

Overview of China's Live Commerce Market: Douyin Case Study

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Abstract. This paper provides a snapshot and structural dive into China's live commerce industry and economy, specifically focused on the key player platform, Douyin live commerce's development, operational structure, and business overview. In the second half of the article, this article will explain why the live streaming market in the US is growing slower than in China, considering the differences in consumer habits, market environment, and culture. Finally, this paper will give some adjustment suggestions for potential live-streaming developers.

Key words: China e-commerce, Live commerce, Douyin, Tiktok.

1. Introduction

Live commerce, or live streaming commerce, refers to the practice of selling products or services in real-time through interactive live streams on e-commerce platforms. It combines elements of entertainment, social interaction, and e-commerce, allowing sellers to demonstrate products, engage with viewers, and help immediate purchasing decisions.

In China, live commerce has transformed the retail industry and established itself as a major sales channel in less than five years. In a 2020 survey, two-thirds of Chinese consumers said they had bought products via live streaming in the past year. China's e-commerce industry has experienced rapid growth, going from a market size of 420 billion (around \$60 billion) to ¥3.5 trillion (approx. \$540 billion USD) by 2022 (ECDB). Today, the online retail penetration in China has reached more than one-third of the total retail value (Bu et al.).

Live e-commerce emerged from Alibaba's Taobao platform in 2016, as a vital composition of China's e-commerce economy. With platforms such as Douyin leading the charge, the industry continues to expand, and its share of the total e-commerce market will exceed US \$1 trillion USD by 2026 (ECDB).

Western-based retailers are well behind China in the scale and sophistication of their live commerce businesses (Zhang). However, early movers such as TikTok Shop are starting to expand their live commerce efforts in Western markets. It is worth noting while in the US social media is popular for discovery and engagement, users are less inclined to complete purchases within these platforms. This behavioral difference poses a significant hurdle for social media platforms such as TikTok attempting to replicate the Chinese live commerce model in the US market (Baker). Despite these differences, there is much to be learned from recent and past experiences in China's live commerce market, especially from leading social platforms such as Douyin, about what is needed to operate and grow the market for live commerce goods and services in other countries.

2. Overview of E-Commerce in China

In 2023, the e-commerce market in China was valued at approximately \$2.22 trillion USD (EMR). Live commerce, a major market segment, accounted for about \$695 billion USD in 2023 (Laurer). This means live commerce is composed of around 31.9% of the total e-commerce market in China.

Live commerce has seen rapid growth, driven by platforms like Douyin and Kuaishou, and is expected to continue expanding, potentially surpassing \$1 trillion USD by 2026. China is currently the fastest-growing e-commerce market in the world, with a \$862.6 USD e-commerce market size in 2019 (Buchholz).

3. Overview of Live Commerce in China

3.1. What is Live Commerce?

Live commerce, or live streaming commerce, refers to the practice of selling products or services in real-time through interactive live streams on e-commerce platforms. It combines elements of entertainment, social interaction, and e-commerce, allowing sellers to demonstrate products, engage with viewers, and facilitate immediate purchasing decisions. Live commerce combines instant purchasing of a featured product and audience participation through a chat function or reaction buttons. Currently, the international market of live commerce is expanding at a rapid pace.

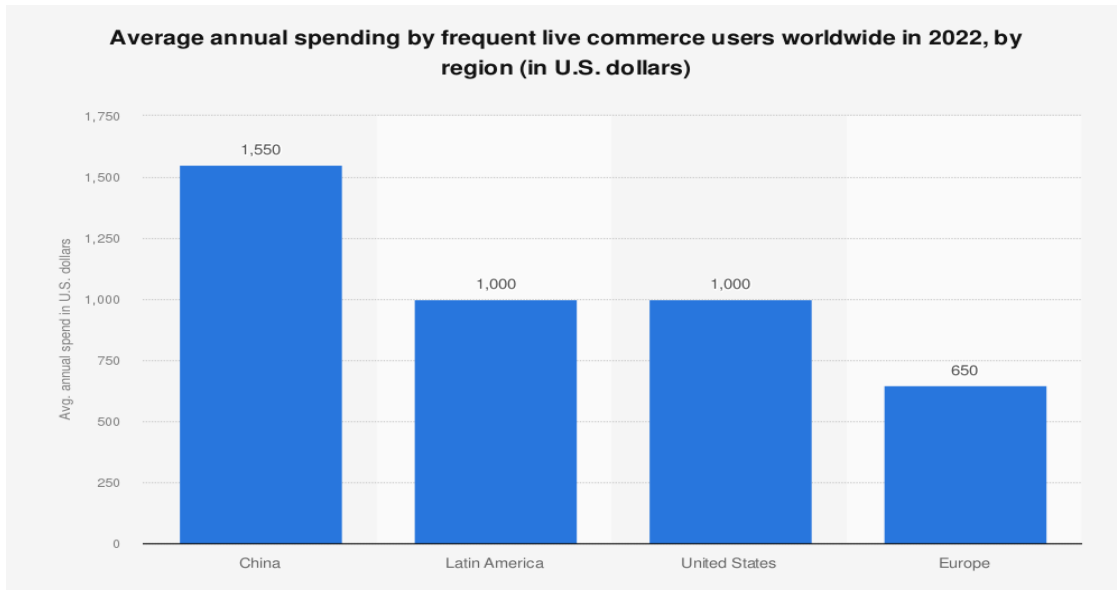


Fig. 1 Average annual spending by frequent live commerce users worldwide in 2022, by region (in U.S. dollars)

In Figure 1, out of Latin America, the United States, and Europe, China has the highest live commerce users of average spending worldwide, reaching \$1,550 USD for one user in 2022 (Statista Research Department).

