Translating Taobao Live's Success for Global Brands

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Foreword by Rick Zhuang, Firework CTO and Founder of Taobao Live

There's a conversation happening in China that Western brands aren't having—yet. And if Western brands hope to understand how consumer behavior will shape commerce in the near future, we need to talk about **brand-owned sites—also known as private domains.**

Fortunately for brands in the West, they can learn from this persistent model and leap from their centralized ecommerce platforms into their own DTC properties on the open web. There's already evidence of this working in the West. In Q2 of 2021, **private**, Shopify-powered retail websites saw more unique visitors than Amazon's public marketplace did, and Shopify sites had a stunning average of 995%[1] more year-over-year traffic growth each month since May of 2020 (108.5% to Amazon's 9.9% monthly growth). And more brands are embracing a DTC model: Nike, for example, has created a consummate DTC strategy, increasing its DTC share of revenue by 133%[2] since 2010 and investing in its private digital channels to cultivate digital and app sales growth by nearly $4B since 2016.

Public versus private domains, giant ecommerce platforms versus DTC properties—the same consumer sentiment in China is becoming increasingly popular in the West—we just aren't talking about it yet!

The Chinese livestreaming experience should give a lesson to Western brands: don't wait on dominating public domain platforms to drive change. Brands should invest in their own direct-to-consumer presence on the open web.

Rick Zhuang

Firework CTO
Founder of Taobao Live

What's Fueling China's Explosive Growth in Live Commerce?

Taobao is China's largest social commerce platform[3] and the sixth most visited website on the planet, according to Alexa Internet, Inc. In 2019, the Taobao mobile app reached 755 million monthly active users. A report by Statistica reveals that Taobao's gross merchandise volume (GMV) approached 3.39 trillion yuan (approximately $532 billion) in 2020.

Taobao's "community-based, content-driven and technology-enabled" approach to ecommerce is a major contributor to the company's rapid growth. Taobao's platform enables merchants to use short-form and livestreaming video to create "phygital" shopping experiences that feel more authentic than pre-recorded advertisements. Taobao Live, Taobao's livestreaming platform, now contributes $76 billion in GMV annually—up 90%+ year-over-year.

Understanding Public vs. Private Domains

Brands, merchants, and “key opinion leaders” (KOLs) are cashing in livestreaming’s explosive growth on Taobao.

For example, according to Bloomberg, livestreamer Li Jiaqi sold $1.9 billion in merchandise on Taobao—in a single day. The same article revealed that livestreamers Viya and Cherie each sold more than 1 billion yuan worth of goods on the same day.

Taobao’s success has accelerated livestreaming adoption in China, which, according to McKinsey & Company, has turned Chinese live commerce into a $171 billion industry—an industry that’s expected to reach $423 billion in 2022.

Differentiating between “public” and “private” domains is essential for comparing live commerce in China and the United States.

Another way to think about private and public domains is to think of who owns the traffic, data, and control.

Public domains are platform-owned, like Taobao and Tmall in China, or the social media giants in the west.

This means that brands advertising and selling on those public domains cede a majority of control to the platform.

Understanding Public vs. Private Domains

In both China and the West, there's been a shift towards private domains—brand-owned sites where customer data and relationships are owned by the brands, and not a third party.

	China	United States
"Public" domains (Platform-owned)	ecommerce platforms, such as Taobao, Tmall, and JD.com.	Social media and livestreaming platforms, such as Twitch, TikTok, and Facebook Live.
"Private" domains (Brand-owned)	Brand-owned microsites	Brand-owned and operated websites. For example, Macys.com or Nike.com

Understanding Public vs. Private Domains

Public domain websites account for the majority of traffic in China and the United States. And, in both markets, brands are trying to elevate engagement and reduce acquisition costs by capturing more private domain traffic.

But, here's the big difference: Social commerce on public domains accounts for only 4% of online retail sales in the United States, according to a report by Statistica.

This means that up to 96% of ecommerce transactions in the US still occur on private, brand-owned domains, instead of public platforms like Facebook and Snap.

Key takeaway: Social media and livestreaming (aka, "public") platforms create significant buzz for American brands, but they're ineffective at driving conversions.

	Public Domains (Borrowed Traffic)	Owned & Operated Channels
Who owns Traffic?	Centralised Platforms	Brand
How to drive Traffic?	Paid Media, Advertising, Influencer Maarketing, Low ROI	Converted from Open Web, Targeted Media Buy, High ROI
Customer Attention	Limited, Many Competing Conntent	Focused with High Purchase Intent
Conversion	Very Limited	High
Customer Connection	Indirect	Direct
Long Term Value	Low - One Time Traffic	High - Repeat Visits

Experts Predict Live Commerce Growth in the United States

For years, marketers in the West have been keenly aware of video's impact on the buyer journey. In fact, 81% of marketers think that video has helped them increase sales, while 86% of marketers believe video helps with lead gen, according to a study by Wyzowl.

