

# White Paper of Video Content-driven E-commerce Industry in China

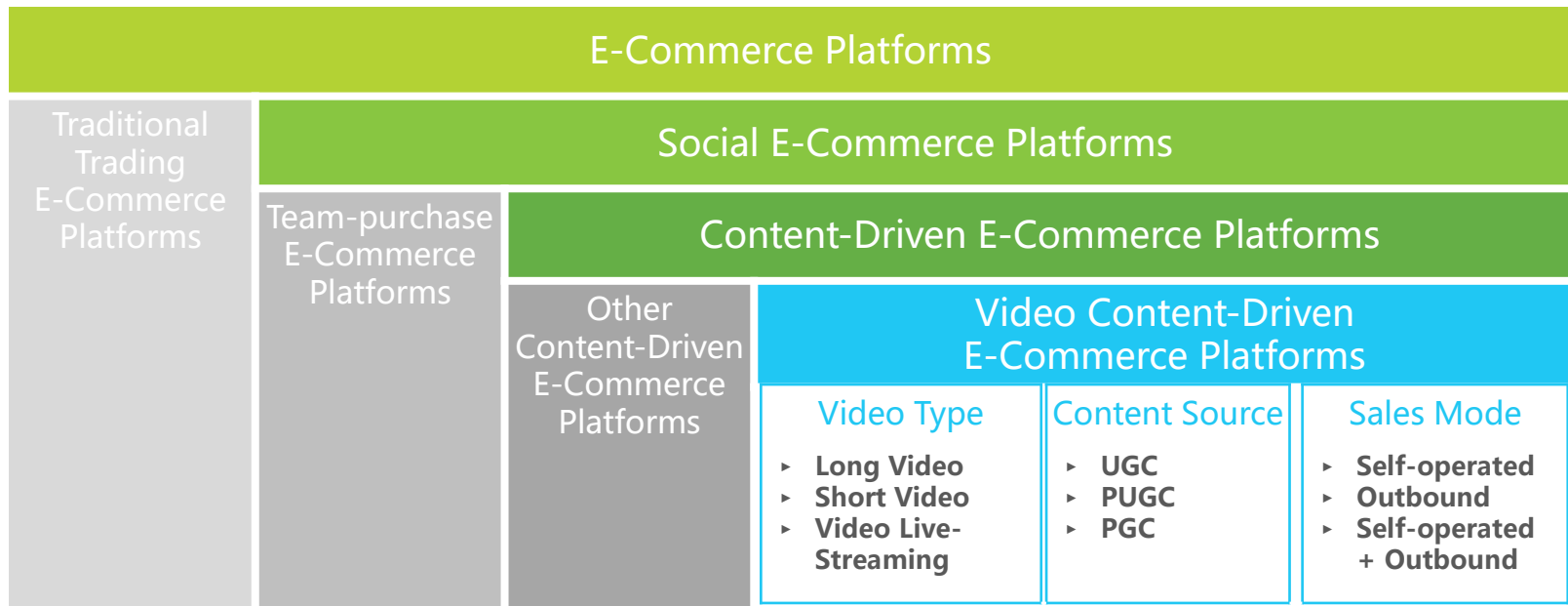
2020

# Research Scope and Definitions

**Content-Driven E-Commerce Platform:** A type of e-commerce platform that centers on consumers and **arises their consumption need through content, and achieves sales conversion by bundling content with goods**. Content types include text & graph, video, music, game, etc. Compared to traditional trading e-commerce platforms, content-driven e-commerce platforms enjoy higher user stickiness and provide better consumer experience. Therefore, in an area of information overload and on the bottleneck of internet traffic growth, content-driven e-commerce platforms have a better prospect of growth.

**Video Content-Driven E-Commerce Platform:** A type of content-driven e-commerce platform, the content on which is in the **format of video**. Sorted by their original nature, video content-driven e-commerce platforms can be divided into two types – video content driven or e-commerce driven. Specifically, according to the video type, content source and sales mode, video content-driven e-commerce platforms have various business modes.

## Categorization of E-Commerce Platforms



Industry Overview

1

Competitive Edges and Future Trends

2

In-depth Analysis of Market Players

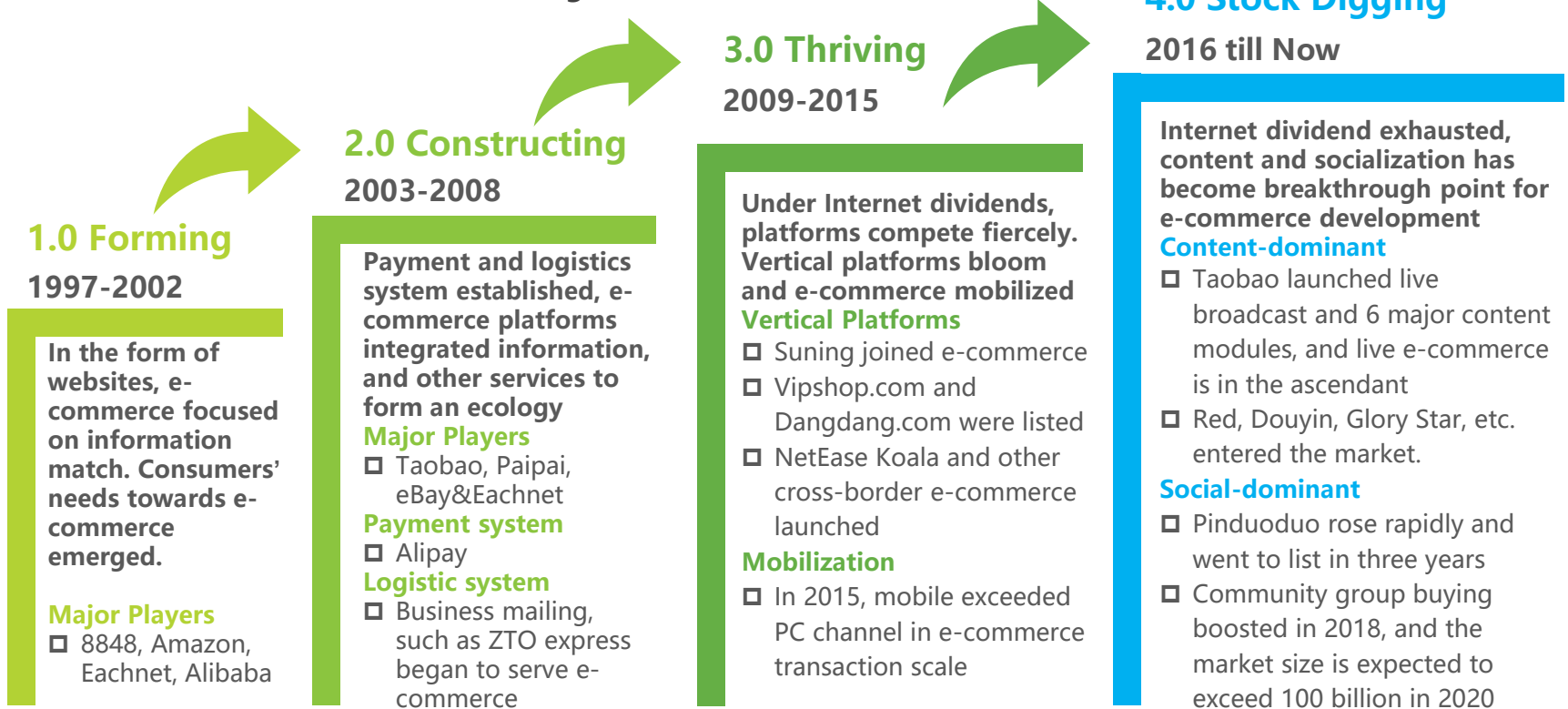
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# Development History of E-commerce

Diversifying in types, the nearly matured e-commerce market comes to a stage of exploiting existing online shoppers with content as a major tool

- Since the emergence of e-commerce, the competition pattern and operation mode of Chinese e-commerce market have gradually been shaped, and the ecosystem gradually been refined. With the penetration rate of Internet users and online shoppers approaching saturation, and the e-commerce market has entered an era of stock mining. Under the shadow of double giants - Alibaba and JD - diversified subdivided tracks have become the breakthrough direction for long tail enterprises. Meanwhile, content and social networking have also become important means for e-commerce to tap the market under the traffic bottleneck.

## Four Stages of Chinese E-commerce Evolution



# Stage of Development

## Currently in the surging period, e-commerce driven and video content driven platforms step towards co-opetition

- During 2016-2017, as internet dividend faded, traditional EC platforms urgently need new traffic entrances, while content platforms sought for new revenue generators. EC platforms, represented by Taobao and video content platforms, represented by Kuaishou, pioneered to combine video content with e-commerce. In 2018, with the rapid penetration of short video and live-streaming, EC and short video platforms connected each other. Since 2019, live-stream shopping has gone trendy. Initial success shows in EC platforms' content building and video platforms' EC system building. Their deep collaboration gradually became co-opetition.