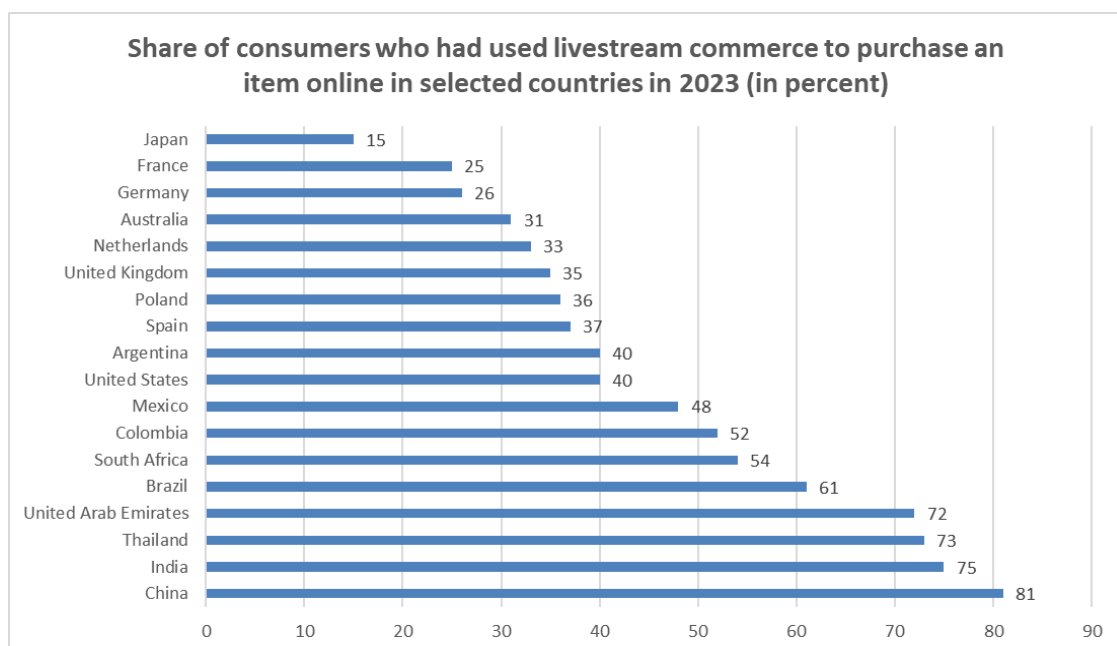


Fig. 2 Share of consumers who had used livestream commerce to purchase an item online in selected countries in 2023 (in percent)

The above figure shows that China also is the country with the most prominent access of livestream commerce on average to each user, on average 81% out of China’s population had used livestream to purchase items, which is the highest coverage in the world (Chevalier). In a 2020 survey, two-thirds of Chinese consumers said they had bought products via Livestream in the past year (McKinsey).

3.2. Market Size & Range - China’s Live Commerce

As of 2023, live commerce in China accounts for approximately 31.9% of the total e-commerce market's gross merchandise value (GMV). This significant share highlights the robust integration and impact of live streaming on the online shopping landscape in China (HSBC).

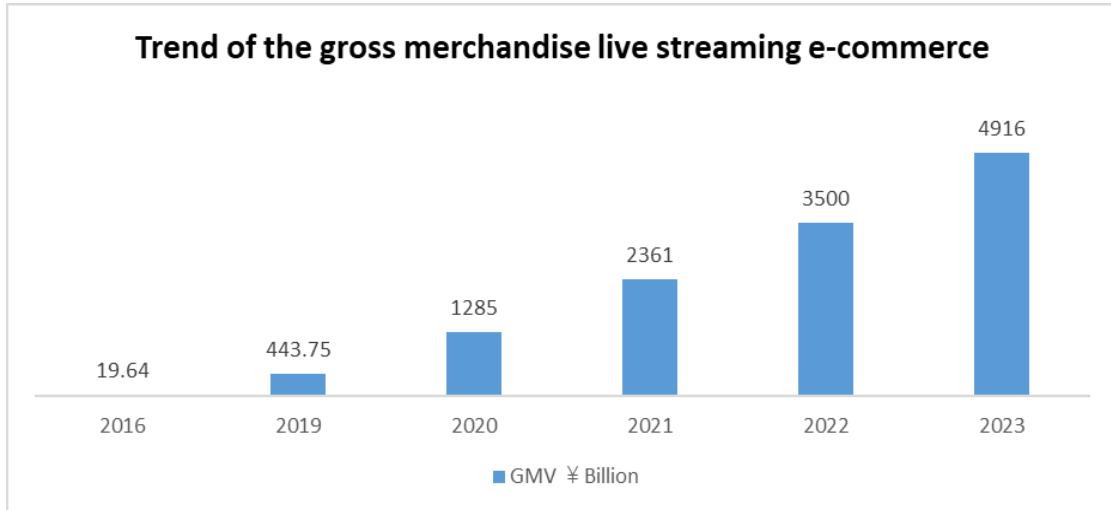


Fig. 3 Gross merchandise value of livestreaming e-commerce in China from 2017 to 2023 (in billion yuan)

Source: Ma, Yihan. “China: GMV of E-Commerce Livestreaming 2022.” Statista, 31 Mar. 2023, www.statista.com/statistics/1188550/china-gmv-of-e-commerce-livestreaming/. Accessed 15 Sept. 2024.