But, could **live commerce** resonate with shoppers in the United States as it has in China? Yes, and here's why.

Increased availability of 5G compatible devices and networks makes livestreaming more viable than ever before. Consumers' willingness to view branded video content is also a key factor—88% of participants would like to see more video content from brands in 2022, according to the same study by Wyzowl.

In other words, consumers want to stream more branded video content, and now they have the right technology to do so from anywhere.

Perhaps that's why Coresight Research, a leading research provider in the retail industry, projects that the livestream shopping market in the United States could reach **$25 billion** by 2023.

But how can brands implement a viable live commerce strategy that effectively engages shoppers and delivers ROI?

By shifting the focus to livestreaming on brands' own websites rather than on public domains. Forward-thinking companies like Walmart and Macy's are already experimenting with the best way to do exactly that.

**For additional real-world examples, download our eBook: How Top Brands Leveraged Live Commerce in 2021*

What Brands Can Learn from Live Commerce Growth in China

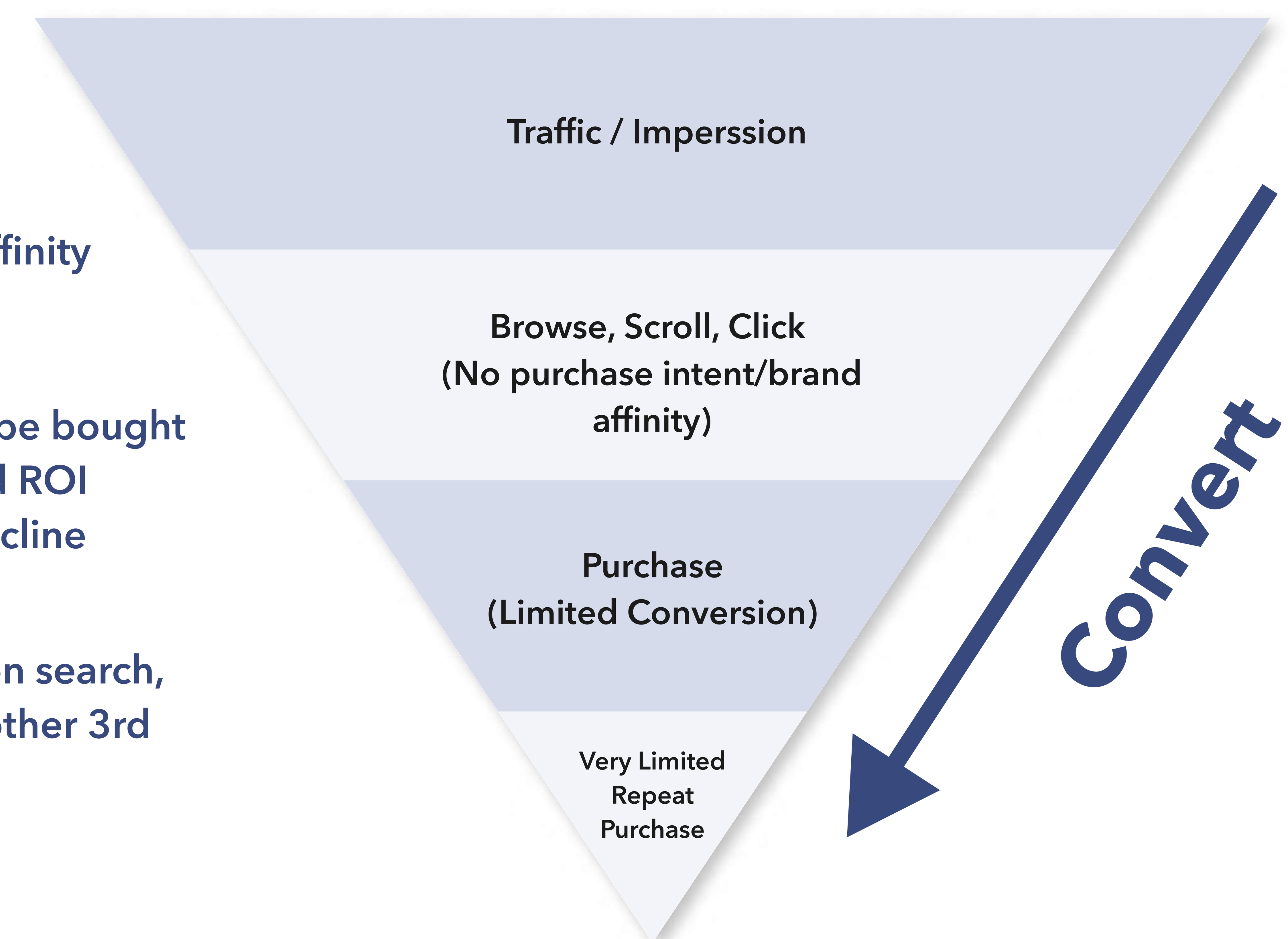
Live commerce seems poised for rapid growth in the United States. Here's what brands should know to formulate successful livestream strategies.

