facebook Live, Instagram Live, Amazon Live, and Tik Tok. From a poll of 1,911 US respondents in a survey conducted by eMarketer and Horowitz Research in May 2021, the top five most popular short video platforms among the respondents in descending order are Youtube, Facebook, Instagram, Twitter, and Tik Tok. Twitter did not roll out its first livestream shopping pilot till November 2021, so it is reasonable that it did not make it into the mix. It is reasonable that social media platforms with already large traffic consuming and creating content is more likely to succeed in bringing traffic to shopping livestreams as well.

Platforms used by short-form video viewers in the United States to watch non-TV video content as of May 2021

U.S. short-form video platform usage for non-TV video content 2021



19 Note(s): United States; May 2021; 18 years and older; 1,011 respondents; who watch short-form video content at least a couple times per week
 Further information regarding this statistic can be found on [page 56](#)
 Source(s): eMarketer; Horowitz Research; [ID_1273956](#)

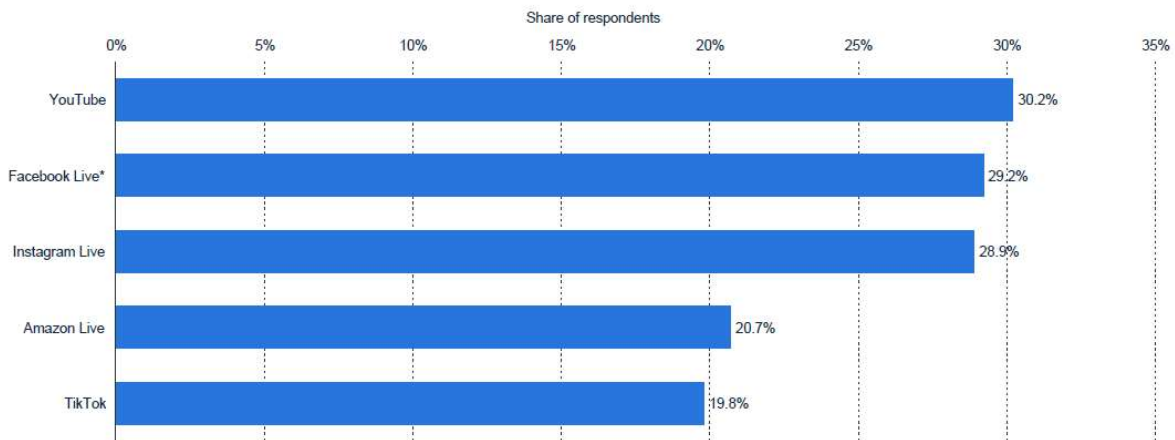
United States **statista**

Figure 5: US short-form video platform usage for non-TV video content, 2021

Source: eMarketer, Horowitz Research, compiled by Statista

Most popular platforms for livestream e-commerce in the United States in 2021

Most used live commerce platforms in the U.S. 2021



21 Note(s): United States; March 2021; 242 replies out of 1,630 respondents
 Further information regarding this statistic can be found on [page 57](#)
 Source(s): Coresight Research; Retail TouchPoints; [ID_1278274](#)

United States **statista**

Figure 6: Most used live commerce platforms in the US, 2021

Source: Coresign Research, Retail TouchPoints, compiled by Statista

Aside from existing social media and e-commerce platforms, a number of dedicated livestream shopping platforms, mostly in the startup stage, have also received funding from investors especially since the COVID-19 pandemic. Led by Whatnot, a LA-based startup that have in total raised nearly \$250 million after its Series C last year, is specialized in building a community of collectible enthusiasts to bid, buy and sell through livestreaming (Kumparak, 2021). In addition to tangible items from Pokemon cards to sports apparel, it has launched an NFT section where people can sell and purchase listed NFTs. Similarly, NTRWK taps heavily into the Gen Z and Millennials' market as a mobile-first live shopping platform for everything trendy and pop culture related – streetwear, collectibles, art, mystery boxes, NFTs, etc. Celebrities and creators go on live for new launches or “drops”, giveaways, and sometimes “virtual festivals” to ensure customers are engaged and entertained while having access to view purchase trendy exclusive merchandise in-live. However, it seems like marketing touch points generated by livestreams on Whatnot are mostly customer-owned, while on NTRWK, these touch points are mostly brand- or partner-owned.

Mux and Firework are both to B services that allow shop or website owners to facilitate livestream shopping on their website or app. While Mux is not strictly shopping focused, Firework is and supports in-live shopping capabilities, which, according to many marketing experts and influencers, is a key driver for conversion.

Popshop Live and talkshoplive represent the more traditional livestream e-commerce platforms like Taobao where anyone can stream to sell direct to customers. Also similar to Taobao, fashion and beauty seems to be the more popular categories on these more generic platforms. Many brands from Rebecca Minkoff and Walmart to smaller designers have collaborated with these platforms to engage with customers, “drop” products and gain exposure, which proved to be especially helpful for brick and mortar stores that closed down during COVID-19, according to an interview with Popshop Live CEO Dan Dan Li.

Funding received by selected livestream shopping businesses in the United States as of November 2021 (in million U.S. dollars)

Fundraising amount of live commerce platforms in the U.S. 2021

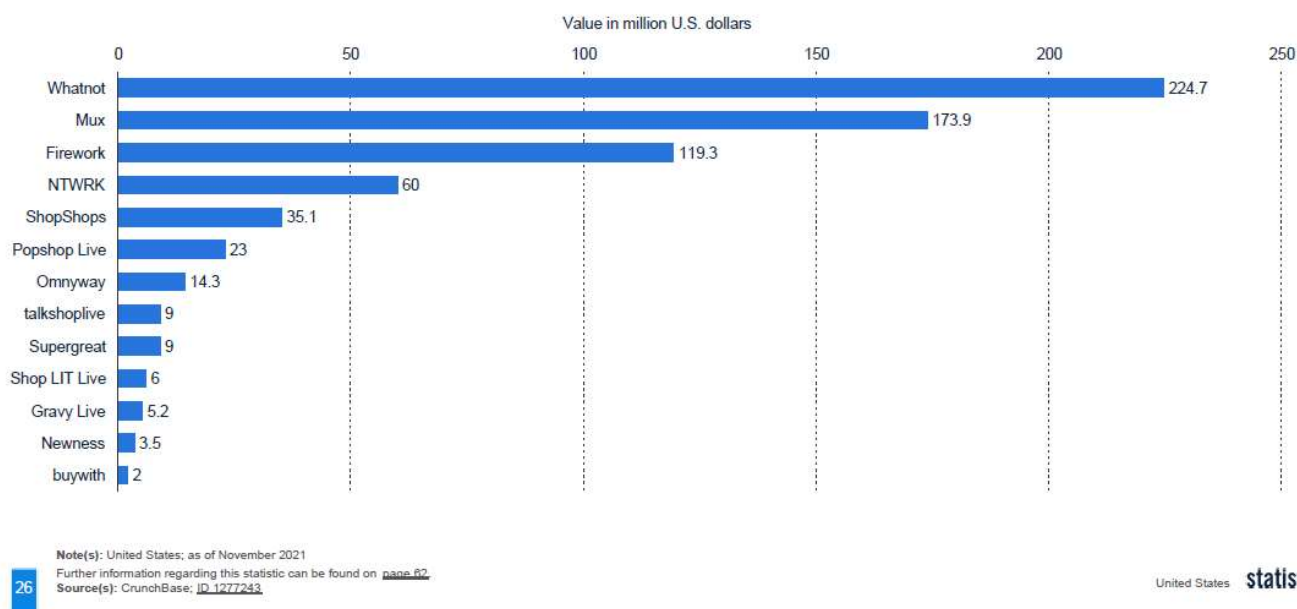


Figure 7: Funding received by selected livestream shopping businesses in the US as of Nov 2021

Source: CrunchBase, compiled by Statista

As of the end of 2020, it can be seen from a survey of US marketers conducted by Brandlive State of Livestreaming that over three quarters of brands have already started experimenting with livestreaming, with one quarter among the rest planning to start within the next 12 months. In terms of budget, over half of brands are looking to increase marketing budget in livestreaming, with 41% planning to remain constant. Overall, US marketers are eager to invest in livestreaming as a new channel of marketing.