In 2016, live streaming e-commerce on platforms like Taobao started (see fig. 3). It grew rapidly from 2019 to 2023, reaching 4.9168 trillion yuan. Specifically, in 2022 alone, live commerce in China reached a Gross Merchandise Volume (GMV) of \$222.6 billion, demonstrating significant growth from \$5.8 billion in 2019 (IRResearch).

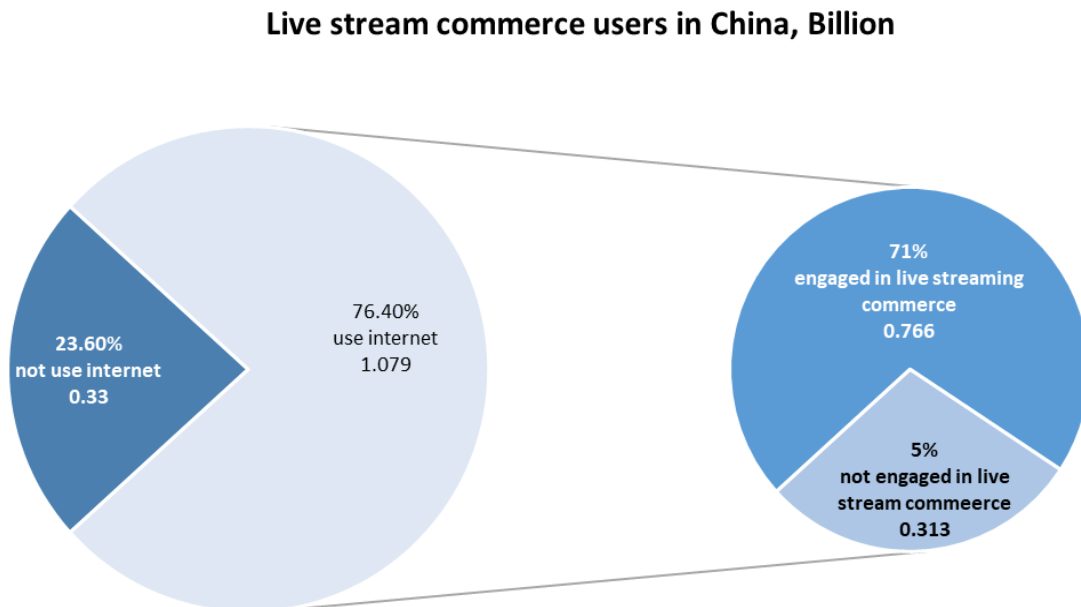


Fig. 4 Live stream commerce users in China (in billion)

As of mid-2023, China's population was approximately 1.41 billion. In 2024, 1.09 billion people were internet users (Hua). The percentage of internet users out of the Chinese population in 2024 would have increased considering the increase of internet users. Regarding live commerce by June 2023, around 765 million people in China engaged in live streaming commerce, which accounts for 71% of the country's internet users (China Marketing Corp).

Table 1. Douyin Chronology with Live Commerce

Year	2016	2017-2018	2019	2020	2022
Phase	Douyin launched in September with live streaming soon after.	Early expansion of e-commerce with live-streaming features, including Douyin adding shopping cart functions in 2018.	Douyin partnered with JD.com and Vipshop, integrating deeper e-commerce features like product searches.	Douyin launched "Douyin E-commerce" and the standalone "Douyin Shop" app, expanding enterprise live streaming and advertising.	Douyin cut third-party product support, introduced a payment system, and solidified its e-commerce platform by 2022.

In Table 1, the rapid growth of Douyin in e-commerce has four main phases. In 2020, Douyin granted live streaming privileges to enterprise accounts and launched "Douyin E-commerce" as an independent brand. It introduced the "Douyin Shop" app and enhanced advertising capabilities. From 2020 to 2022, Douyin advanced its e-commerce ecosystem, focusing on search-based commerce. It severed ties with third-party products and added new functions like a payment system and enhanced brand partnerships. By 2022, Douyin had become a major player in e-commerce.

3.3. Top Platforms for Live Commerce in China

Tablet 2. Platform Leadership¹

Platform	2023 GMV	Monthly Active Users (MAUs) 2024	Daily Active Users (DAUs)	Average Time Spent (minutes per day)	Key Features
Douyin (TikTok's Chinese counterpart)	2.7 trillion RMB (375 billion USD).	~750 million	~400 million	125	Short video-based platform with integrated live e-commerce feature.
Taobao Live	About 550.41 billion U.S. dollars.	~900 million	~400 million	60	Dedicated live-stream shopping platform
Pinduoduo	589.92 billion U.S. dollars	~750 million	~300 million	60	Mother company operating Temu. Focuses on group buying and social shopping, with live commerce features integrated to promote agricultural products and low-cost items
Kuaishou	1.18 trillion RMB, 161.66 billion USD	~645 million	~400 million	110	Focuses on live-streaming and short videos, with strong e-commerce integration

Tablet 2 presents the live broadcast business platforms namely Tiktok, Taobao Live, Kwai, and Pinduoduo in terms of attributes like GMV, monthly active users (MAU), daily active users (DAU), average time spent, and total commodity value in 2023. From the GMV perspective, Tiktok holds a major portion of the live commerce market.