### Three Stages of Development

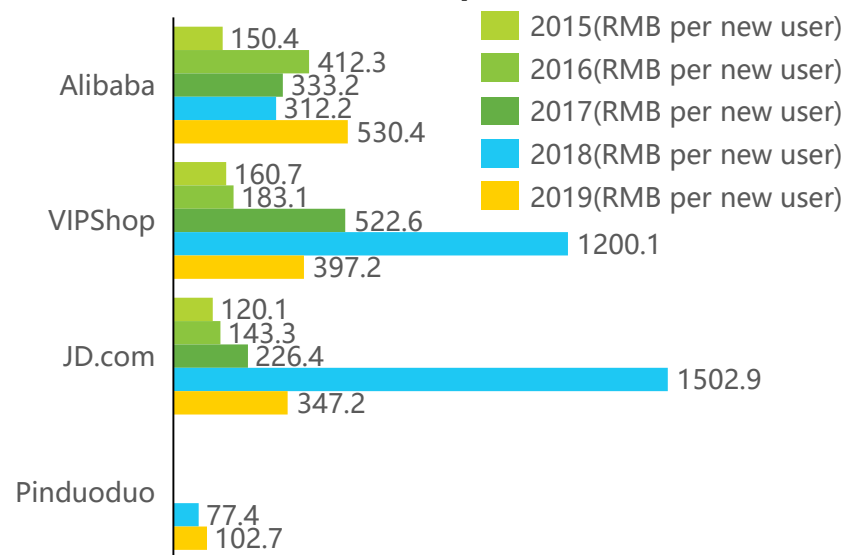
Emerging Period (2016-2017)		Developing Period (2018)		Surging Period (2019-Now)	
<ul style="list-style-type: none"> <li>The traffic bottleneck urged e-commerce platforms to explore new traffic entrance. Taobao and JD.com pioneered to launch live-streaming.</li> <li>Video content platforms trials monetizing through e-commerce</li> </ul>		<ul style="list-style-type: none"> <li>The strategic status of live-streaming on various platforms was raised.</li> <li>Short video platform and e-commerce platforms connected each other.</li> </ul>		<ul style="list-style-type: none"> <li>Live-stream shopping went trendy, and giants raced to e-commerce live-streaming.</li> <li>E-commerce and video platforms expanded business towards each other. Apps with combined functions sprung up and competition emerged.</li> </ul>	
Taobao JD.com	Launched live-streaming	Taobao	Entrance of live-stream lifted to front page of Taobao App	Taobao Live	Launched independent App
RED	Launched short video	JD.com	"Jingxing Project" assisted KOLs in content creation.	Kuaishou	"Kuaishou Union" helped KOLs mate merchants.
Mogu Street Mango TV	Channeled video content with on-site EC section			JD.com	Focused on breeding live-streamers
Yitiao	Launched EC platform "Yitiao Life Store"	Douyin	Launched "shopping cart" and "show window", connecting to third-party EC	Various e-commerce platforms	618 became the battlefield of live-stream. Everyone can live-stream, and everything can be live-streamed.
Kuaishou	Trailed live-streaming + EC	Kuaishou	Launched Kuaishou Store, and connected to third-party EC, converting traffic into e-commerce sales both internally and externally.	Red Pinduoduo Tencent Live	Joined the battlefield of e-commerce live-streaming.
Meipai	Launched "purchasing while watching"			Glory Star	Launched "CHEERS e-Mall"

# Market Drivers (1/5)

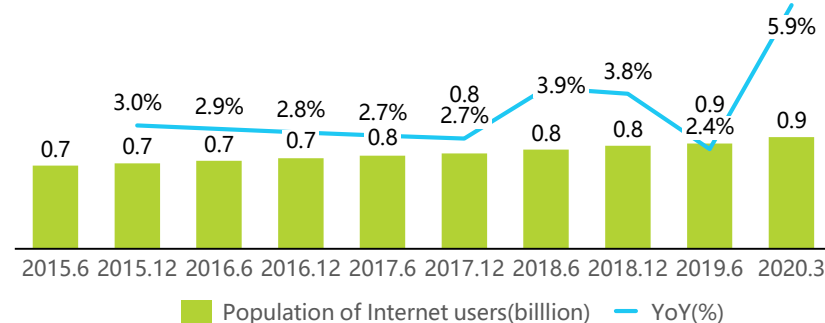
## Exhausted traffic dividends leads content to be the new traffic entrance

- Recently, the Internet penetration rate in China has reached over 60%. The internet demographic dividend has come to an end. the growth of e-commerce GMV has slowed down, and the competition of e-commerce platforms has entered a stage of competition for existed users instead of new e-commerce users.
- Because of the narrow traffic source, customer acquisition cost of traditional e-commerce platforms is continuously rising. It is urgent to develop new low-cost traffic entrance for traditional e-commerce platforms.
- High-quality content can attract the attention of users and efficiently lead traffic to e-commerce platforms. Due to the development of mobile internet, the creation and propaganda of content become efficient and convenient. Thus, cost of content creation reduce and content becomes a cost-effective mean of acquiring traffic.

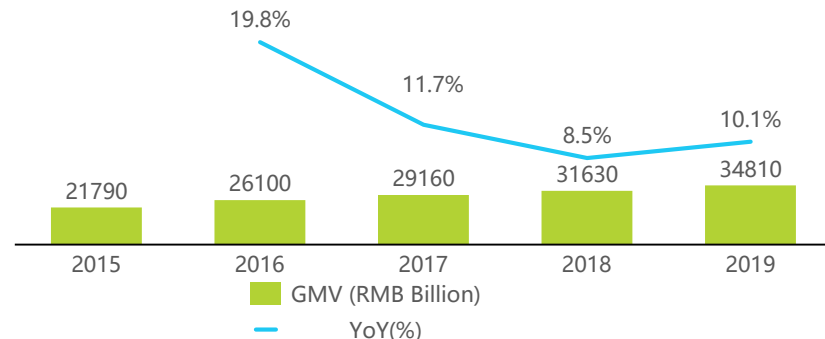
**Customer acquisition cost of major e-commerce platforms**



**Number of internet users in China, 2015.6-2020.3**



**E-commerce GMV, China, 2015-2019**



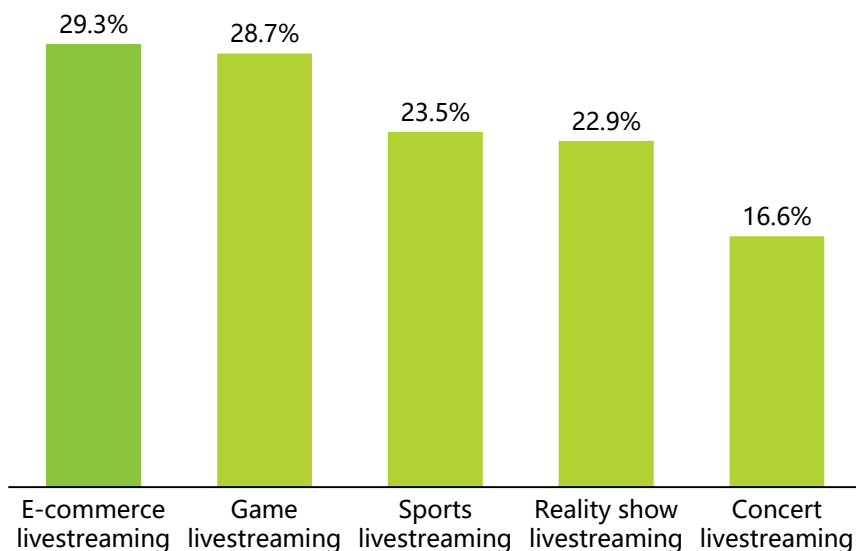
Note: The new active users corresponding to the marketing expenses = Cost of marketing and sales/Total number of new customers platform acquired. This ratio is not equal to the customer acquisition cost, but can be used as a reference indicator for the customer acquisition cost

# Market Drivers (2/5)

## Larger audience base and higher user acceptance

- Because of the longer online time of internet users, the continuous penetration of e-commerce platforms in third- and fourth-tier cities and below, the increasing consumption ability of users in lower cities, the interactivity of live streaming and the fragmentation of short video, video content-driven e-commerce forms represented by e-commerce livestreaming has become hotspot in recent years.
- According to CNNIC's 45th China Internet Development Statistics, as of March 2020, the number of e-commerce livestreaming users has reached 265 million, accounting for 29.3% of the total Internet users. Rich and high-quality content and diversified video content e-commerce modes not only make users easily accept video content e-commerce, but also help the platform to expand the user scale and accumulate loyal users.

**The proportion of various live streaming users to netizens, 2020.3**



**The reason why users choose video content-driven e-commerce platforms**



Convenience

Rather than build scene by themselves inside their brain, customers can browse products more intuitively and enter the marketing scene more quickly.



Immediacy

Video has richer information dimensions than pictures and text, allowing consumers to quickly and comprehensively understand products or services.



Efficiency

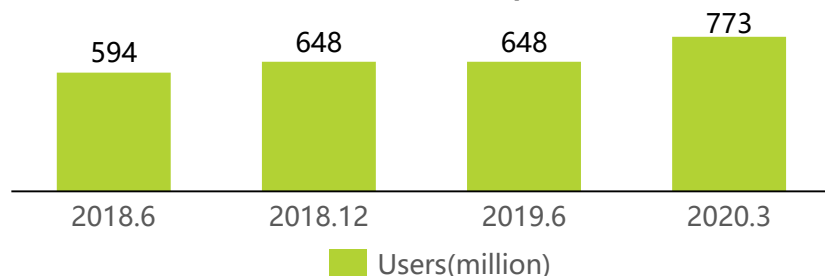
The scene interaction and purchasing behavior are combined by communicating with the broadcaster, enhance customers' experience of watching and buying.