1. Flipping the Funnel Pays Off

The potential for near-infinite impressions makes public domains enticing to brands, but consistently–and affordably–converting this type of borrowed traffic into revenue isn't easy.

That's because the traditional marketing funnel has several flaws:

1. No Customer Affinity
2. Traffic needs to be bought consistently, and ROI continues tto decline
3. Heavily reliant on search, influencer and other 3rd parties



What Brands Can Learn from Live Commerce Growth in China

Customer affinity is elusive on public domains: Building affinity is nearly impossible when consumer attention is diverted by countless other brands, messages, and streaming videos. Paying for clicks is one way to capture more attention, but data and reporting limitations make it difficult to engage shoppers scale.

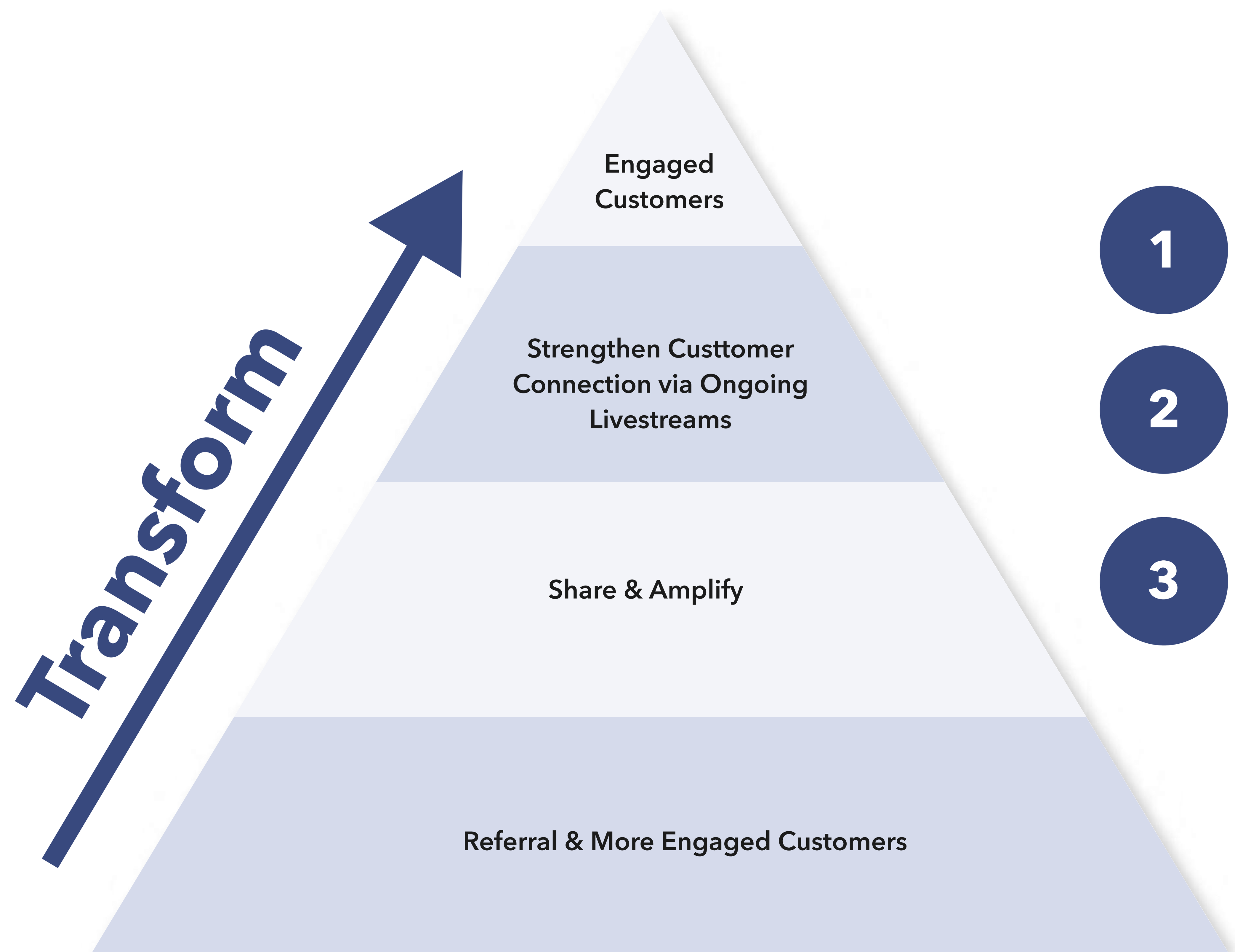
ROAS takes a backseat to traffic: Public domains have created massive revenue streams for themselves by selling pay-per-click traffic to the highest bidders. Increased competition means that brands end up spending more money to capture the same amount (or less) traffic than last year—with no guarantee of results. Despite continuously declining ROAS, many brands see no other choice but to keep playing the game.