¹ Sources: Chevalier, Stephanie. "Global: Top Online Marketplaces by GMV 2023." Statista, Statista, 15 Mar. 2024, www.statista.com/forecasts/1456497/top-online-fashion-marketplaces-by-gmv#:~:text=In%202023%2C%20Amazon%20stood%20out%20as%20the%20leading. Accessed 17 Sept. 2023.
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3.4. Platform Types

China's e-commerce is divided into traditional e-commerce platforms and emerging e-commerce platforms, and the table below shows their differences at each stage (see table 3).

Tablet 3. Differences between traditional e-commerce platforms and emerging e-commerce platforms at each stage

Category	Traditional E-commerce Platforms	Emerging E-commerce Platforms
Platform Basis	Mainly based on back-end advantages like scale of user base, supply chain, and cost control	Mainly based on content-driven formation and advantages in distribution channels
Development Direction	Focuses on downstream consumer decisions, optimization in the supply chain, and promotion of sales conversion	Focuses on upstream consumer decisions, enhancing brand influence and creating demand
Industry Position	Industry veterans, mature platforms that are well-positioned in specific industries	Newcomers, focusing on niche categories or non-traditional areas
Growth Rate	Slower growth rate, market GMV (Gross Merchandise Volume) tends to plateau	Faster growth rate, market GMV increases significantly during the development phase
Customer Acquisition Model	Users actively search for products to buy	Emphasis on content-driven marketing, product is actively promoted to the consumer through content feed

3.5. Top Product Trends in China 2023

- Assortment of products in categories (Hangyan Capital)

First-tier Categories

Percentage of consumer purchases on live-streaming platforms by category (in %):

1. Clothing: 63.6%
2. Daily necessities: 57.7%
3. Food: 53.8%
4. Beauty: 50.0%

Second-tier Categories

1. Home appliances: 19.7%
2. Books & stationery: 19.2%
3. Jewelry: 12.0%

Third-tier Categories

1. Other: 10.9%
2. Virtual products/services: 9.1%

In 2023, consumers' preferences for live-streaming e-commerce products generally lean towards low-priced, mass-consumed products. The first-tier categories include apparel, daily necessities, food, and beauty, clothing is the top choice for nearly 60% of consumers. The second-tier categories include home appliances, gaming products, books, and stationery. The third-tier categories include virtual products or services, jewelry, and others. From the perspective of live-streaming platforms, the food and beverage category show the most prominent growth among the major categories, while the share of the top four leading categories has slightly declined. This trend reflects the diversity of product categories in live-streaming e-commerce in recent years.

3.6. Regulatory Environment

The Chinese government has been implementing new regulations to oversee the live commerce industry:

Real-name Registration and Identity Verification: Live streaming hosts must register with real names and authenticate identities to ensure correct info and prevent false content.

Age Restrictions: Under-16s banned from being live streamers. 16-18-year-olds need guardian consent.

Content Regulation: 2022 Code of Conduct for Online Streamers regulates content. Professional streamers need approval.

Consumer Protection: Vendors have restrictions. Live streamers accountable for quality control and minors.

Platform Accountability: Platforms ensure compliance. Punish violators. Handle consumer complaints.

Operational Standards for E-commerce Bases: 2024 guidelines for e-commerce bases cover various aspects and promote local brands.