# Market Drivers (3/5)

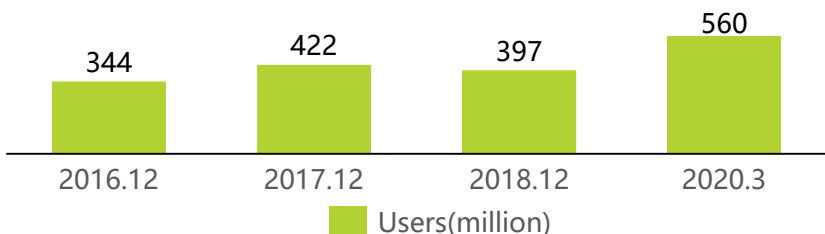
## Continuous user growth and promising e-commerce monetization method

- Since 2016, the short video and live streaming industry have developed rapidly and the user size has grown continuously. Short video/live streaming platforms represented by Douyin and Kuaishou have become new traffic highlands, and started to explore more traffic monetization channels to increase revenue.
- Video content-driven e-commerce companies, including short videos and livestreaming, have natural advantages in customer loyalty and traffic aggregation capabilities. They are suitable for recommending products to others, and the platform environment is favored by e-commerce sellers.
- Benefited from the excellent monetization potential of short video/live streaming, Red, Douyin, Kuaishou, and other platforms with short video/livestreaming content have successively expanded their e-commerce business.

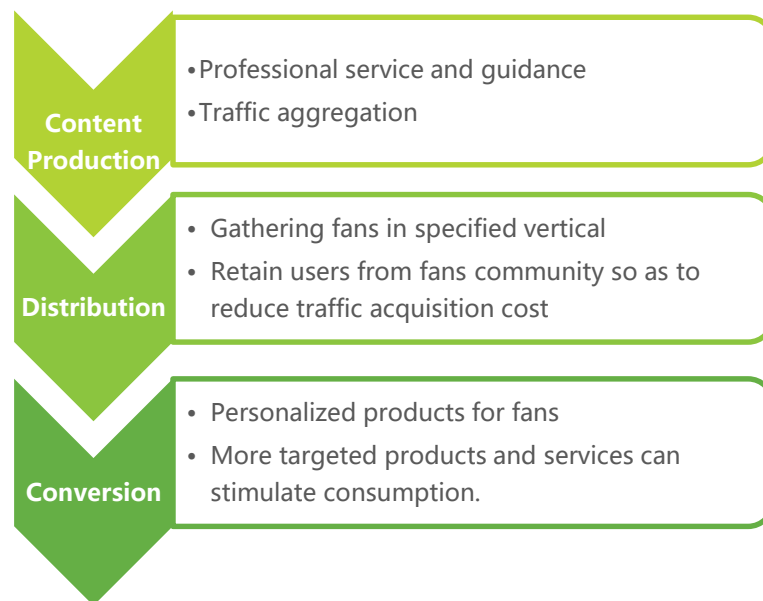
**Number of short video user, 2018.6-2020.3**



**Number of live streaming user, 2016.12-2020.3**



### Monetization paths of video content-driven E-commerce platforms



# Market Drivers (4/5)

## Budget tilts towards video content for its well-acknowledged marketing effectiveness

- As Internet users prefer entertaining and fragmented content, video content has become the major type of content that reaches consumers, substituting text & graph. Consequently, video content has increasing spreading capacity. Meanwhile, advertisers favor video content for its integrated marketing effect of branding and sales: on one hand, video content communicates brand value effectively and efficiently through its nature of high information density, authenticity and interactivity, thus accelerating brand building; on the other hand, video content helps merchants acquire store traffic efficiently with its capacity in aggregating traffic rapidly and matching users accurately. Therefore, video content has become a key tactic of online marketing.

Video content has stronger spreading capacity

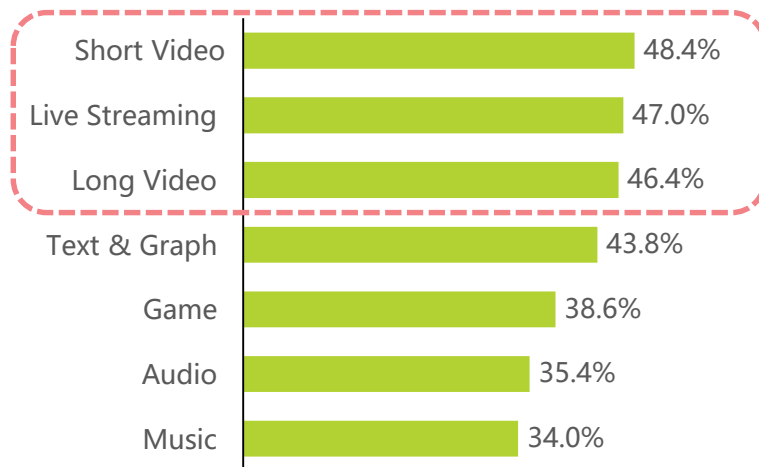


Video content has integrated marketing effect of branding and sales

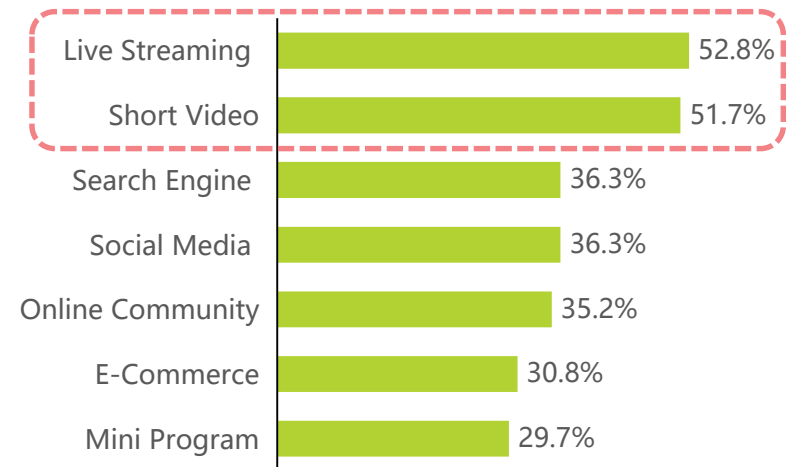


Video Content Marketing Receives Increasing Budget

**Types of content marketing that have reached China's internet users in 2020**



**Types of online media that China's advertisers plan to upsize budget in the year ahead 2020**

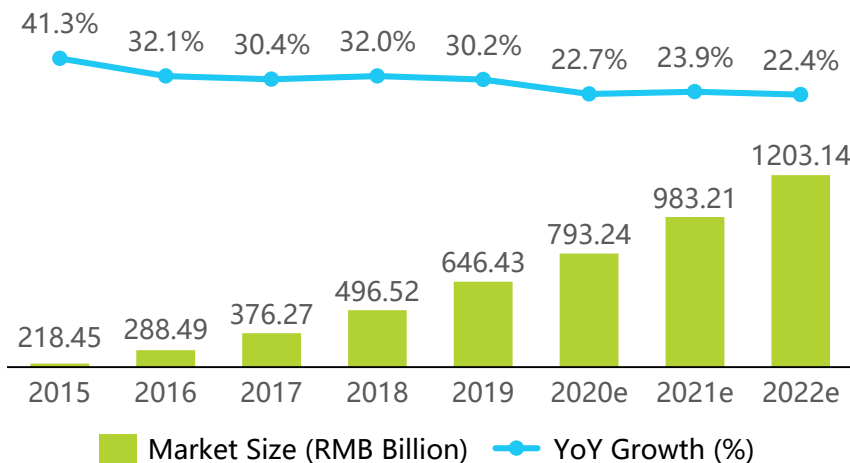


# Market Drivers (5/5)

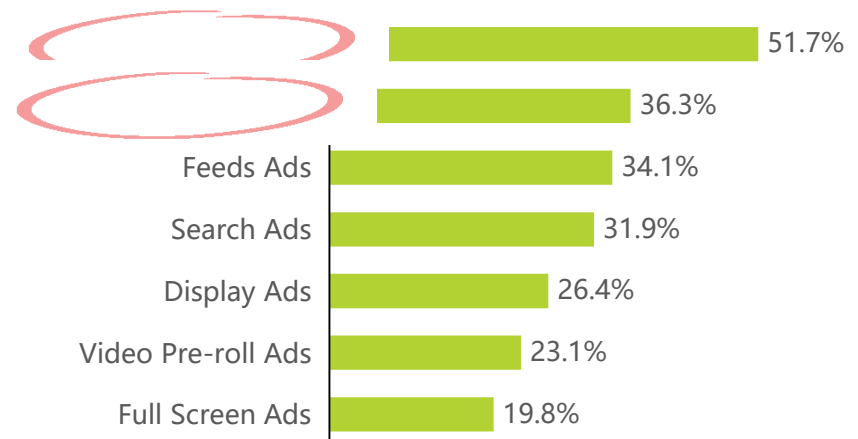
## As the growth of online advertising market slows down, advertisers focus on optimizing marketing structure

- As the demographic dividend gradually disappears, the growth of online advertising market slows down. Facing the increasing difficulty in acquiring massive data traffic, Chinese advertisers seek to optimize marketing mix in the aim of improving marketing effectiveness. An iResearch survey of advertisers indicates that 60% of advertisers focus on the process and effect of their marketing budget placement. Among various types of advertising, content marketing is able to impact consumers' mindsets through high-quality content while e-commerce ads could directly guide users to purchase. The combination of these two meets advertisers' universal pursuit of effective marketing in both branding and sales. As a result, advertisers' budget allocation leans towards content marketing and e-commerce ads in the year ahead of 2020.