Success depends too much on third parties: Relying too heavily on paid traffic isn't just expensive—it can represent a real threat to long-term success. Even if a brand can squeeze out acceptable ROAS from public domain advertising, things change quickly. What worked today may not work tomorrow, especially as public domains evolve their advertising offerings and adapt to an increasingly "cookieless" environment.

What Brands Can Learn from Live Commerce Growth in China

By contrast, Chinese ecommerce players have leveraged live commerce to "flip the funnel," leading to lower acquisition costs and greater customer affinity. Consistently and continually engaging shoppers via live commerce turns viewers into ambassadors, which attracts even more earned traffic that's based on intent—not ad spend.

Key takeaway: To successfully flip the funnel with American consumers, brands should look to leverage live commerce on brand-owned, private–not public—domains, such as their own websites.



1. High Existing Customer Affinity
2. Low costs of engagement
3. Leverages constant engagement through livestreams in order tto maximize growth potential

What Brands Can Learn from Live Commerce Growth in China

2. "Always On" is Better than "One Off"

Taobao Live has 1,000+ livestreaming channels, and the company plans to double that in the near future. The sheer volume of streaming video on Taobao creates an "always on" experience with around-the-clock access to "shoppertainment."

Embracing livestreams as a core part of the company's overall strategy—and embedding it into Taobao's core app—rather than isolating them on separate campaigns—is key to Taobao Live's rapid growth.

Shoppers do not have to hunt for streaming video; rather, it's native to the Taobao experience, leading to more impressions, interactions, and, ultimately, transactions. Such a strategy also ensures a seamless customer experience, leading to better engagement, and campaign performance.

For brands and their marketing teams, this also translates into focusing less on big budget influencer-run livestreams that they can only afford once per month.

Instead, brands rely on regular, authentic livestreams hosted by their own staff to directly connect with customers and build brand affinity.

Key takeaway: Frequently "going live" creates excitement and motivates shoppers to come back. Livestreams should natively integrate into the brand's website and be easy to find. In-stream engagement fosters a sense of community that transcends geographic separation.

What Brands Can Learn from Live Commerce Growth in China

3. Authenticity is More Effective & Scalable

Taobao Live is designed to enable organic, meaningful interactions between sellers and customers. Top livestreamers leverage their existing credibility with customers to drive business outcomes on Taobao Live—rather than relying on paid influencers or guest celebrity presenters. This approach is effective for several reasons:

Authenticity: In an era dominated by blockbuster advertising campaigns, "going live" represents an opportunity to stand out and establish deeper relationships with shoppers.

High-Intent Traffic: Big-name celebrities can help increase viewership, but many shoppers tune in to see the celebrity—not the brand. Self-hosted livestreams deliver higher quality traffic and less noise.

Product Knowledge: A key aspect of live commerce is giving shoppers the ability to interact and ask questions. In-house product experts are far more likely to provide helpful answers than paid influencers.

Scalability: As previously discussed, brands that take an "always on" (or almost always on) approach are more likely to succeed with live commerce. That's hard to do when relying on high-priced celebrity campaigns with low ROI.

Key takeaway: Brands need to move beyond expensive, celebrity-hosted livestream events. Spotlighting internal personalities and product experts provides a more authentic experience that shoppers appreciate.

About Firework

Ready to get started with live commerce?

Meet Firework, an end-to-end enterprise platform for livestreaming and short-form video.

Create interactive web stories with Firework Creation Studio. Increase demand for your video content with the Firework Ad Network. Boost on-site engagement and conversions with shoppable videos. Maximize the impact of your live commerce events by enabling interactive shopping experiences.

Schedule a personalized demo of the Firework platform.

Resources

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