4. Business Model and Key Players

4.1. How Does the Live Commerce Business Model Operate

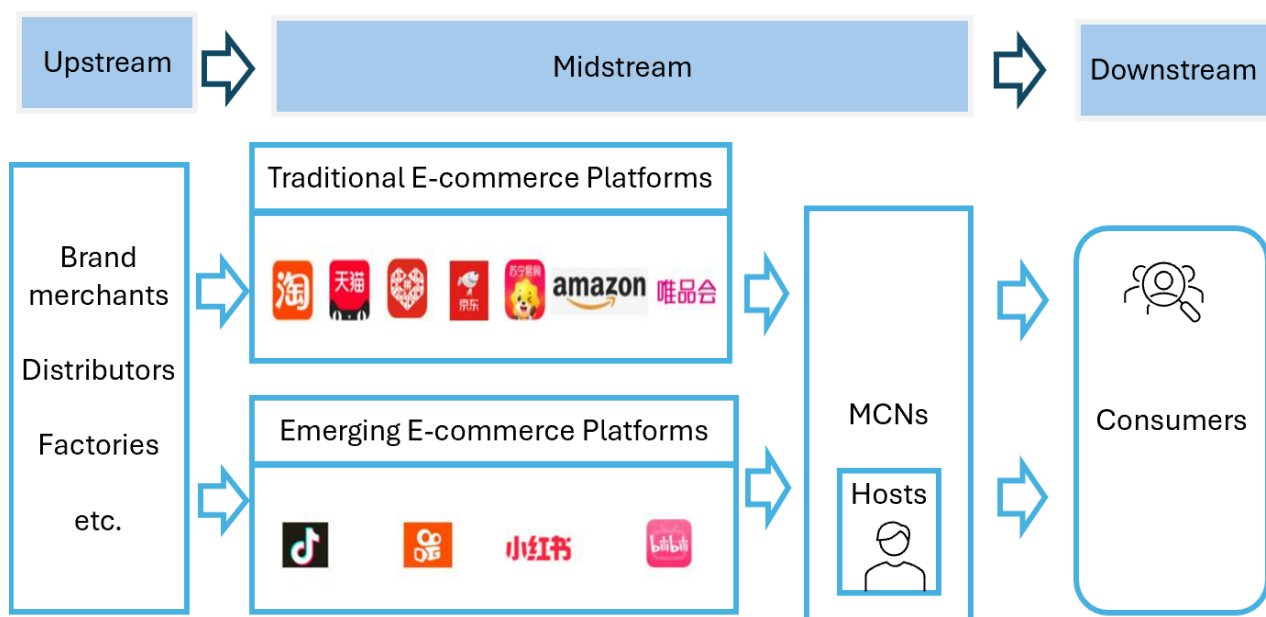


Fig. 5 China E-commerce Supply Chain Model

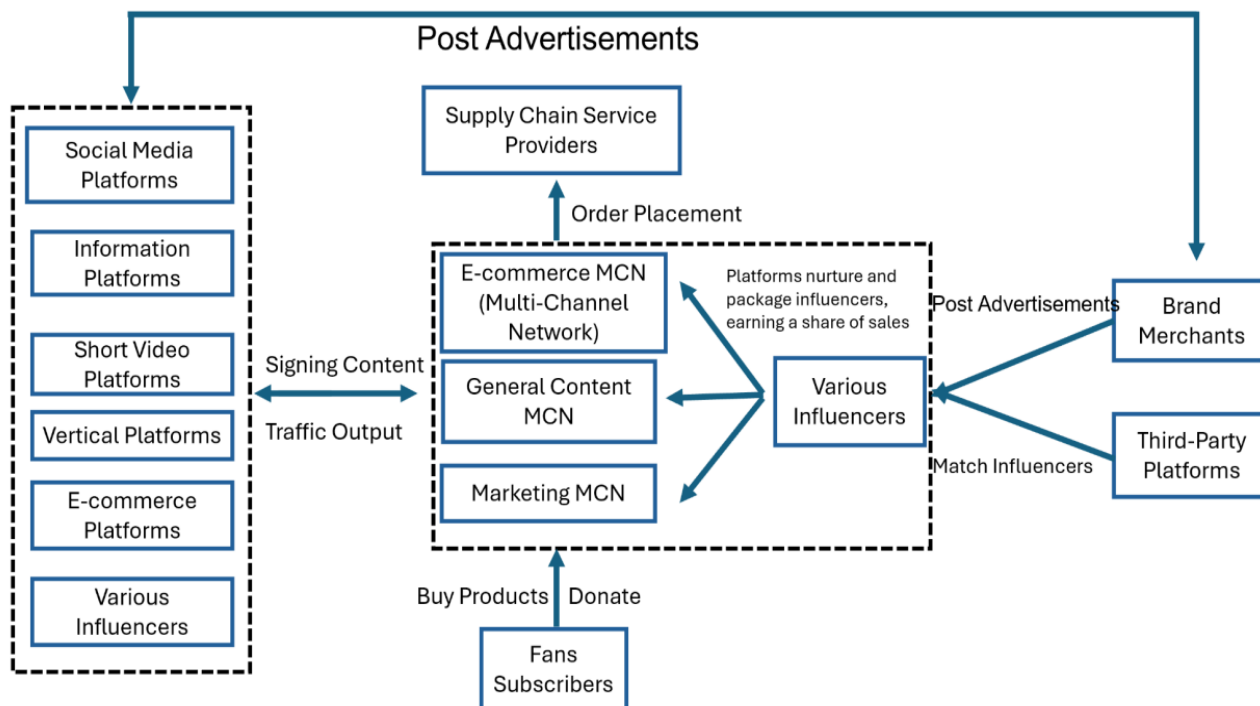


Fig. 6 Business Model of Live Commerce Between Platforms and Influencers

Fig.6 shows a general model of China's live-stream e-commerce industry. It involves a complex network of influencers, platforms, Multi-Channel Networks (MCNs), brand merchants, and supply chain providers collaborating to drive the growth of the live-stream e-commerce industry in China.

Various platforms, such as social media, short video platforms, e-commerce, information, and vertical platforms, provide the infrastructure and traffic for influencers to reach their audience. Influencers sign content agreements with these platforms, and their content creation drives traffic and engagement. Influencers are often supported by MCNs, which can be categorized into e-commerce MCNs, general content MCNs, and marketing MCNs.

LIVE COMMERCE HOSTS & PERSONALITIES IN CHINA

As the hosting industry has institutionalized into a mature industry in China, the top-level host is managed by professional Multi-Channel Networks (MCNs) (Cai). MCN provides operational support, contracts influential individuals, and provides a team for live streaming.(Wikipedia)There are different types of MCNs: e-commerce MCNs focus on promoting e-commerce sales (such as Sunchain MCNs); General Content MCN manages various types of content; Marketing MCN helps with marketing content (Chong).Influential figures like Li Jiaqi and Weiya have achieved success with the help of their support team's well-developed Standard Operating Procedures (SOPs) (Cai). This systematic approach allows them to achieve consistent performance across multiple sessions through data, which is vital for supporting high conversion rates and audience engagement (Li). MCN cultivates influential individuals, manages coordination, and interacts with supply chain providers. Content interaction between fans and internet celebrities, with internet celebrities posting advertisements. In the long term, MCN helps internet celebrities drive product sales and coordinate with the supply chain to provide efficient services (Chong).