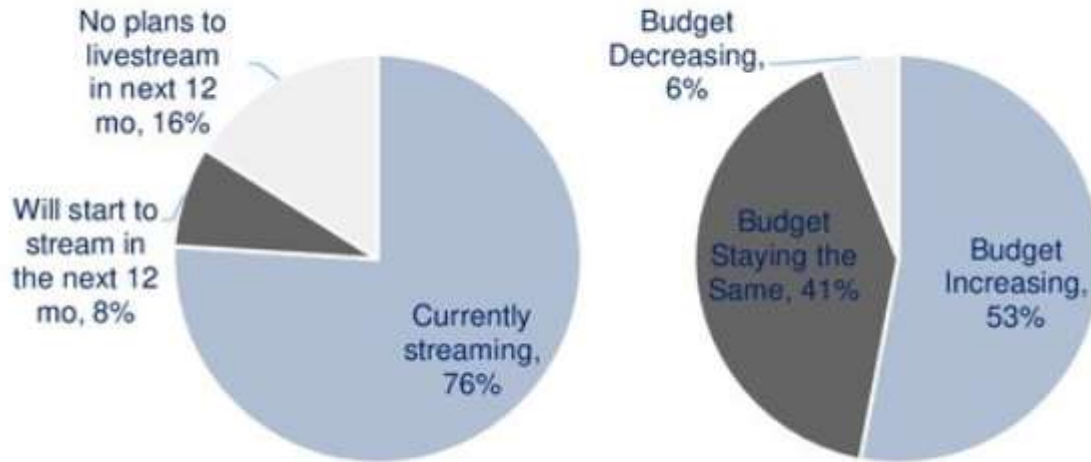


Figure 8: Livestream marketing use and budget by marketers in the US, 2020

Source: Brandlive State of Livestreaming, compiled by BDMI

3.3 Development History of Livestream Shopping in China

Livestream Shopping in China stemmed from e-commerce platforms such as Taobao, the biggest e-commerce platform in China, and Mogujie, a leading fashion e-commerce platform in 2016, as a mechanism to attract traffic and increase user stickiness. It made sense that it started with mostly the fashion retailers, as purchasing clothing online always carry the risk of a mismatch between the photos online and the actual received item, so allowing livestream hosts to try the items on allowed customers to make more informed decisions. A lot of livestream hosts at that time were models or owners of the shop selling the items, therefore it also became a channel for the shop owner and customers to engage and interact; as the owner was likely the most knowledgeable about their product, it was an easy outlet for customers to get their questions answered. In 2017 – 2018, the ecosystem became more robust as the supply chain of livestream hosts advanced. Professional hosts for livestream shopping such as Li Jiaqi were scouted and trained by either the e-commerce platforms or MCNs. Some non-e-commerce platforms such as Kuaishou and Douyin (Chinese TikTok) also launched live commerce features. In 2019, live commerce content became more diversified in terms of hosts and use cases. Platforms invested more to

manifest top influencers, some of which are celebrities. Since 2020, more innovations such as VR/AR were incorporated into live commerce. With the impact from the COVID-19 pandemic including strict lockdown policies in China, livestream shopping usage skyrocketed. Due to supply chain disruptions or offline business losses, many business owners and brands turned to live commerce to market and sell in a direct-to-consumer fashion. The trend also quickly got picked up by local government and top influencers to use their large audience base to attract traffic to help struggling small business owners who were not able to sell due to supply chain disruptions as a way to show social responsibility. As of 2020, the market size of live commerce in China is estimated to be 1.238 trillion Yuan, a near 200% growth from 2019, and is forecasted to continue to grow another 83% in 2021 (data not yet available at time of writing). 65% of viewers of shopping livestreams ended up making a purchase, which is a significantly higher conversion rate than other marketing channels (Thomala, 2021).

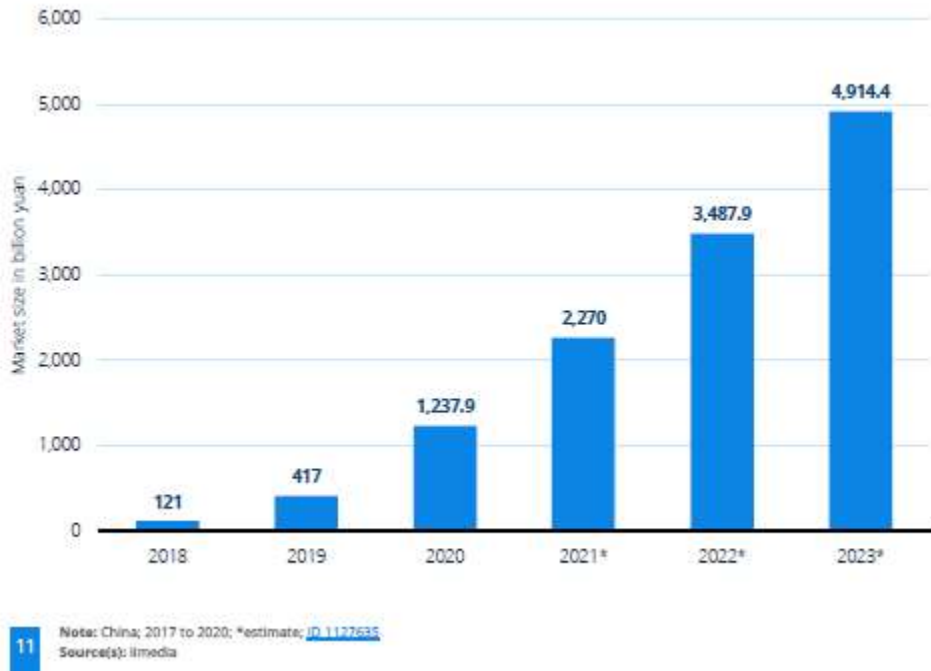


Figure 9: Live commerce market size in China from 2018 to 2020 with estimates until 2023

Source: iimedia, compiled by Statista

Aside from significant push from e-commerce and tech giants such as Alibaba, as in any other platform economies, the network effect cannot be eliminated from the boom of live commerce in China. As of 2021, China has 983.7 million internet users, 824.5 million e-commerce shoppers, of which 320.1 million are live commerce shoppers, consisting of 38.8% of the total e-commerce shoppers, making it the country with the most digital buyers. This is driven by high smartphone penetration rate (over \$1 billion by 2021)², seamless integration among e-commerce, m-commerce, social and digital payment, 5G internet infrastructure, and generally faster adoption to new technologies by consumers (Lauren, 2020). As a matter of fact, nearly all e-commerce users are also m-commerce users in China. The e-commerce experience in China is extremely mobile-forward, and live commerce is designed in a similar fashion for the same customer segment.