Market size of online advertising in China, 2015-2022e



Types of ads that China's advertisers plan to increase budget in the year ahead of 2020



Note: 1. The market size of online advertising is counted depending on media revenue, which excludes the revenues of commission agents, but includes the search engines' advertising revenue from other media websites; 2. The data of the first three quarters of 2019 has been adjusted slightly.

Source: iResearch

Sample: N=90; Collected via an online survey on CMO Club in May 2020.

Source: iResearch

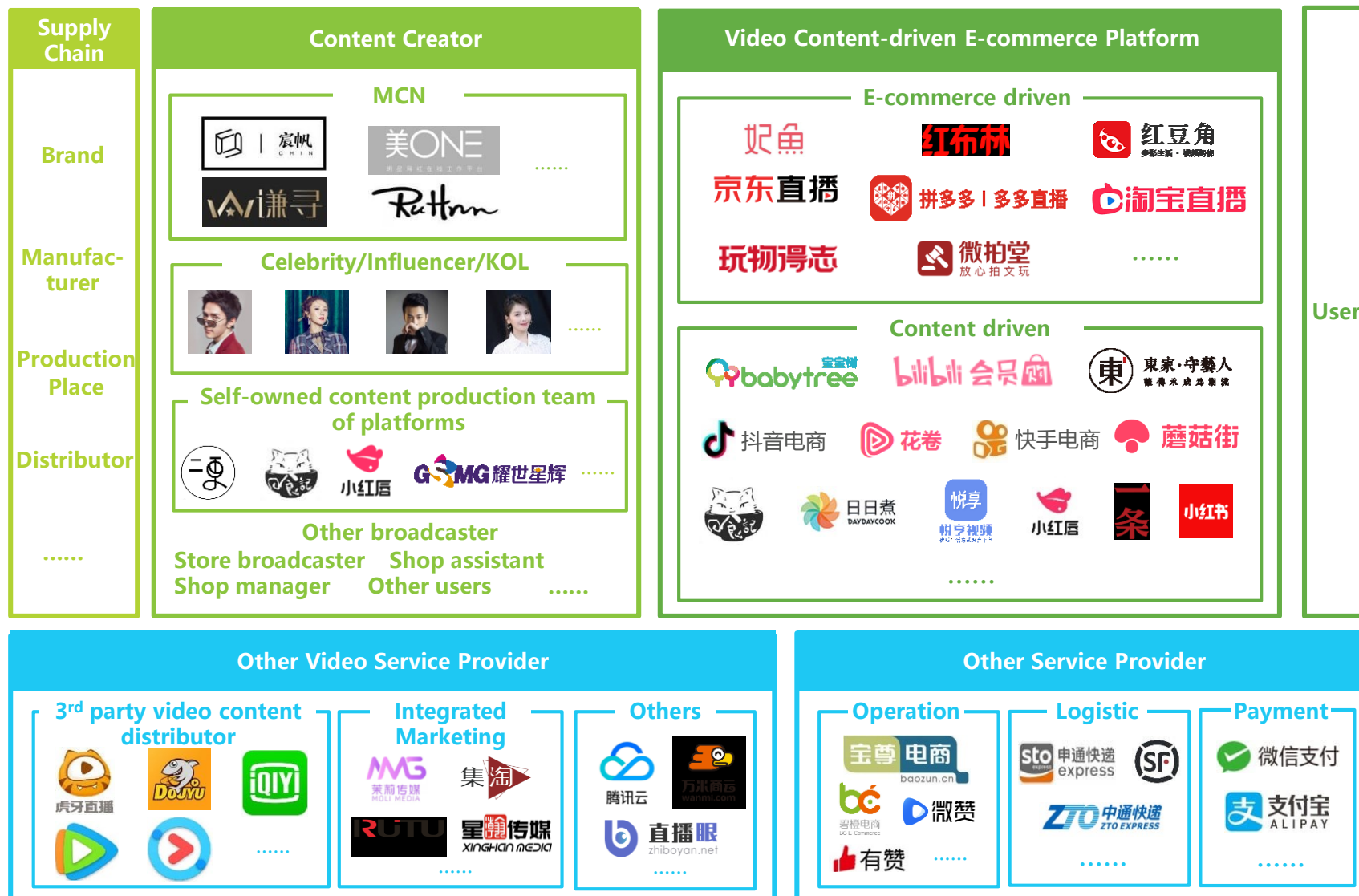
# Monetization Practices

Multiple monetization practices help build up a flexible revenue mix

## Comparison of monetization practices for video content-driven E-commerce platforms

Revenue sources	Descriptions	Features
<b>Sales revenue</b>	<ul style="list-style-type: none"><li>Proprietary sales of goods and products</li></ul>	<ul style="list-style-type: none"><li>Self-operated e-commerce platform with strong capabilities of selecting goods, managing supply chains, delivering, handling after-sale services, etc.</li></ul>
<b>Share split of sales</b>	<ul style="list-style-type: none"><li>Attract and direct user traffic to third party (off-site) e-commerce platforms, and take a certain split share of sales</li><li>Sometimes participation &amp; enrollment fees are also charged at first</li></ul>	<ul style="list-style-type: none"><li>The video content-driven E-commerce platform might compete with the off-side e-commerce platforms, and have confliction on the share split percentage</li></ul>
<b>Branding promotion</b>	<ul style="list-style-type: none"><li>Brands cooperate with content production service providers enlisted by the content e-commerce platform and pay for brand promotion campaigns</li></ul>	<ul style="list-style-type: none"><li>Content production service providers have to provide records of directly cooperating with brand clients to content e-commerce platforms in case these platforms shall charge certain commission fees</li></ul>
<b>Advertising</b>	<ul style="list-style-type: none"><li>Sales of advertising inventories</li><li>Offer other integrated advertising services</li></ul>	<ul style="list-style-type: none"><li>Content e-commerce platform focusing on PGC and PUGC usually sell advertising inventories such as banners, boarding-page ads, etc.</li></ul>
<b>Copyright &amp; Production</b>	<ul style="list-style-type: none"><li>Video content-driven e-commerce platforms also sell their proprietary contents to other media &amp; content distributors for revenue of copyright</li></ul>	<ul style="list-style-type: none"><li>Professional content production teams are necessary for developing a proprietary copyright sales capability</li></ul>

# Industry Chain Analysis



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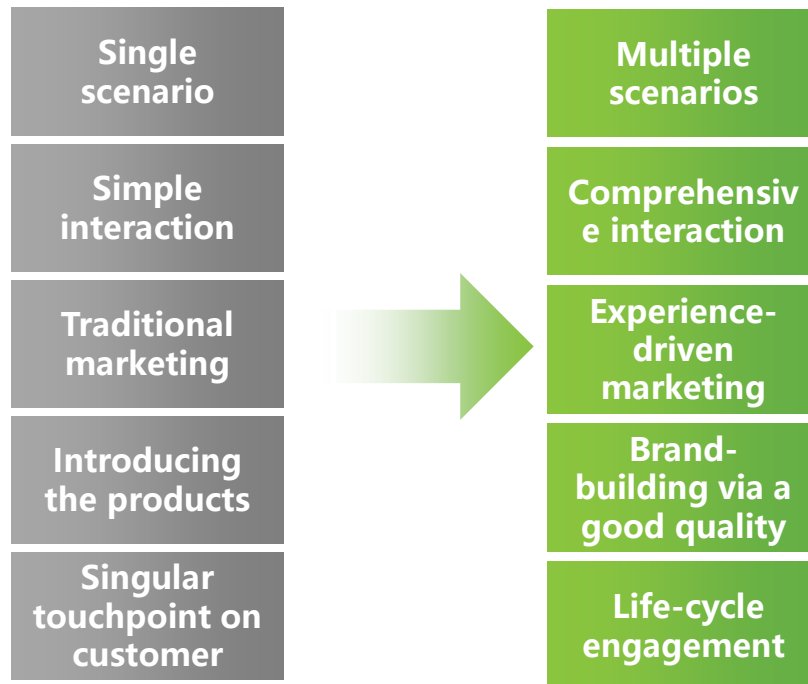
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# Market Trends (1/4)

## Emerging variations of video contents for E-commerce

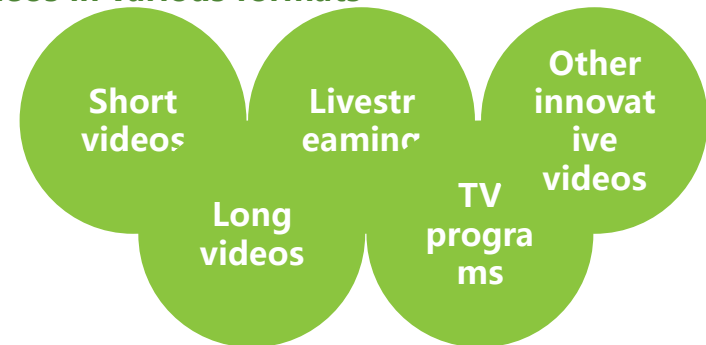
- At the early stage of video content-driven e-commerce development, the livestreaming programs dominated the customer-engaging channel. These programs are relatively simple and intuitive. More innovative media & contents have been created to serve the e-commerce promotion and advertising purpose. The newly-created contents are being developed to be more interactive, thematic, scenario-driven, and entertaining.