4.2. Customer Journey of Live Commerce Users

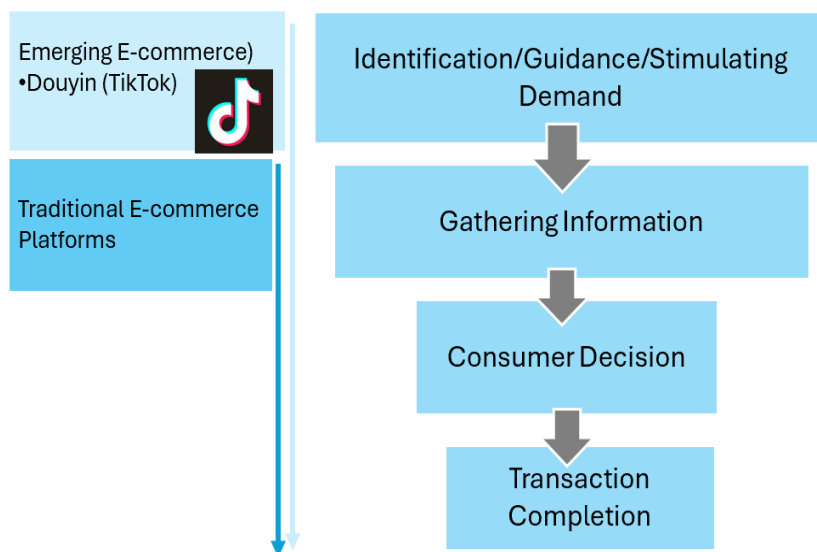


Fig. 7 Different Types of E-commerce Platforms Participate in Various Stages of the Consumer Decision Chain

For the customer journey of e-commerce platform users, there are two different journey models for customers of new e-commerce platforms and traditional e-commerce platforms (see fig.7).

Customer awareness is planted in separate phases of the customer journey depending on the platform’s property. Newer content-based e-commerce platforms such as Douyin tend to plant awareness at an early stage between the awareness and consideration phase, as they have the advantage of owning content-based communities to pull on and integrate advertisements inside the content. Therefore, new platforms have a longer customer journey but actively cultivate purchase behavior for buyers and intensify daily purchases during the action of viewing online content, such as customer-watching posts or scrolling short videos that happen to be advertisements in plants. Whereas traditional e-commerce platforms, mainly shelf shopping model-based platforms such as Taobao and Pinduoduo, tend to guide customers mainly from the consideration phase, relying on the active purchase behavior of consumers searching for certain products. Shelf shopping refers to the e-commerce experience of searching for the target product out of a “shelf” like a shopping page, like Amazon.

Therefore, Interest-driven e-commerce is characterized by unplanned consumption in a content-driven recommendation environment, using short videos and live streaming for high conversion interaction and spontaneous purchases. As it develops, it is crucial for the e-commerce ecosystem. On the other hand, shelf-based e-commerce platforms are designed for planned consumption, allowing users to search for products actively. Driven by an active exploration framework with stable online markets and precise search functions, it emphasizes stability and exact matching of demand products. The combination of interest-driven and shelf-based e-commerce creates a comprehensive consumer journey landscape. In this system, consumers on social platforms are cultivated into purposeful shoppers, making both methods profitable in the digital economy.

4.3. What is a Live Stream Host?

A livestream host handles presenting and moderating live-streaming sessions. They play a crucial role in engaging with the audience in real-time, proving products, answering questions, and facilitating interactive activities. In the context of live commerce, their function is of utmost importance in keeping viewer interest and driving sales. The primary tasks of a live stream host are to increase product sales and reduce aversion rates or accumulate followers through one-on-one engagement in the live stream. This engagement process involves the host interacting with the audience by answering questions, responding to requests, and demonstrating or explaining products.