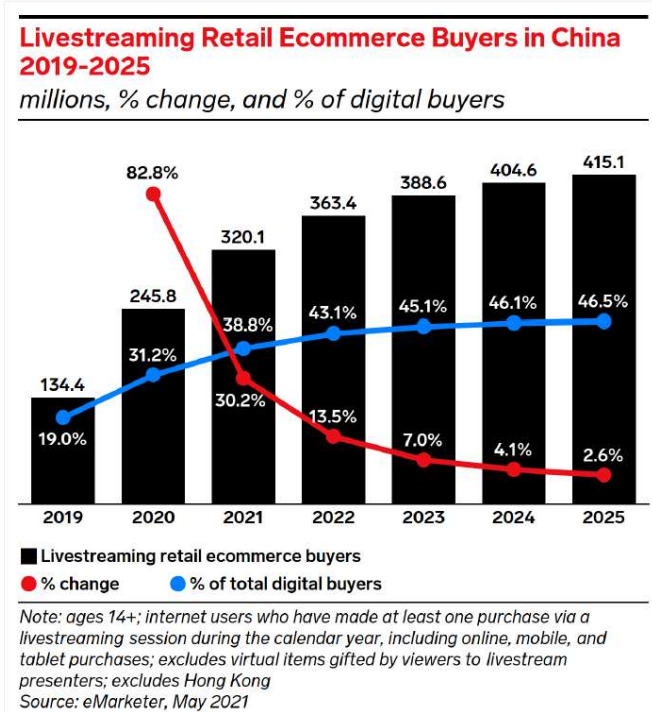


Figure 10: Livestreaming Retail E-commerce Buyers in China, 2019 – 2021 with forecast till 2025

Source: eMarketer

² <https://www.statista.com/statistics/467160/forecast-of-smartphone-users-in-china/>

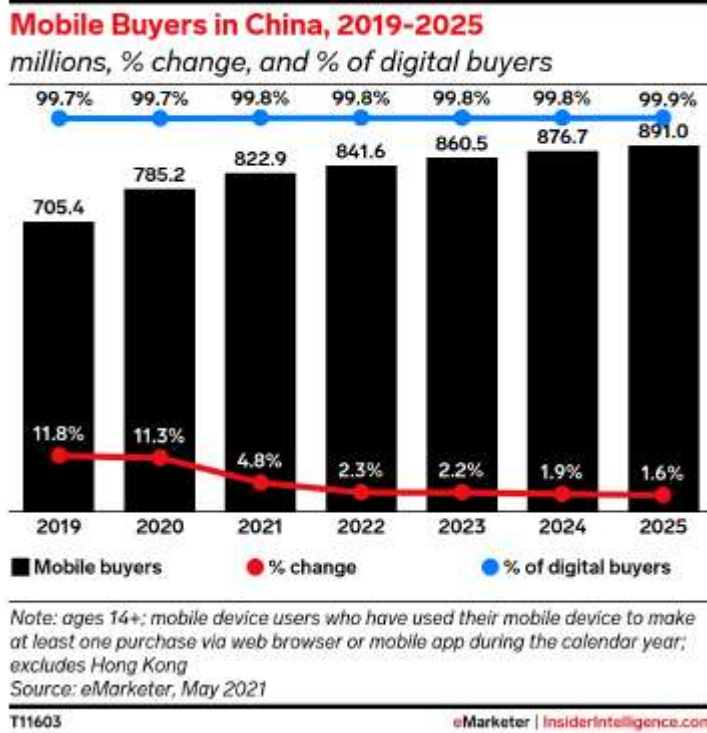


Figure 11: Mobile buyers in China, 2019 – 2025

Source: eMarketer

4 Psychology Behind Modern Day Livestream Shopping Viewers

4.1 Factors Influencing Purchase Decision-making

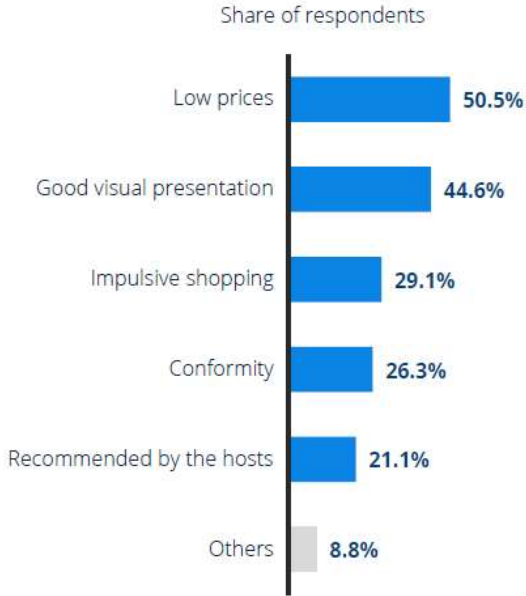
Most studies on psychology in digital livestream shopping viewers are done in China and among Chinese customers. In a study done by Zhuo, it was found that livestream content, and fit between content and livestreamer is significantly correlated with consumers' brand attitude, customer perceived value, and intent to purchase. Perceived value directly correlated with action to purchase. In a traditional funnel, awareness, brand attitude, intent purchase all impact intent to purchase and action to purchase. However, in her study, she found that brand awareness and intention to purchase is not correlated with final action of purchase, which is an indication of impulse buying (Zhuo, 2021).

In a study by Zhang, she highlighted the effects of fan economy of KOL streamers on live commerce customers. When combined with hyper personalized niche market powered by big data and machine learning algorithms, it becomes the secret recipe of the high conversion rate in livestream shopping. She also mentioned an effective call-to-action used by Taobao and other e-commerce platforms for people to watch shopping livestreams is through social driven pre-purchase "warm-up"s, which is to provide customers with monetary incentives to share the livestream to their social media, creating viral marketing. Just like how people can be distracted at the purchasing stage to not actually complete the purchase, people can sometimes also be distracted from shopping to do other things, and this can be an effective mechanism to remind people to watch and shop.

Livestream shopping, differing from other entertainment or gaming themed livestreams, have the goal of maximizing number of transactions and sales revenue. To achieve this goal and stimulate the purchase behavior, streamers have to be extremely persuasive. For example, Austin Li (Li Jiaqi) who is the number one "lipstick king" among Chinese streamers is known for trying on each lipstick to help consumers make informed decisions. He is also extremely knowledgeable about the products he livestreams, especially when it comes to makeup. His dramatic and funny presentation style combined with his knowledge made him extremely popular among young girls, since he is both credible and entertaining. His signature phrase

“OMG! Buy it!” when he sees something great became an internet sensation, as well as a direct stimulant of purchase to his fan base. Because of his large fan base and high sales volume, he was able to secure substantial volume discounts which made him able to claim that his prices are the lowest on the internet, another important incentive for consumers, Chinese and US alike, to watch and shop in livestreams.