### Video contents-driven E-commerce moves towards...

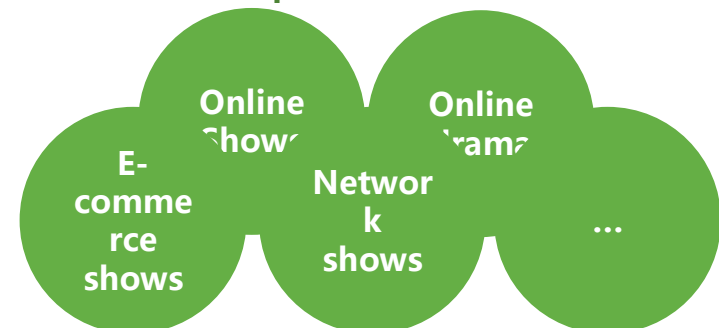


### Video contents emerging...

#### Videos in various formats



#### Contents of various productions

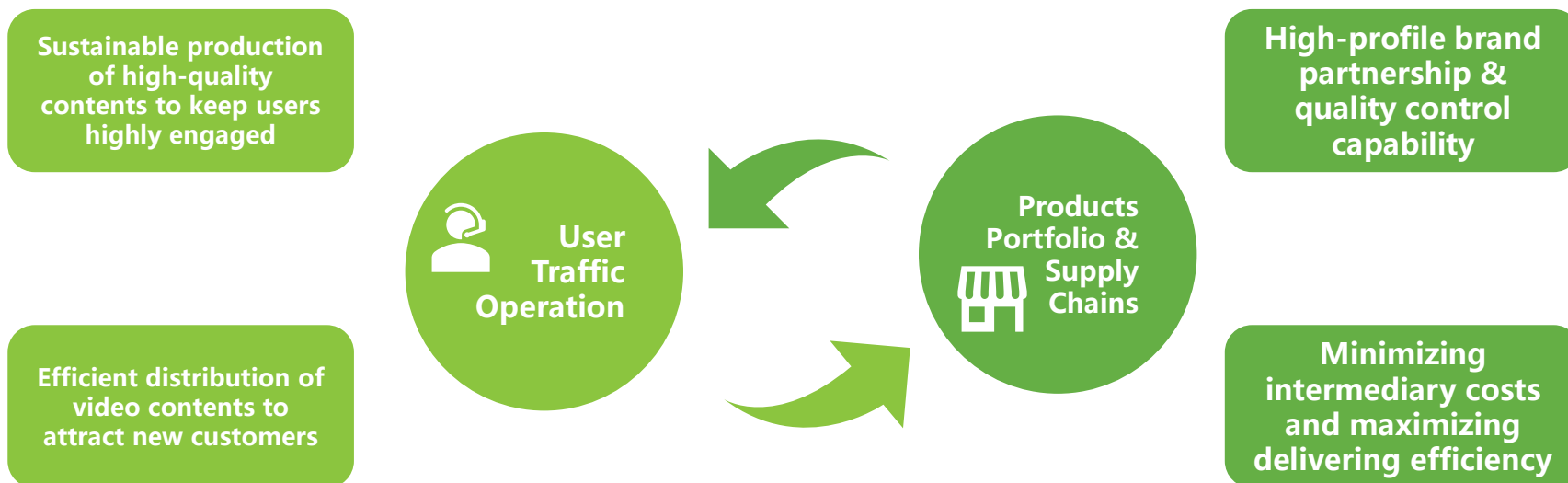


# Market Trends (2/4)

## Early-mover advantages lead to further market consolidation

- ❑ The booming market development draws a large amount of capital to be invested into relevant players. The early movers have built up their relative advantages in balancing and perfectly matching user traffic operation and supply chains management. These advantages have been translated into industry-leading cost-efficiency and pricing competitiveness, which are the fundamental success factors in Chinese e-commerce market. More importantly, in the recent years of market boom, these advantages have demonstrated to be self-reinforcing: the increasing user traffic further strengthens the pricing competitive of e-commerce platforms, and then the other way around also proves to be useful.

### The dual competencies for leading video content-driven E-commerce platforms



# Market Trends (3/4)

## Industry-level and local policies guide the industry to steadily develop

- To offset the negative impacts brought by the Covid-19 pandemic upon the offline retail business, an increasing number of industry-level and provincial policies have been implemented to quickly stimulate the investment into livestreaming e-commerce industry. These policies generally set clear guidelines for the orderly development of new e-commerce activities and provide government subsidies for human resource development and start-up companies.

### Provincial policies for promoting video content-driven E-commerce, 2020

Region	Policies
Guangzhou	<ul style="list-style-type: none"><li>• <i>Action Plan for Developing Livestreaming E-commerce in Guangzhou (2020-2022)</i></li></ul>
Shanghai	<ul style="list-style-type: none"><li>• <i>Action Plan for Developing Online Economy in Shanghai (2020-2022)</i></li></ul>
Sichuan	<ul style="list-style-type: none"><li>• <i>Development Plan for Promoting E-commerce of Sichuan Quality Products (2020-2022)</i></li></ul>
Quanzhou	<ul style="list-style-type: none"><li>• <i>Selected Measures for Promoting E-commerce Development</i></li></ul>
Chongqing	<ul style="list-style-type: none"><li>• <i>Action Plan for Developing Livestreaming E-commerce in Chongqing (2020-2022)</i></li></ul>
Shandong	<ul style="list-style-type: none"><li>• <i>Action Plan for Developing Livestreaming E-commerce Landing Headquarters</i></li></ul>
Zhejiang	<ul style="list-style-type: none"><li>• <i>Action Plan for Developing Livestreaming E-commerce in Yiwu (2020-2022)</i></li></ul>

### Industry-level policies for promoting video content-driven E-commerce, 2020

Date	Policies
May 11th	<ul style="list-style-type: none"><li>• Online Livestreaming Sellers were identified as an official profession of work by the relevant authority</li></ul>
June 8th	<ul style="list-style-type: none"><li>• <i>Livestreaming E-commerce Operation and Service Guidelines</i> was published by China General Chamber of Commerce to better navigate the professional conducts of industry participants</li></ul>
June 24th	<ul style="list-style-type: none"><li>• <i>Livestreaming E-commerce Marketing Guidelines</i> was issued by China Advertising Association to clearly regulate misconducts in e-commerce livestreaming activities</li></ul>
July 15th	<ul style="list-style-type: none"><li>• The NDRC released supportive measures to stimulate innovative economies and increase employment; livestreaming e-commerce was one of the key areas to be developed</li></ul>

# Market Trends (4/4)

## Focus on *product* and *sales platform* to drive traffic and enhance customer experience

- For video content-driven e-commerce platforms, it is far from enough to have only innovative traffic-driven models; in order to better compete for traffic, leading players will continue to explore the core competitiveness of their product portfolio and back-end supply chain to ensure quality.



### Cooperation with big brands

- International brands such as L'Oréal, Shiseido, SKII, TCL, ZTE, Midea, Blue Moon, etc.
- Direct cooperation with fresh fruits and vegetables producers from place of origin.

### Guarantee of product authenticity

All products in the supply chain come from primary distributors that directly sign with the brand to ensure a comparatively lower price of high-quality products.

### The approval process of brands settlement

Merchants are qualified to settle only if they have passed systematic evaluations (such as the operation experience of the distributor and the public awareness of the brand)

### Continuous quality control

Strictly monitoring the after-sales service of the merchant. If a quality issue occurs, the distributor will be expelled directly.

### Partners with more channels for resource integration

Efficiently integrate TV and internet channels to distribute high-quality content to strengthen brand effect and seize target customers

### Building a stable source of high-quality customers

The paying are concentrated in first and second tiers cities, mainly women aged 25-35. They pay attention to beauty, fresh food, entry-level luxury and etc., which are corresponded to the major group of consumers.

### Personalized traffic distribution

Data Value system is developed to make accurate recommendations based on user purchase, search rankings, etc.

### Grasping new scenarios after 5G commercialization

The commercialization of 5G would accelerate the development of new retail. With AR platforms, the content and SKU pictures can be used as AR identities, and orders can be placed directly by scanning.

# Features and Advantages (1/3)

## Connect supply and demand side, optimizing conversion efficiency

- The video content-driven e-commerce platform has transformed *a pure shopping environment* into a *social + shopping environment*, and at the same time, it combines diversified scenarios to bring consumers an immersive shopping experience and complete consumption guidance.

### Video content-driven E-commerce platforms optimized people, product and sales platform



People

#### Celebrity live streaming, influencer marketing

- Online BA with professional product selection ability
- Fan economy and precise marketing
- Stimulate users' unplanned consumption
- More interactive and high conversion



Product

#### Data-driven and occupation of users' minds

- Cost-effective products
- Precise product selection based on big data
- Comprehensive product information display
- Increasing the potential online penetration rate of non-standard and high-priced products



Sales Platform

#### Diversified scenarios

- Breaks the time and geographic limitation
- Diversified vertical scene
- Time sensitive content meets fragmentation habits of modern people

- Video content e-commerce platforms continue to improve the conversion efficiency of the supply and demand side. By matching production and content, the platforms could achieve effective integration of traffic and supply chain, and reduced circulation expenses and information costs. In addition, it has achieved efficient and accurate matching of people, goods, and things through dimensions such as user personas.