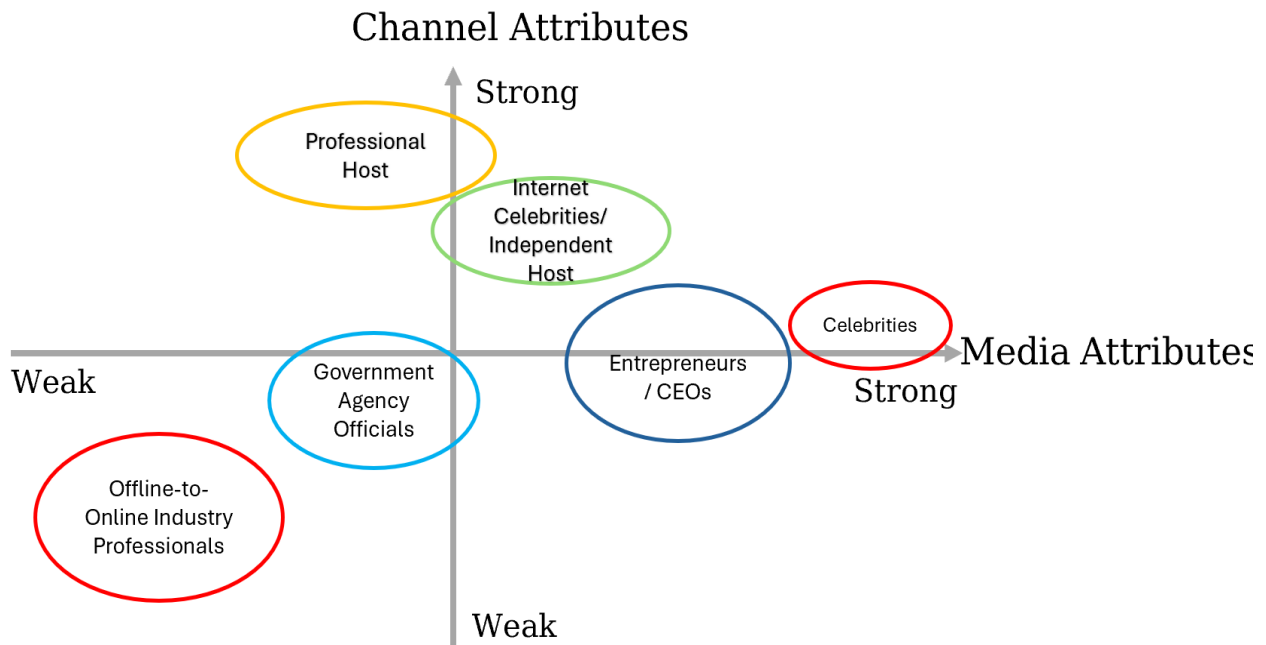


Fig. 8 Attribute Analysis of Six Main Categories of Live-commerce Hosts

In China, the number of livestream hosts has grown significantly due to the popularity of live commerce. As of mid-2023, approximately 765 million internet users in China are engaged in live-streaming sessions across platforms (Jiang). This includes many hosts of diverse types like Figure 8 shows and backgrounds targeting different consumer groups. Professional hosts, whose key role is to increase sales, use charisma, product knowledge, and interactive techniques to create engaging and persuasive livestream experiences. From those hired by e-commerce shops to famous entrepreneurs and government officials, they can all be found in live stream rooms for different purposes. Two conditions contribute to the phenomenon of “everyone hosting”. Firstly, the start-up cost of becoming a live host is meager and accessible. A device that supports recording and accessing the streaming platform or application is sufficient. Secondly, the upper limit of hosting can be extremely high and profitable. In 2023, the live-streaming sector in China was valued at around \$98.2 billion, indicating immense potential profits for hosts (Jiang).

Hosting Examples

- <https://youtu.be/exHCsrNK8Rs?si=Z1aWQyDbdRCVFuj9>
- <https://youtu.be/OU9BmVwDzYI?si=ODvwQ1NsQeuEu5uJ>
- https://youtu.be/IV9HkGuOUEM?si=G6Clk_7poTYkNdNn
- <https://youtu.be/ImMzr7EXC3Q?si=nSc0W5vmmWF6xQVh>
- <https://youtube.com/shorts/Y0MY7m6spaY?si=ND70m3wL2MknGScP>

4.4. Platforms & payment

TikTok integrates a wide range of payment methods in Table 4, making it more convenient for users to make payments, thereby enhancing the user experience.

Table 4. Diverse Payment Method of TikTok

Diverse Payment Method	Introduction
Douyin Pay	Launched in early 2021, facilitating in-app purchases and integrating into the Douyin ecosystem.
Alipay	Operated by Ant Financial. Popular on Douyin. Users can link accounts for secure payments.
WeChat Pay	Part of Tencent's WeChat ecosystem. Widely used for its convenience.
UnionPay	Supported by Douyin. Users can use UnionPay cards for transactions.
Credit and Debit Cards	Supports major cards. Provides flexibility for direct banking card transactions.

Business Research Insights

Integration with E-commerce Platforms

Douyin has also integrated its payment methods with major e-commerce platforms like Taobao and JD.com. This allows users to seamlessly purchase products featured in Douyin videos and live streams without leaving the app (Graziani).

4.5. Customer Loyalty

Customer loyalty in live commerce is reflected in high repurchase rates and multiple platform logins. It is created by the live host's fan community and exclusive limited time offers including large discounts, product quality insurance, and an outstanding buying experience.

Limited-time sales and offers create urgency, featuring deep discounts on popular products and are used by e-commerce platforms during major shopping festivals to attract consumers. Official events and advertisements also generate revenue by appealing to millions. Multi-platform connection via the host's accounts, as exemplified by Li Jiaqi, engages fans on multiple platforms and attracts them to the studio during new live broadcasts or promotions.

4.6. Interviews with China Live Commerce Users

We interviewed China live commerce users to learn about their attitudes and usage of live commerce platforms in China. Below are some key learnings:

Table 5. China live commerce users’ attitudes and usage of live commerce platforms in China

Interviewees	Person #1 - Motorcycle Male	Person #2 Housewife female	Person #3 Teenager student
Top 2 Live Commerce Platforms(s)	Douyin Taobao	Taobao Douyin	Douyin, Taobao
Name	Fei Chen	Wendy Zhang	Junni Liu
Location	Jinan, Shandong	Qingdao, Shandong	Beijing
Gender	Male	F	F
Age	58	56	17
Occupation	Cooperation Manager	Housewife	Student
Interests	Motorcycle, Business	Tea Culture, Shopping, Cooking	K-Pop, Art, Gaming
Average Douyin Browsing Timespan (hours)	0.5-1.5	1-3	3-5
Average livestream watch time (minutes)	0-30	30-120	360-960
Insights	Browses WeChat, DY a lot. Shops only Douyin, Pinduoduo and Taobao		

4.7. Factors contributing to the success of Chinese e-commerce platforms.

Chinese e-commerce platforms like Douyin succeed due to several factors. It offers engaging content through influencers and KOLs. Personalized recommendations enhance the shopping experience. A portable way of participation via smartphone apps is preferred. Gamification and rewards make shopping fun. Community building fosters loyalty. Seamless integration with other e-commerce platforms is convenient. Loyalty programs and membership benefits incentivize shopping. High-quality customer service builds trust.