Most popular reasons for shopping in live streaming sales in China as of June 2020



39 (1) Note: China; May 26 to June 2, 2020; 5,415 respondents
Source(s): Beijing Consumer Association; [ID 1125857](#)

Figure 12: Most popular reasons for shopping in livestreams in China as of June 2020

Source: Beijing Consumer Association, compiled by Statista

Leading reasons to shop in livestreams among consumers in the United States in 2021

Leading reasons for consumers to shop in livestreams in the U.S. 2021

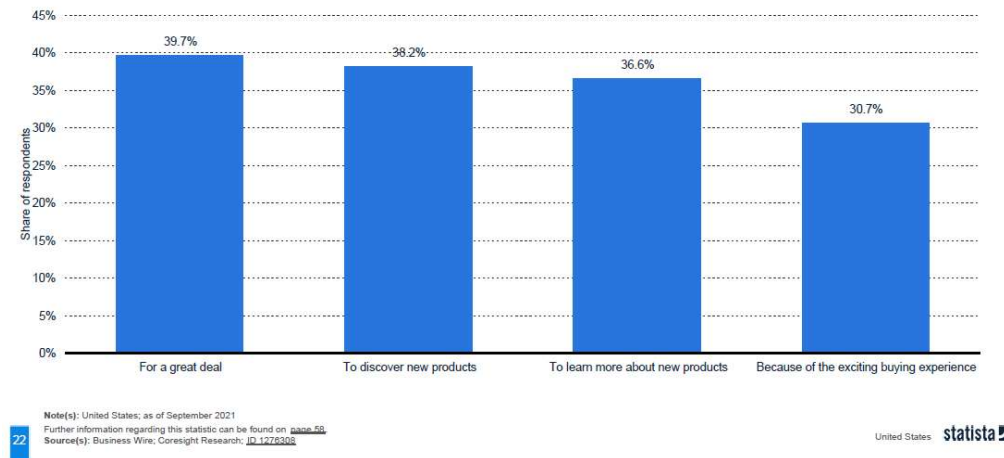


Figure 13: Leading reasons to shop in livestreams among consumers in the US in 2021

Source: Business Wire & Coresight Research, compiled by Statista

Conformity and impulse purchase were also brought up in Zhang's study which is focused on Chinese consumers. In the more mature and granular livestream economy in China, the audience is likely already watching the livestream of a streamer they like or a product type they are interested in recommended by a knowledgeable KOL, which means they are more likely to accept recommendations from the KOL, especially when they see other people in the same livestream behave this way – it could be either homophily or social listening, as people who are watching the same livestream are likely already interested in similar things as the consumer, or seeing other people purchase make the customer think they should purchase, too. A causal analysis can be performed to find out. On the other hand, it is rare that US livestream shopping users conform. This is likely because as China already has a large shopping livestream user base, thus there will be more people watching a livestream at a given time, which means that the group that the consumer is conforming to is significantly larger, making the customer more likely to feel the pressured to conform. The platform design is also important in matter; if the customer cannot see real time that other users are making purchases, they would not feel the need to conform to this

behavior – many US livestream shopping platforms have not yet integrated this capabilities, therefore it has not been a major purchase driver for US livestream shopping users.

Impulse purchase is more common among Chinese consumers when watching shopping livestreams than American consumers. This is likely because 1) many Chinese livestreamers are professionally trained to present the product informatively and convict customers to purchase using stimulation cues; 2) Chinese livestream platforms are much more maturely designed to encourage such behavior with elements constantly notifying users to make purchase – such as warnings of items running out, number of items sold, etc.; 3) popular livestreamers like Austin Li and Viya also have track record of things selling out within seconds every time, which significantly shortens the customer journey, fostering impulse buying behavior.

“Streamer attractiveness, para-social relationship and information quality” are directly and positively correlated with cognitive assimilation and viewer’s emotional state, with para-social interaction playing the biggest role. Information quality has the biggest impact on cognitive assimilation, followed by streamer attractiveness and para-social interactions. Since better information quality is usually associated with trustworthiness and therefore lower risk, it may be inferred that customers when making purchases in livestreams value trust highly. A pleasant emotional experience during livestreams will have positive impact impulsive consumption, hedonic consumption, and social sharing (Xiaoyu Xu, 2020).

A study done by Cai et al. (2018) showed that consumers do not really watch a livestream for a specific product they need to purchase. The study also showed that the quality and informativeness of the livestream could significantly affect customers’ intention to use livestream shopping if the customer’s interest lies in learning more about the product. On the other hand, if the customer’s intention is to watch livestream for entertainment and emotional fulfillment purposes (e.g. to see a celebrity they like), then only attributes of the streamer such as attractiveness will affect the customer’s intention to use livestream shopping. However, in this study, most survey respondents were watching livestream shopping videos from Youtube and Facebook Live, which were not shoppable in-live. Therefore, the study does not

measure the correlation between these abovementioned attributes and actual purchase behavior, but only the intent to use livestream shopping; the interaction and real-time effect of live shopping that may drive impulse shopping is also believed to be significantly reduced – without immediate call-to-action and action mechanism within the live, the customer’s experience would be more similar to consuming other video content rather than in a real-time interactive shopping or marketing event. Nevertheless, for livestream shopping to be more mainstream and useful in the US, it is crucial to gauge what type of content consumers like to engage with.

Major reasons for buying products recommended by hosts in live sales shows among respondents in China as of April 2020



Figure 14: Major reasons for buying products recommended by hosts in livestream shopping, China, April 2020

Source: 21 Ceping Lab, compiled by Statista

4.2 Diversification in Customer Segments

It is worth mentioning that although TV shopping giants such as QVC have also expanded their livestreams to social network platforms, its targeted audience is vastly different than livestreams born in the digital age (around or after 2019). Part of the reason is that QVC have been around for a long time with a loyal, high-value customer base that it is still primarily catering towards. In the most updated QVC fact sheet on their website, QVC describes its main customer persona as an affluent female homeowner between the age of 35 and 64 who frequently orders from QVC (on average 25 times per year) with strong preference for higher end department stores such as Saks, Neiman Marcus, and Nordstrom. Since each customer has high customer lifetime value, it makes sense for QVC to continue to cater to them for customer retention, rather than diverting attention to customer acquisition of the younger audience. However, as seen below, Gen-Z makes up the biggest customer segment using livestream shopping in China, likely as they are more open to adopting new technologies and forming communities of similar interests. Similarly, many brands in the US adopting digital livestream shopping are also doing so to reach a younger audience, especially if they are partnering with platforms with a younger audience like Tik Tok and Instagram. For example, Maybelline, Seventeen and Walmart together did a shoppable livestream on talkshoplive to teach a Gen Z audience on how to do hair and makeup for their first prom. Where livestream shopping differs from the traditional TV style shopping is the sense of interaction within a community: in China, the streamer is likely already a KOL in a certain vertical with a sizeable following, therefore the audience is likely either the fan of the streamer or a member of a “circle” (common phrase used in Chinese fan economy, meaning a community of people who are interested in the same (usually niche) vertical), sometimes both. Shopping livestreams to the younger audience have more nuance than just to discover and purchase products for themselves, but many take it as an opportunity to interact and strengthen the bond with the community of similar interests. The formation of such communities cannot occur without the development of AI/Machine Learning algorithms that learned to push content that caters to users’ interests extremely accurately, which is something that TV shopping

cannot compete with. For example, on a Nike SNKRS live, tens of thousands of Air Max sneakerheads would gather to participate in a live and wait for a drop. The sense of community and ceremony is a big motivator for people to use livestream shopping (Zhang, 2020). Whereas in a regular QVC session, there is no mechanism for the audience to bond into a community, nor is there much fan culture around skincare or jewelry like there is around sneakers.