### Video content-driven e-commerce helps improve the conversion efficiency of the supply chain



# Features and Advantages (2/3)

## Professional content production leads to efficient traffic operation

- Whether it is a personal content creator or a video content e-commerce platform, efficiency and long-term effect are always main concern. The content-driven e-commerce platform with Professional Content Production Team involve in the entire user life cycle including acquisition, conversion and retention, and achieves efficient and low-cost operations. With content production, fan conversion, product combination, content exposure and e-commerce function, video content-driven E-commerce platform could achieve perfect closed loop and efficient operation.

### Advantages of Professional Content Production Team

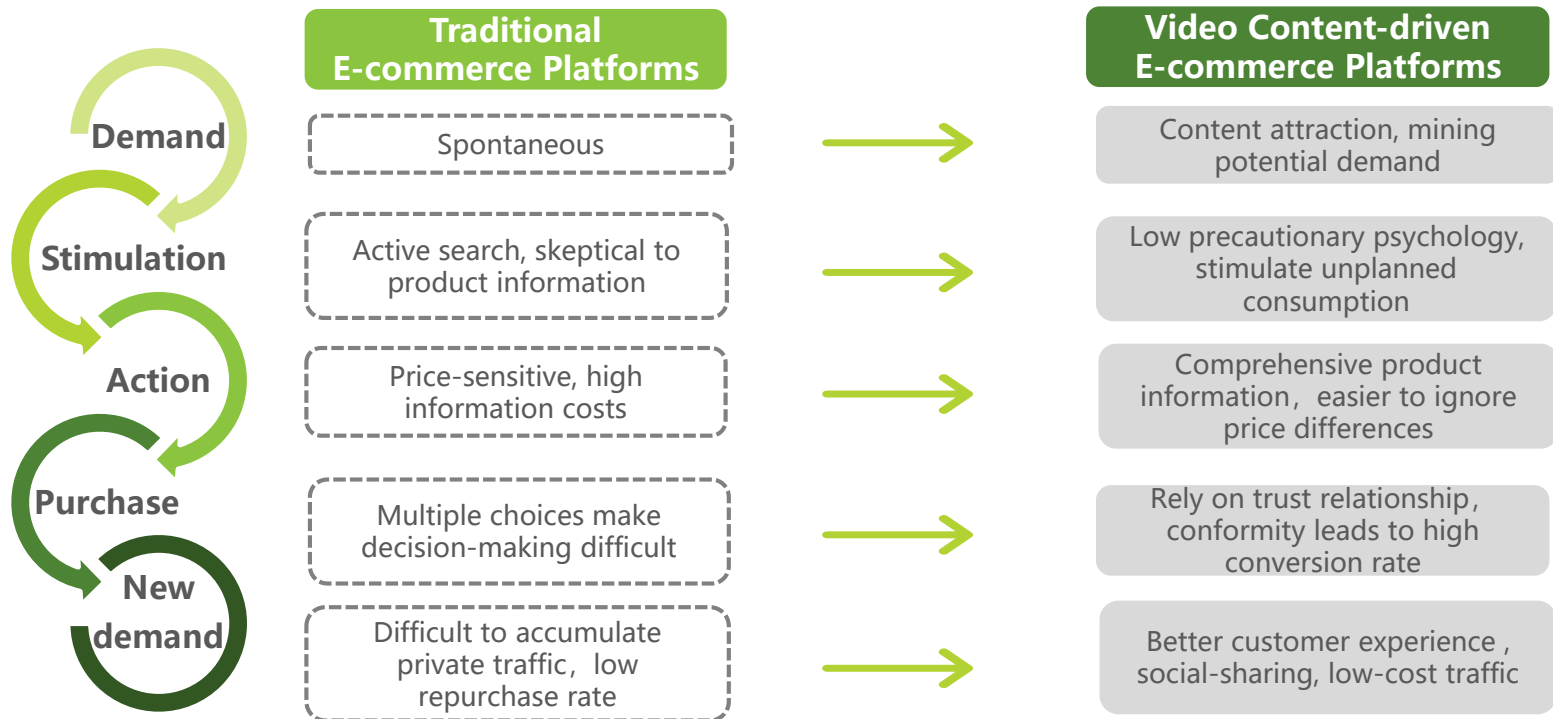
Personal content producer	Professional Content Production Team
High communication costs	Connect brands, content producers and consumers to reduce information asymmetry
Single monetization channel	Multi-channel layout expands user base and reduces the monetization difficulty
Limited personal development and difficult promotion	Plan and manage the life cycle of the broadcaster/program
Unable to continuously output high-quality content	Professional team can continuously produce high-quality content
Mismatching of content, merchandise and users	Accurately recommend products based on platform user behavior data
Poor content control and low operation efficiency	Digital and refined project management Industrialized and large scale content production

# Features and Advantages (3/3)

## From search-based to discovery-based shopping

- Since 90s and 00s generation become the main consumption force, consumption concept has begun to change. The young online shoppers emphasizes personalization, fragmentation and sharing experiences. They pay attention to subjective feelings and accept complex decision-making information easily. The video content-driven e-commerce platform improves the matching efficiency between products and consumers by virtue of high-quality content and accurate algorithm recommendations, strengthening users' desire to buy products and improving decision-making efficiency.

### Consumer purchase path comparison of search-based shopping and discovery-based shopping



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# The Overview of Industry Players

There are two types of players based on their original business models

- Based on the original business models of entrants in the video content-driven e-commerce industry, players can be divided into two categories: Video content driven and e-commerce-driven. For video content-driven players, e-commerce brings new sources of profit to the platform; for e-commerce-driven players, video content brings new growth to the e-commerce business.

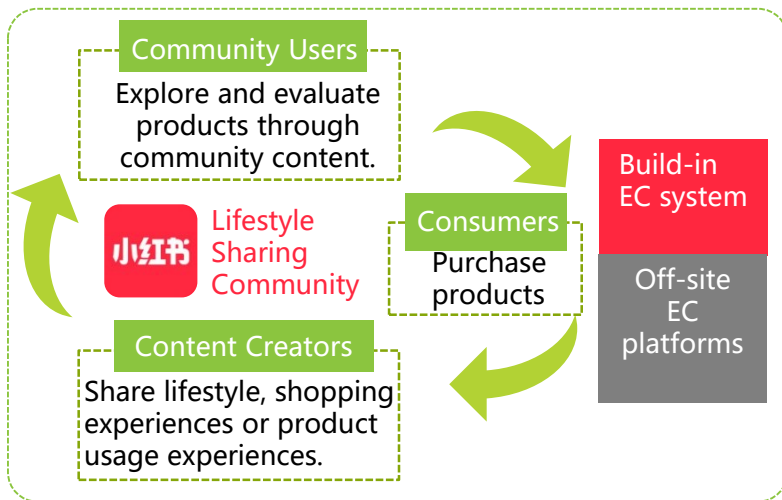
	Business Model	Examples	Characteristics	Development Trends
Content driven	<ul style="list-style-type: none"> <li>Gather traffic through UGC, PGC or PUGC content, retain traffic through online community and then channel content to product purchases to monetize traffic</li> </ul>		<ul style="list-style-type: none"> <li>Focus on content quality and community building</li> <li>Rely on content to provoke purchase beyond rigid demand</li> </ul>	<ul style="list-style-type: none"> <li>Exploring new monetization channels besides advertising</li> <li>Forming a closed loop of discovery-purchase-sharing by stimulating users' enthusiasm for purchase through content operation and user data collection</li> <li>Broadening the boundaries of commercialization for premium content creators</li> <li>Commercial value is recognized by advertisers, content marketing investment continues to increase</li> </ul>
E-commerce driven	<ul style="list-style-type: none"> <li>Shifting from product-centric to people-centric, introducing video content to increase transaction and conversion rate</li> </ul>		<ul style="list-style-type: none"> <li>Focus on real-time interaction</li> <li>Rich product display information</li> </ul>	<ul style="list-style-type: none"> <li>Broadened traffic sources and increased user stickiness through diversified video contents</li> <li>Tapping into potential demand by and reducing the threshold of consumer decision-making</li> </ul>

# Case Study: Red



## Encouraging video content and EC live-streaming, Red seeks to monetize on the basis of its online community nature

- The nature of online community is the core advantage of Red in retaining users. During its EC monetization, Red keeps balancing between community and e-commerce, imposing severe restrictions on commercial content. On content side, Red encourages the production video content so as to increase the marketing effectiveness of on-site content; on EC side, Red encourages merchants or influencers to live-stream, so as to increase its monetizing efficiency without impacting user experience in public domain.



### Balance Between Community and E-Commerce

Severely restrict commercial content	
PGC	UGC
Compulsory report scheme of commercial posts	Check UGC content manually and automatically.
Limit the frequency of commercial posts	Any commercial-like UGC would be limited in traffic.