5. In comparison with the US market

However, in the United States, live commerce is still in its infancy compared to China. In 2023, the live commerce market in the U.S. was about \$31 billion, accounting for a relatively small part of the overall e-commerce sector. This amount is much lower than that in China, where live commerce makes up around 31.9% of the e-commerce market. The overall e-commerce market in the U.S. is larger, with revenues expected to exceed \$1 trillion by 2024 (Keenan).

The following text will explore the difficulties faced by TikTok in expanding its e-commerce market in the United States from several aspects.

5.1. Market Maturity

The US e-commerce market is mature, with well-established players like Amazon and eBay dominating the space. These incumbents have deeply entrenched logistics, fulfillment networks, and

consumer trust. TikTok Shop needs to not only build a comparable infrastructure but also convince users to switch their shopping habits from these trusted platforms to a new, relatively unproven model. Additionally, the competition from other social commerce initiatives by platforms like Instagram and Facebook adds another layer of challenge (Baker).

5.2. Stricter data security control

The regulatory landscape in the US is stricter regarding data privacy and security compared to China. The scrutiny on Chinese-owned apps, particularly concerning data governance and potential national security risks, adds complexity to TikTok's operations in the US. This heightened regulatory environment can hinder TikTok Shop's seamless integration and expansion plans, as seen in previous instances where TikTok faced potential bans and severe scrutiny from US authorities (Zhang).

5.3. Payment Difference

In e-commerce, the variety and ease of payment methods play a significant role in shaping consumer behavior and the development of online shopping habits.

In markets like the U.S., where credit and debit cards, mobile wallets like PayPal, and installment-based options such as "Buy Now, Pay Later" services dominate, consumers receive help from multiple choices for making payments. This diverse set of payment methods gives consumers flexibility, but it also introduces friction in the buying process. The necessity of entering card details or using third-party payment services, such as PayPal, can slow down transactions and sometimes lead to cart abandonment, particularly if consumers perceive the checkout process as too complicated or insecure. Additionally, the reliance on multiple intermediaries, such as banks and credit card companies, increases transaction costs, which can influence pricing or deter small merchants from offering a wide range of products.

For consumers, this array of payment options offers security benefits, especially with credit cards that provide fraud protection and the ability to dispute charges. However, the lack of a fully integrated, one-click payment solution means that U.S. consumers often engage in more planned and deliberate purchasing decisions. This influences a shopping culture where customers are more likely to browse and compare before committing to a purchase, driven in part by a slower and more segmented payment process. The popularity of BNPL services has also introduced a cultural shift toward installment-based purchasing, encouraging consumers to buy larger or higher-value items without needing to make upfront payments.

In contrast, the seamless integration of payment systems like Alipay and WeChat Pay within China's e-commerce platforms promotes a smoother, more impulsive shopping experience. The convenience of making purchases directly within apps like Taobao or Douyin without leaving the platform removes friction from the buying process, facilitates faster transactions, and encourages unplanned purchases. This integration reduces the checkout process, leading to fewer abandoned carts and a more efficient conversion from browsing to buying. As a result, consumers are more likely to engage in spontaneous shopping behaviors, as the ease of use encourages them to act on impulse purchases rather than delaying decisions.

The low transaction fees and real-time payment processing associated with these integrated systems also influence consumer trust and merchant participation. With fewer intermediaries and lower costs, merchants can pass savings on to consumers, which further incentivizes quick purchasing decisions. The efficiency of the system supports the development of a "fast shopping" culture, where consumers make more frequent, smaller purchases, rather than waiting to buy in bulk or during sales.

Therefore, contrary to the American people's consumption concept and payment habits, it also hinders the development of e-commerce in the American market.

5.4. Strategic Adjustments

To address these challenges, TikTok Shop is employing some strategies:

Creator and Influencer Partnerships: TikTok is leveraging its vast network of influencers to drive engagement and create compelling content that encourages buying behavior. This mirrors Douyin's approach but is tailored to resonate with US audiences.

Reduced Commission Fees: To attract more sellers and compete with established platforms, TikTok Shop has reduced or even eliminated commission fees in some markets, making it a more attractive option for merchants (Baker).

Enhanced User Experience: TikTok focuses on improving the user experience by integrating seamless payment solutions and making the checkout process as frictionless as possible, addressing one of the primary barriers to in-app purchases in the US (Baker).

6. Summary

The success of the Chinese market may have some unique reasons, but the dramatic increase of it also means that live commerce is the trend in the future. Other regions of the world, fast or slow, will join in, in a way that suits their own country. During this process, the government should protect the market with proper policy to avoid unnecessary consequences.

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