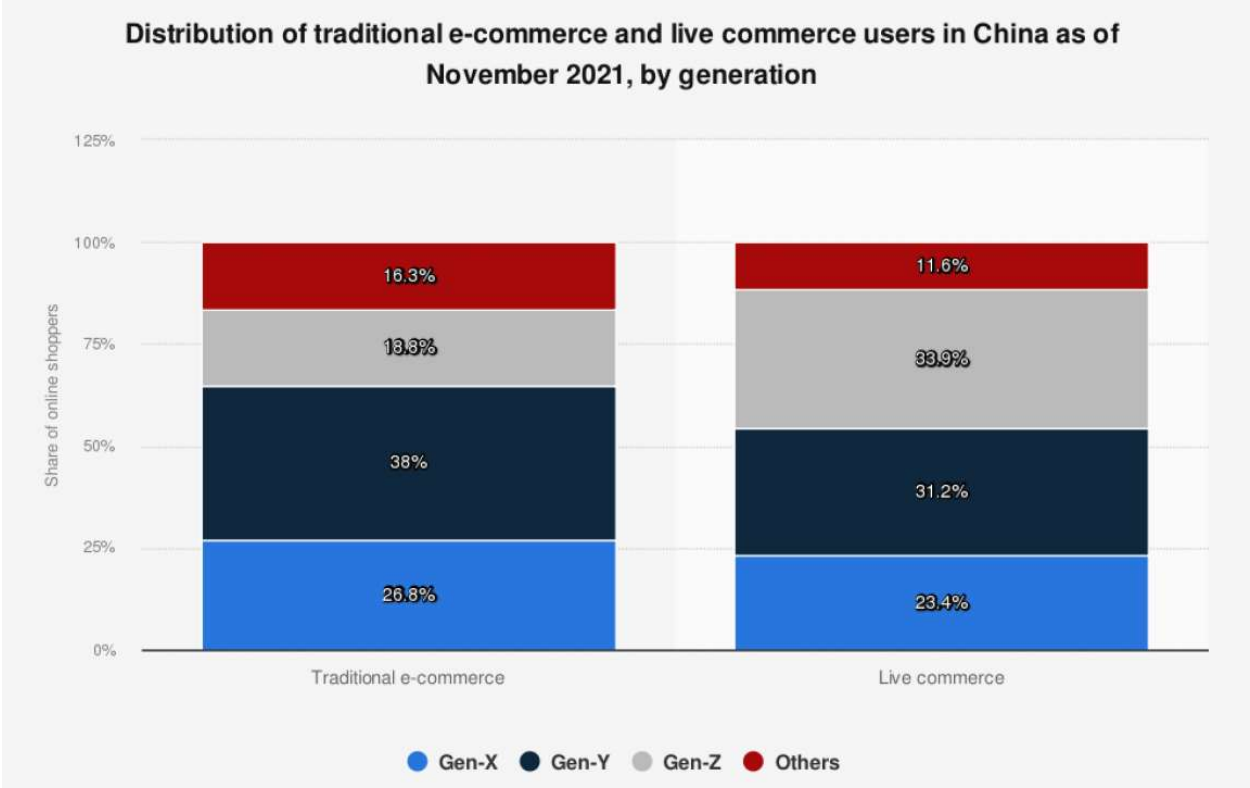


Figure 15: Distribution of traditional e-commerce and live commerce users in China as of November 2021, by generation

Source: Fastdata, compiled by Statista

5 Livestream Shopping in Customer Journey

5.1 The Offline Shopping Experience

Especially since the start of the COVID-19 pandemic, lots of consumers have been missing the interaction aspect of offline shopping. The activity of shopping itself is often more than the single act of purchasing; rather, it can be an entire experience that conglomerates social, entertainment and learning in addition to purchasing. Pre-purchase, the customers may walk around the mall, or browse social network platforms for inspiration. In a traditional marketing funnel, the customer may gain awareness from seeing the billboard ads, or, in the flipped funnel, through word of mouth on Instagram or Tik Tok. If at the mall, the customer may learn how to do a perfect cat eyeliner from a MAC salesperson trying to sell the newest liquid eyeliner. The customer, and perhaps their friend who accompanied them on this mall trip, have wonderful interactions with the MAC salesperson and browses a few other shops, while stopping in between to grab ice cream, stop to watch a grand opening show for a new store that just came into the mall, take cute photos to post on social media. The customer could not decide between MAC and NYX, so they search for reviews online from influencers and friends with similar skin conditions, go back to stores to test out the products and ask some questions to salespeople again. When it comes to the purchasing stage, the customer was asked whether they would like to join the loyalty program or purchase another \$30 worth of goods to receive a discount, which the customer happily agrees to both. Post-purchase, the customer posts their haul on social media with the other photos taken during their mall trip, which starts a thread of discussions about makeup with her friends and social media followers. A few days later, the customer follows up and posts detailed reviews – based on their satisfaction with the product and experience, the customer will decide whether they need to return, repurchase, or just use it up and try something else.

5.2 Awareness

Although brands have been spreading awareness through online channels for many years, since the beginning of COVID-19, it had been increasingly difficult for brands to do so through offline sales

channels due to lower department store shopping traffic brought by lockdown policies. While it seemed like a challenge, some brands took it as an opportunity to fully leverage the online channel for marketing. The Chinese cosmetics brand Florasis debuted in 2017 with no offline selling channel but was able to achieve over ¥ 100 million revenue within the first hour of the 2019 Double-Eleven shopping festival hosted by Taobao. A lot of the brand awareness is spread online through short videos and livestreams. Since its debut, Florasis has collaborated with over 1000 KOLs with various popularities, as well as celebrities specifically targeting audience born after 1990 (e.g. supermodel Du Juan) and 2000 (e.g. Charlie Zhou Shen), spreading word of mouth from all levels. Top tier beauty KOLs with sizeable followings were invited to do live makeup tutorials on Little Red Book, Taobao Live and Tik Tok with Florasis products, so fans can learn makeup skills, see product performance, and learn about the brand at the same time. Another reason that Florasis was so successful in its livestream marketing is that it chooses streamers who fit the “ancient Chinese style” brand image extremely well (Zhang, 2021), which is proven to effectively increase consumer’s brand attitude and intent to purchase (Zhuo, 2021). For example, Du Juan is the first well-known Chinese supermodel with very distinctive Chinese features, and Charlie Zhou Shen is known for singing many OSTs for well-known Chinese period dramas. Both already have a large following who are probably interested in Chinese style circles, making conversion significantly easier. On the other hand, different livestream content was also used for different platforms based on the audience and features of that specific platform. For example, on Taobao, Austin Li Jiaqi did lipstick swatches which elicited the signature “OMG! Buy it!” from him that is guaranteed to trigger sales. On Bilibili where the audience are more into the subculture itself and entertainment than shopping, the brand incorporated content about ancient Chinese culture. Overall, Florasis had a very detailed and refined livestream marketing plan to ensure all targeted customer segments with different interests would gain positive awareness about the brand, which ultimately led to its success without having to open any brick-and-mortar store.

5.3 Interest

In livestream shopping, the Interest phase can happen very quickly after the Awareness stage, as customers learn detailed information about the product, usually see it in action, and interact with the host to get any questions answered in the moment. However, as there is a lot of content constantly competing for the customer's attention at all times, the customer may not be engaged enough to fully absorb all the information about the product – in fact, the customer may easily exit the particular livestream if they did not find it interesting enough even before the “good part” that may pique their interest. One of the current solutions adopted by marketers in collaboration with platforms is to offer “red pocket” or cash incentives for the audience to stay longer. In one Taobao shopping livestream, upon entry, the customer is prompted that if they stay for three minutes, they will receive a ¥ 30 coupon to spend on their next order at this store. This will not only prompt the customer to try to stay engaged with the livestream for three minutes, but also trigger the user to switch to an actively start browsing in hopes to develop intent to purchase for something. The switch from passively receiving persuasion to actively seeking to purchase marks a significant advancement in the customer journey.