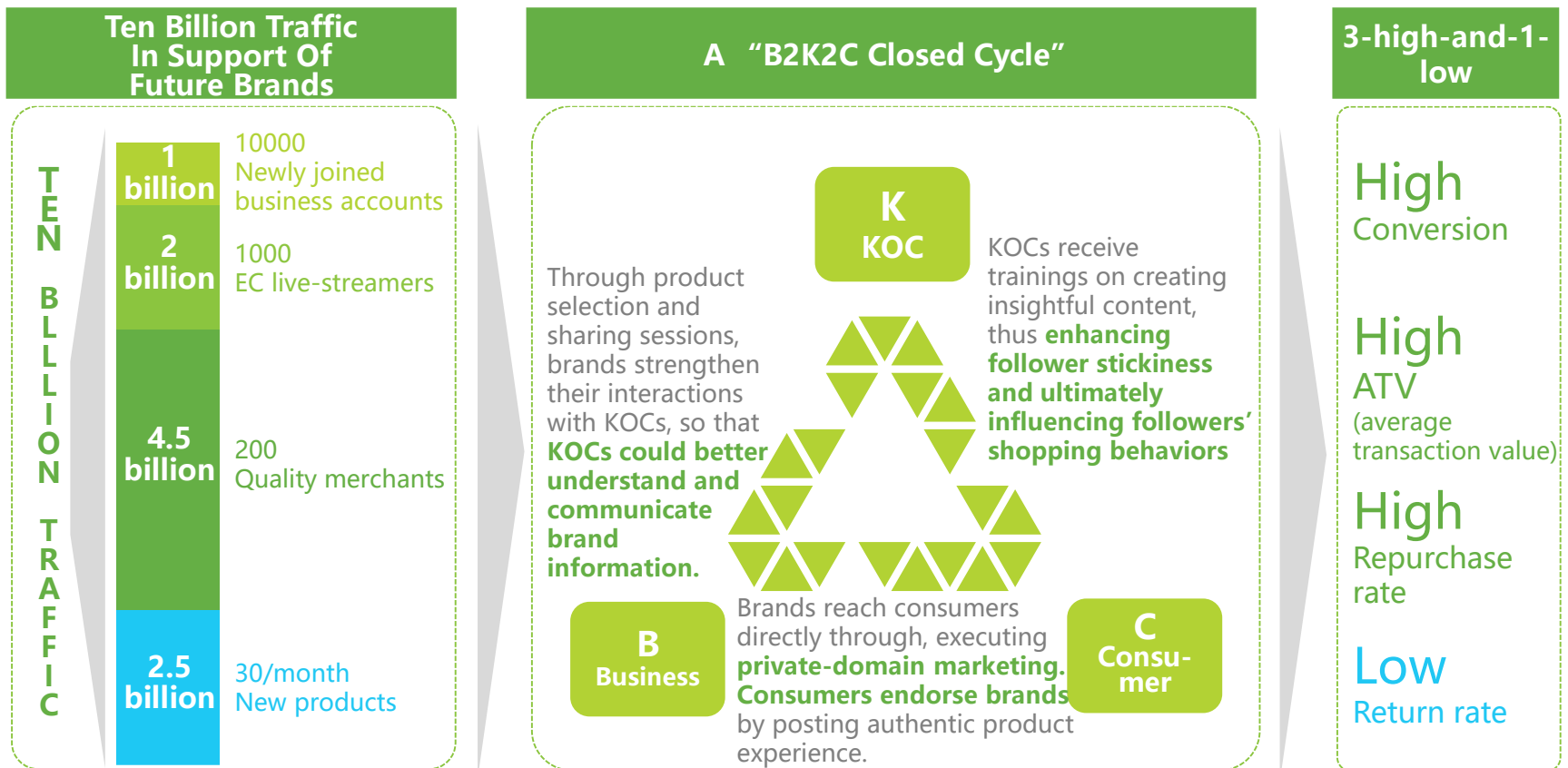
Video content	Video Function Launches	2016	Short video
		2019	"Hey" (counterpart of Ins Story)
		2020	"Video Account", allowing longer video (up to 15 minutes)
	Support for Creators	10 billion traffic support	5 billion goes to video creator 3 billion goes to live-streamers
EC live-streaming	Video content develops rapidly	By Aug. 2020	90+% creators have posted videos 50+% content is video form Video 2 and 3 times text & graph in likes/views respectively on average
	Private-domain Operation	Live-stream entrance is on the homepage of personal/company account. In their private domain, KOLs or brands convert followers attracted from public domain into consumers	
	Powerful Sales Driver	2020 H1	• 40% GMV on Red came from live-streams • 48.7% live-stream consumers repurchased
	Platform Support	Since mid-2020, live-streamers enjoy an extra 2% commission cut. Total commission on them is reduced to as low as 1%	

# Case Study: Red



## Helping on new brands, Red forms a B2K2C closed cycle to refine user experience

- In 2020, Red invest 10 billion traffic in supporting the development of future brands, aiming at establishing Red as the major platform for new brands to grow. Besides support on merchants, Red enhances its unique advantage of Key Opinion Consumers (KOC) by providing training to assist influencers to create quality content. A “B2K2C closed cycle” is thus formed, improving user experience and marketing efficiency. So far, the e-commerce of Red is positively featured as “3-high-and-1-low” ..



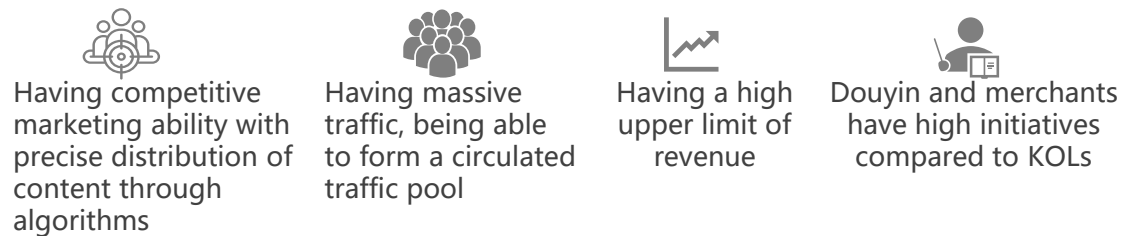
# Case Study: Douyin

## Originated as a content distribution platform, Douyin forms its own e-commerce eco-system

- Taking its advantage of being a media platform and strong in operating, Douyin centers on its short video advertising and provides merchant clients a combined service of regular content marketing and destocking through live-streaming. In 2020, Douyin speeds up in building its own EC infrastructure and forms a closed EC eco-system.

DOUYIN	<b>Platform Nature</b>	Short video content distribution
	<b>Revenue Source</b>	(Mainly) Public-domain advertising
	<b>Traffic Features</b>	Content and operation based, precisely distributed
	<b>EC Mode</b>	Douyin Shop+ third-party EC platforms

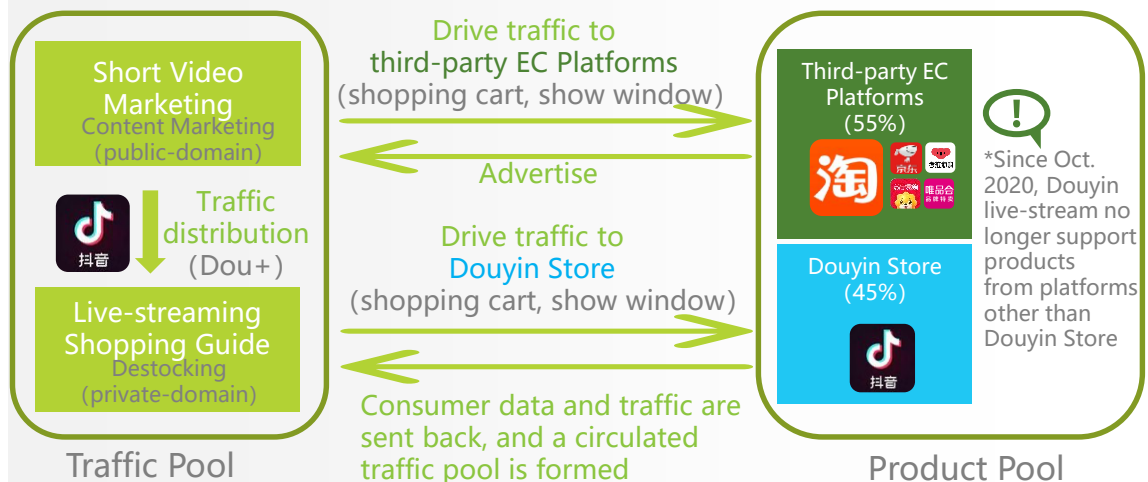
### Douyin' s Advantages in Developing E-Commerce



### Douyin' s EC development

- 2016• Launched Douyin
- 2018• Launched "shopping cart" and "show window"
  - Launched **Douyin Store**
- 2019• Launched **EC mini programs**
  - Signed a 7-billion-yuan framework agreement with Alibaba Group
- 2020 Refined **EC eco-system**
  - Supply chain side:** Support and attract merchants with ten billion traffic, low entry barriers, free training, and commission cuts
  - Traffic side:** Celebrities regularly guide shopping through live-streaming

### Douyin' s EC Eco-system



# Case Study: JD Live

## Breeding live-streamers specializing in vertical areas, JD Live molds quality live-streams through differentiation

- JD Live applies a differentiation strategy in breeding live-streamers. Besides traffic, JD Live values the professionalism of live-streamers in their specialized fields. By actively breeding or introducing live-streamers from various vertical areas, JD Live produces high-quality content, assisting brands to communicate brand value and drive sales simultaneously. Taking the first commercial live show of Wang Ziru, a top social media influencer in technology field, as an example, his professional introduction of products not only boosted sales of the new Huawei product, but also served as content marketing, having long-tail commercial value.