Another way to gain enough attention of a customer for them to develop interest is more in a fashion of a traditional funnel – to constantly provide exposure. Using Florasis' example again, the multi-channel marketing likely ensures that the customer will see content related to the brand multiple times per day on different social platforms; the tailored content to that platform also ensures that the customer sees a variety of content instead of repeated, increasing the chances of something catching their eye. Florasis also engaged in offline marketing in busy business districts, constantly reminding customers about their brand. After being exposed to about a single brand frequently, when the customer sees the brand again in a shopping livestream, they may have gathered enough interest to proceed to the next stage. According to Rimpler from Basis Technologies, they have seen “really good results with lower-funnel campaigns when we've nurtured people who have already heard about the brand or product or service, [then reach

them] with a different type of messaging that highlights the real value and benefit to purchasing” (Verna, 2022).

When the customer is engaged with the livestream due to interest in the specific topic or streamer and if they already trust the streamer, their interest may be induced more easily – for example, by Austin Li’s try-on and commentaries.

5.4 Desire

The pre-purchase phases of Awareness, Interest and Desire, if they are all happening within one single livestream, can be muddled together as things usually move relatively quickly in this setting. This is especially true for low value household items, the most well-known example among Chinese netizens being kitchen rags. To arouse customers’ desire to purchase, the streamer has to be extremely skilled at converting from “interest” to “desire” in a very short time. This can occur when a top streamer in a specialized sector known for their professional knowledge gives confirmation to customers that the product is top notch. Li Jiaqi “OMG! Buy it” falls into this category, as it is known as the cue for his audience that the product has got his seal of approval. Combined with the visual representation of the performance of the product, it is proven to be effective to drive desire for purchase.

Another tactic, which have been in use since the TV shopping times, is warning of scarcity and group assimilation. These go hand in hand – there is a set amount of inventory, so if a lot of people are seen to be purchasing, the customer will feel like they should as well; similarly, if the customer sees a warning of a product running out, the fear of missing out on what so many people are buying will trigger desire to purchase, resulting in a sales spike (Goldfingle, 2013).

The third tactic is limited-time incentives to purchase. This is also common in Austin Li Jiaqi and many other top streamer’s shopping livestreams. As these streamers are able to generate such large sales volume, they are more likely to secure a low volume discount from suppliers. Therefore, Li Jiaqi often reminds the audience that he guarantees the prices in his livestreams are the lowest out of all places on the

internet. Since the customer has sometimes only a few seconds to make a purchase decision, the lowest price incentive may be enough to trigger desire to (impulse) buy. Similarly, sometimes the streamer will give red pockets or gifts with purchase to be used to tip customers on the fence over the edge.

5.5 Action

Most Chinese platforms have built-in features that allow customers make purchases directly in-live without having to leave the livestream. Although no formal studies have been done, in-live shopping capability is believed to significantly increases conversion. Currently, as most US live shopping platforms are still piloting, in-app purchase abilities are limited. For example, in order to purchase from Facebook Live, a lot of streamers will direct customers to a link of their shop in the chat box, or prompt them to download another app and input a code displayed on the screen to access the product being introduced, both of which will cause an interruption in the customer experience and prevent the customer from taking action. For example, the customer may not trust the third-party site with their bank information, or the navigation is too complicated for the transaction to happen. Either way, the lack of in-live purchase and payment capabilities provide a cool-off period for the customer, which may decrease impulse purchases. It also prevents the shop owner from having access to sales data caused by livestreaming, so the shop owner or streamer may not know how effective livestreaming actually is to their business. Unlike China where Taobao is the largest livestream shopping platform and the largest e-commerce platform at the same time with access to most customers' payment methods already, many US platforms do not have the established paying customer base (social-forward platforms such as Facebook, or smaller live commerce startups such as Whatnot), which raises another barrier to conversion. The only large e-commerce platform comparable to Taobao that also has its own livestream shopping in the US is Amazon. However, since launch, Amazon has not been primarily promoting this feature like Taobao did with Taobao Live. This could be due to the incompatibility between the platform's nature and livestream's nature. People usually go to Amazon to find specific products instead of discovering products (as once said by Glossier CEO Emily Weiss, "Amazon really solved buying, but it killed shopping in the process"), but people

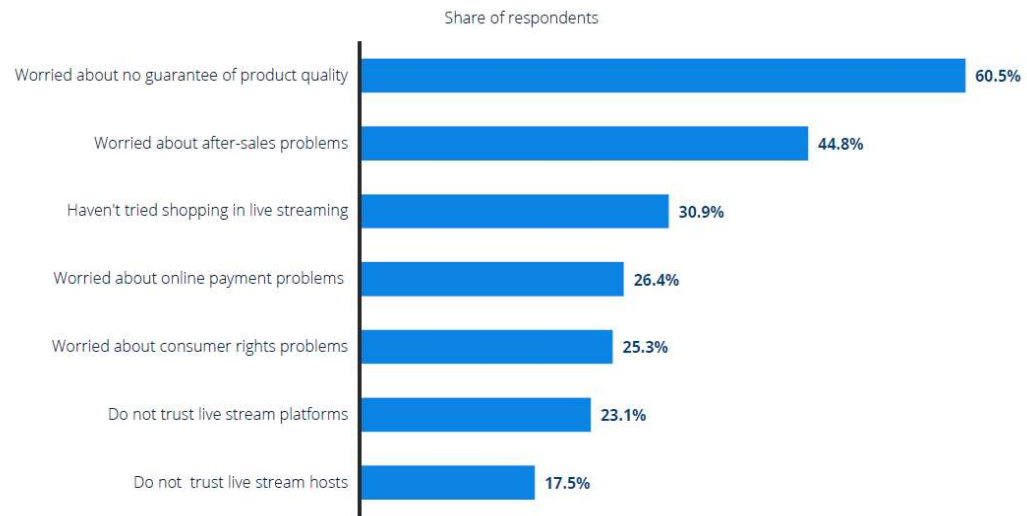
watching shopping livestreams are usually looking to discover products and get entertained. The livestream shopping experience on Amazon is less than seamless, as the customer has to look for the item in a list below the video, and then click on it to be taken to its Amazon page, interrupting the livestream experience. Last but not least, there is no incentive to encourage the customer to advance in its customer journey quickly such as red pockets.

5.6 Satisfaction

Although livestream shopping can be an effective marketing campaign, its power mostly extends across the pre-purchase and purchase stages. In a survey conducted by iiMedia Research in China in 2020, only 12% consumers reported being “very satisfied” after their purchases made in shopping livestreams; 2/3 reported “relatively satisfied”, the rest reported various levels of dissatisfaction.

Like any other new forms of commerce, customers often worry about product quality and after-sales service like warranty. According to a survey conducted among over 5000 Chinese respondents in 2020, these two are the most common reasons for shoppers to be reluctant to adopt livestream shopping, with over 60% voicing concerns over lack of product quality guarantee and almost 45% concerned about issues that may rise in after-sales services.

Reasons for not shopping in live streams among respondents in China as of March 2020



40

Note: China; January to March 2020, 5,333 respondents
Source(s): CCA; Forward Intelligence (Qianzhan); CBNDData

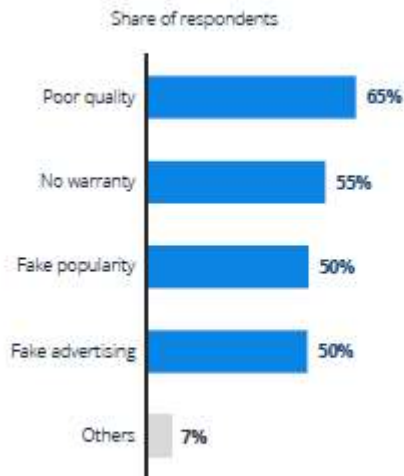
Figure 16: Reasons for not shopping in livestreams among respondents in China, March 2020

Source: CCA; Forward Intelligence; CBNDData; compiled by Statista

In another survey conducted by the Beijing Consumer Association in 2020 among 5415 respondents, “poor quality” and “no warranty” were also two of the most popular concerns among live commerce shoppers, followed by “fake popularity” and false advertising, both of which are worried about by over half of live commerce shoppers. Since a lot of shopping in livestreams occur as impulse purchases, more shoppers are likely to experience buyers’ remorse than from other shopping methods. Also, the customer may only have a few minutes to learn about the product and make a purchase decision, making it difficult to fact check everything the streamer says about the product. Although it is unfortunate, there has been a lot of incidents where shopping streamers used this loophole to take advantage of their customers by lying about value and price of the product (e.g. streamers may claim they are selling at a heavily discounted price for a high value product when the product value is not as high as claimed and price is on par with other selling channels), selling counterfeits or suboptimal products. To minimize shoppers’ concern, it is

critical for livestream shopping platforms or brands to establish a flexible and authenticated after-sales system for complaints, returns and warranty.

Most concerning aspects of live streaming commerce among surveyed shoppers in China as of June 2020



(2) Note: China; May 26 to June 2, 2020; 5,415 respondents
Source(s): Beijing Consumer Association; [JD 1126828](#)

Figure 17: Most concerning aspects of live commerce among surveyed shoppers in China, 2020

Source: Beijing Consumer Association, compiled by Statista

5.7 Advocacy

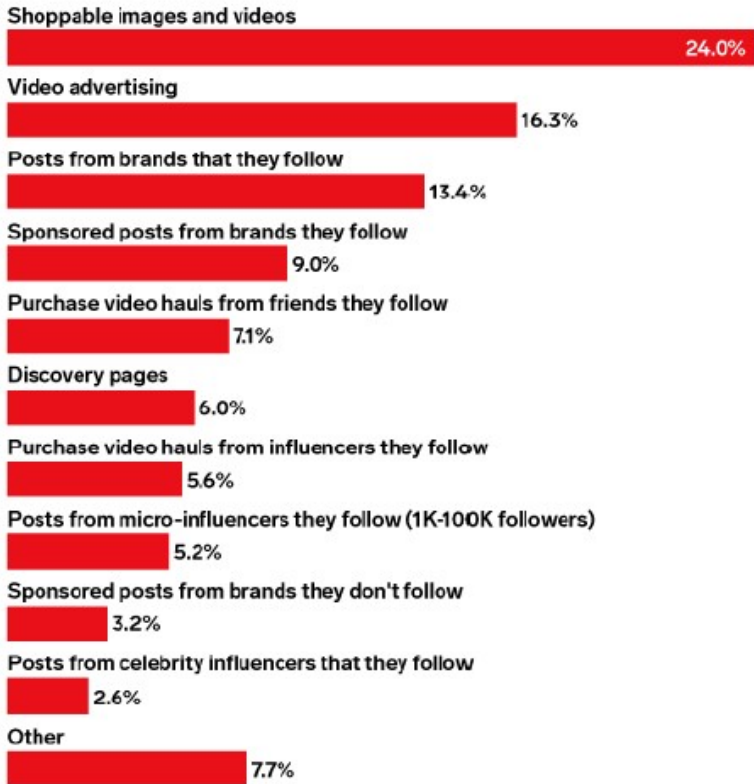
“Social commerce” is defined “to include products or services ordered by buying directly on the social platform or through clicking links on the social network that lead to the retailer’s product page with an immediate purchase option” (Lipsman, 2021). The social commerce aspect makes live commerce a perfect channel for word-of-mouth marketing, which is heavily sought after by marketers. While anyone can share their opinions or generate content through a livestream about a certain brand or product, livestreams themselves can also be shared. For example, some livestreams on Taobao will ask users to share the livestream to their social media before it starts in order to receive a coupon or red packet. With

keywords like “sale”, viral marketing can be achieved in a very short period of time, attracting customers to the livestream at an exponential rate (Zhang , 2020).

Word-of-mouth marketing driven social marketing is known to effectively increase sales. In a 2020 survey, at least 32% of respondents reported word-of-mouth on social media is the most effective in getting US buyers to make a purchase (sponsored posts, purchase video hauls from friends they follow, purchase video hauls from influencers they follow, posts from micro influencers they follow, and posts from celebrity influencers that they follow). More and more brands are leaning into this trend and increasingly choosing WOM style influencer social content as the primary brand marketing content over brand produced content (Verna, 2022). Livestreaming being an extremely interactive social format is suitable by nature for generating more organic, convincing, and engaging WOM advocacy for brands.

Which Type of Ad/Content on Social Media Is Most Influential in Getting US Adults to Make a Purchase?

% of respondents, Dec 2020



Note: ages 18+

Source: Bazaarvoice, "A picture's worth a thousand purchases: How visual and social content increase online sales" conducted by Savanta, Jan 26, 2021

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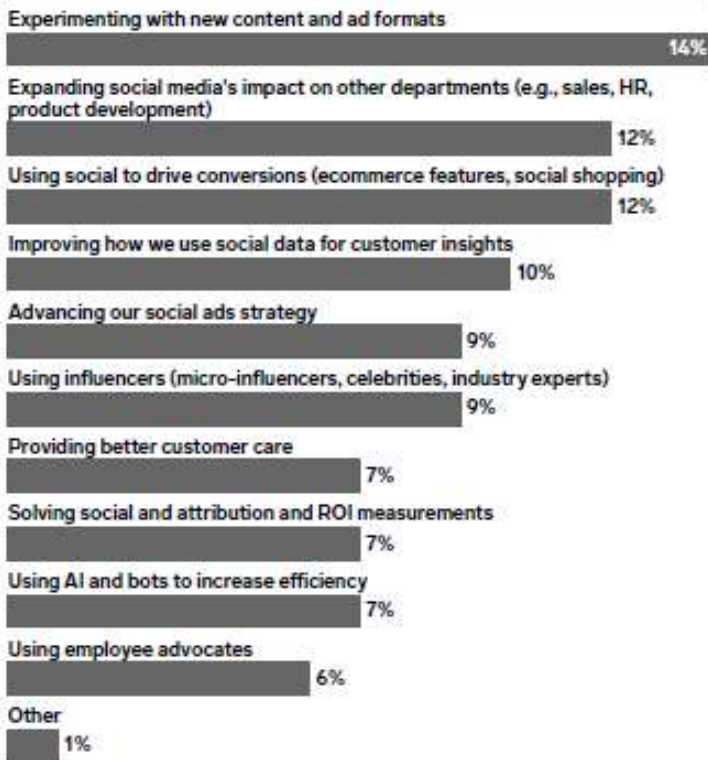
eMarketer | InsiderIntelligence.com

Figure 18: Type of ad/content on social media most influential in getting US adults to make a purchase

Source: Bazaarvoice, compiled by eMarketer

What Do Marketers Worldwide See as the Most Exciting Opportunity in Social in 2022?