### Breed/Introduce Live-streamers From Various Vertical Areas

<b>Influencers of vertical areas</b>	JD Live strategically collaborates with influencers of various vertical areas.
<b>CEO live-streaming</b>	Brand CEOs participate in live-streaming, centering on consumers to produce professional content and communicate brand value.
<b>Internal Recommender</b>	Procurement and sales staff of JD.com are trained to be live-streamers.
<b>"Focused Area" Label</b>	An identity label of registered influencers, which is used to evaluate the degree of focus and vertical of the content created by influencers.

### Wang Ziru's First Commercial Live Show on JD Live



**Wang Ziru:**  
Top influencer in technology field  
Expert of digital device evaluation  
Founder of ZEALER



Huawei smart phone P40 & P40 Pro



April 8<sup>th</sup>, 2020



Wang demonstrated expertise in digital devices and highlighted unique selling points of the products accurately, addressing pain points of consumers and attracting them effectively.

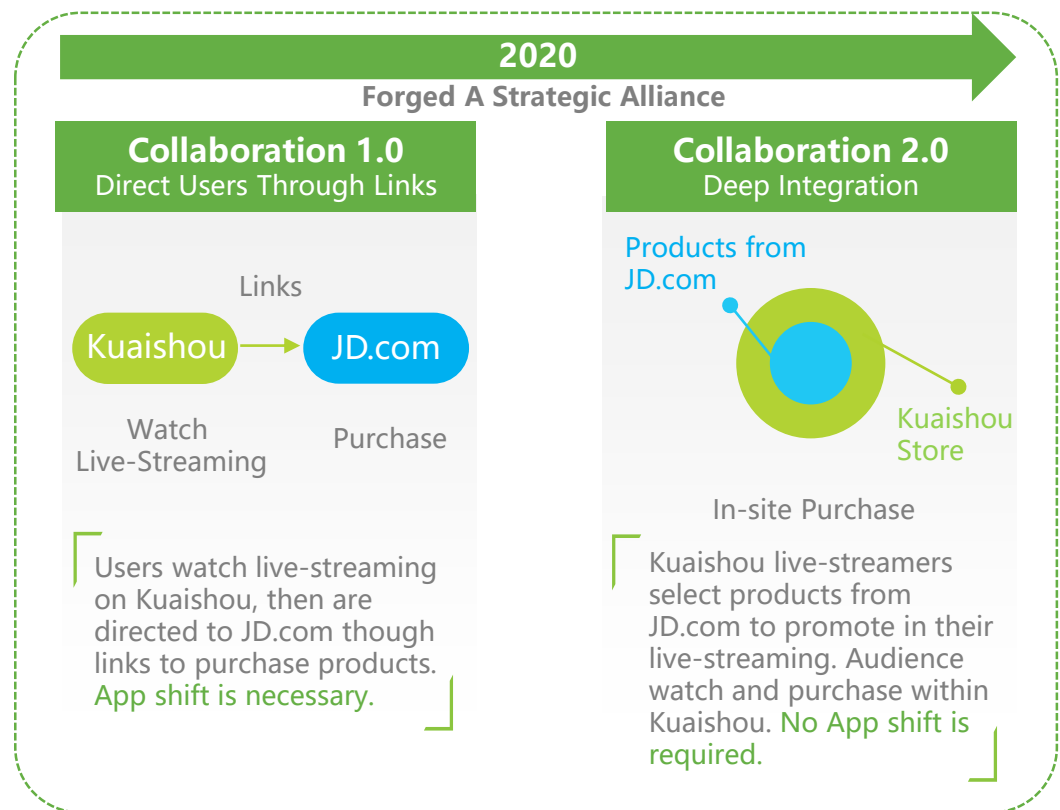


The peak of audience scale reached 3.4 million. While no extra discount was provided other than prize draws to encourage interaction, the sale in GMV led by this live-streaming exceeded 100 million yuan.

# Case Study: JD Live

## Cooperating with Kuaishou to open new traffic entrance, JD.com builds a new eco-system of video-content driven e-commerce

- On the bottleneck of user traffic growth, JD.com partnered Kuaishou to drive in more users in lower-tier cities. Through resource exchange, JD.com and Kuaishou help each other with their respective strength, thus enabling both to make up short-comes with low cost. In May 2020, the partnership was upgraded to a strategic alliance, signaling a new era of collaboration. Before that, Kuaishou users had to switch Apps to purchase products operated by JD.com; the new form of collaboration provides a seamless shopping experience by enabling Kuaishou users to purchase products operated by JD.com within Kuaishou



# Case Study: Glory Star

Distributing self-made high-quality short video and live content across multiple channels

Glory Star provides a full set of new content marketing services for brands through high-quality content production.



# Case Study: Glory Star

## Promoting commercial cooperation between advertisers and celebrities through strong resources and wide coverage

- Relying on excellent content production capabilities and multi-channel integration capabilities, Glory Star has built a global network of contacts to continuously extend the way of network cooperation and enhance the company's bargaining power to both brands and celebrities.



### Celebrities

Show positive image and gain exposure through company's high-quality content



### Glory Star

Programs are more attractive, which in turn attract users to watch and become deeply tied to advertisers



### Advertisers

The cost of content placement is much lower than seeking celebrity endorsements directly

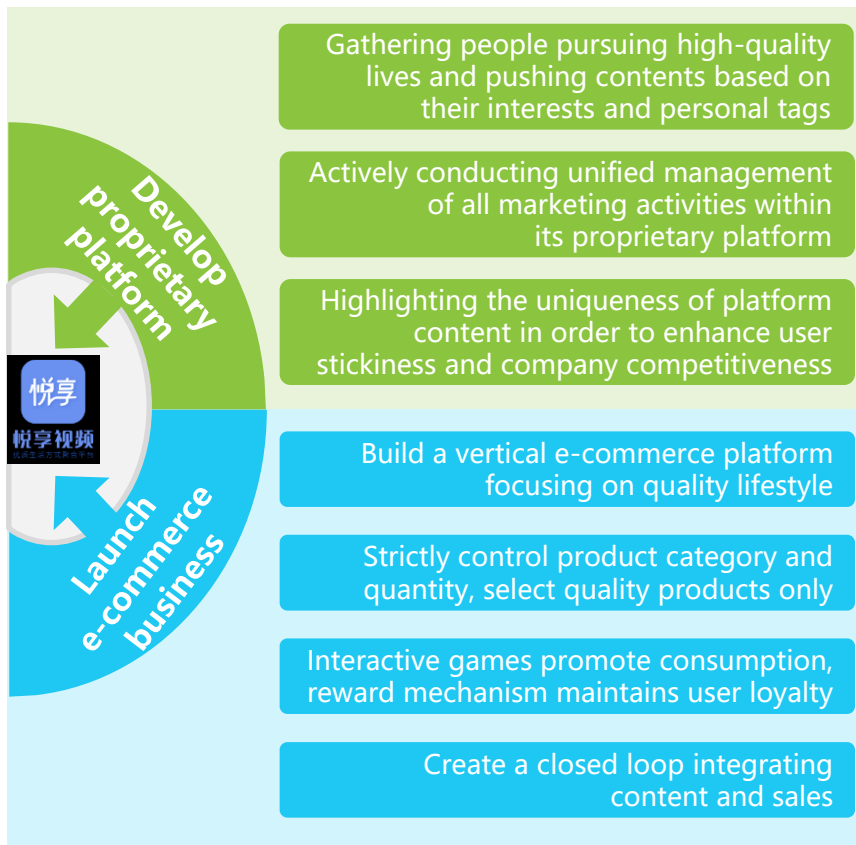


# Case Study: Glory Star

## Building a high-quality lifestyle aggregation platform with e-commerce as a new source of profit

- In current platform ecology, network-wide distribution and advertising sharing are still the most important way for Glory Star to disseminate and operate its content. With its own Cheers App, Glory Star begins to realize content monetization by developing video content e-commerce. Meanwhile, Glory Star guards the platform with content, makes up market gap with interactive e-commerce livestreaming and ensure benefit of platform, consumer and merchants with reasonable price range and sales mode.

### An analysis of Glory Star's Strategy



### An analysis of "broadcaster-decentralized" mode

- |  |  |
|--|--|
| <b>Rely on the personal influence of broadcasters</b>  | <b>Broadcasters empowered by professional team</b> |
| <ul style="list-style-type: none"><li>✓ There are 30 members in CHEERS live streaming team, most of them worked in TV stations, and some have more than 10 years experience as a TV director. They form a complete process from initial design to the implementation of the final content.</li><li>✓ The team builds a professional studio equipped with 6 to 7 cameras, production switchers, graphics generators, and etc.</li><li>✓ Ensuring the benign development of the platform by optimizing the content quality of the platform, guiding broadcasters to interact with customers, and not creating a super KOL.</li></ul> |  |
| <b>Impulsive purchase at a steep discount</b>  | <b>Advocate rational consumption</b>               |
| <ul style="list-style-type: none"><li>✓ During live streaming, the broadcaster will give a detailed brand and product introduction and discounts to viewers who can give the correct answers to the questions based on these information.</li><li>✓ This helps reduce consumers' impulse to shop just because of discounts, help them understand their real needs, and gradually gather a large number of loyal customers.</li></ul>   |  |
| <b>Loss for merchants in e-commerce live stream</b>  | <b>Improve long-term value of brand</b>            |
| <ul style="list-style-type: none"><li>✓ CHEERS App uses part of profit and promotion fee as subsidies to ensure the normal profit of both platform and merchants</li><li>✓ For e-commerce live-stream market, though low prices remain the key selling point, long-term development relies on profitable price range for merchants and better services for consumers.</li></ul>  |  |