% of respondents, Q3 2021



Note: n=14,329

Source: Hootsuite, "Social Trends 2022," Nov 9, 2021

271902

eMarketer | insiderintelligence.com

Figure 19: Most exciting opportunity in Social in 2022 seen by marketers worldwide

Source: Hootsuite, compiled by eMarketer

6 Recommendations & Conclusion

Livestream shopping or live commerce is found to be a powerful marketing tool in all of pre-purchase, purchase and post-purchase stages within a customer journey. It can be a purely brand-owned touch point (e.g. a brand-sponsored and produced livestream event), a partner-owned touch point (e.g. Taobao Double 11 Shopping Festival livestream event), or a customer-owned touch point (e.g. a customer's shoppable haul livestream on Tik Tok). Furthermore, it naturally allows cocreation of customer experience by enabling interaction between streamers and customers, sometimes even inviting customers to generate their own livestream content, which is a key element in customer engagement and word-of-mouth marketing. While livestream shopping positively enhances Awareness, Interest, Desire, Action and Advocacy in the customer journey, Satisfaction remains the biggest risk, similar to other impulse-driven purchase mechanisms.

As forecasted by eMarketer, Livestream shopping in the US is unlikely to become as popular as it is in China within the short term without any Black Swan activities and/or major promotion by e-commerce platforms (e.g. similar to how Taobao provided major exclusive monetary incentives to promote Taobao Live during Double 11 Shopping Festival in 2019 which started the boom of live commerce in China, perhaps if Amazon launched similar incentives during Prime Days, it could effectively direct more traffic to Amazon livestreams). Especially since the US is now considered to be in the post-pandemic stage, many customers are in a "retaliatory outing" mindset which leads to an increase in offline shopping (Figure 20). In contrary, the boom of e-commerce and livestream shopping in China, while accelerated by COVID-19, occurred before the pandemic and seems to be less affected by the pandemic than in the US, as it continues to deliver value to customers pre-, during, and post-pandemic and therefore, became a shopping habit engrained in many Chinese shoppers.

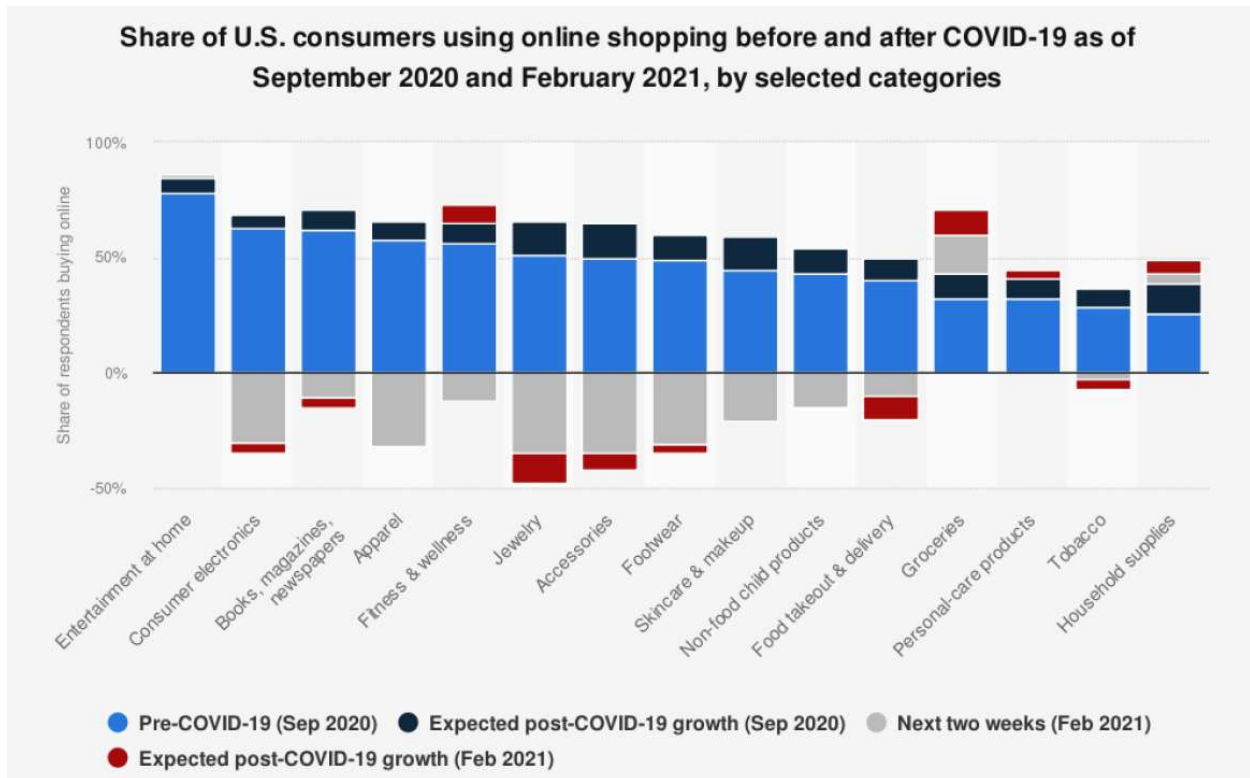


Figure 20: Share of US consumers using online shopping before and after COVID-19 as of Sept 2020 and Feb 2021

Source: Mckinsey, compiled by Statista

There is still a long way to go for live commerce in the US to reach the maturity of live commerce in China. In order to advance the livestream shopping industry in the US to a more viral, high-speed growth path, the following recommendations are made based on lessons learned from China:

- 1) The brand or the platform should incentivize customers to watch and share livestreams with exclusive access to products or discounts, coupons, low price, or other clear monetary incentives to turn interest into action and maximize the social benefits of word of mouth marketing.
- 2) The platform should develop in-live shopping capabilities for a seamless customer experience that can be completed from start to finish without having to leave the livestream to achieve optimal conversion rate.

- 3) The platform should ideally have integrated with a trustworthy payment system to enable in-live shopping capabilities and eliminate hesitancy from an extra step needed. This makes e-commerce platforms more ideal for livestream shopping than regular social media platforms since it already has customers' saved payment information.
- 4) The brand should tailor livestream content to platform audience's characteristics precisely. For example, Amazon customers watching livestreams are likely doing so to find more information about a specific product, thus the content should be more informative, whereas Tik Tok customers are mostly looking for hedonic arousal, therefore the content should be trendier and more entertaining to spark virality like the "Tik Tok Made Me Buy It" hashtag did.
- 5) Similarly, the brand should also align the characteristics of streamers, platforms and brand image. As the fit between the streamer and the product strongly affects intent to purchase (Zhuo, 2021), to achieve optimal reach and conversion, the streamer has to be accepted, liked and easy to be associated with the product by targeted customers on that platform (e.g. Florasis deposited most of Charlie Zhou Shen's livestream content on Bilibili where both the Chinese Style subculture and himself have a large following that often crosses due to his work and image). The brand should leverage big data to achieve a precise level of network targeting with their tailored content.
- 6) The brand should leverage multi-channel effect between livestream shopping and other marketing channels to maximize exposure, create memory, arouse interest, and deliver a richer overall customer experience cocreated by the firm and the customer.
- 7) The brand or platform should provide reliable after-sales services such as warranty and return policy, especially since impulse driven purchases happen so often in livestream shopping. This is the only clear weak link in the customer experience, as the lack of which risks customer satisfaction and is a major reason for people to be hesitant to adopt livestream shopping.

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