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# EMERGING SPACE BRIEF

## Livestream Commerce

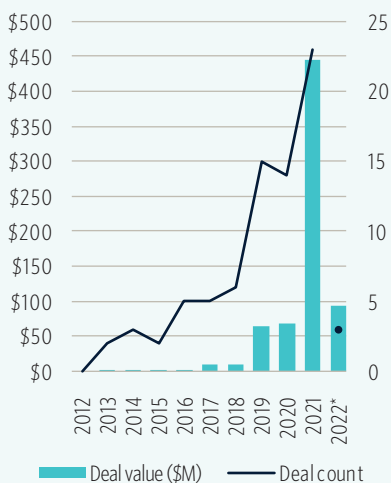
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### Top companies by total VC raised

Total raised: \$585.7M



### Livestream commerce VC deal activity



Source: PitchBook  
\*As of April 26, 2022

### Overview

Livestream commerce, a type of social commerce, involves the selling of goods via live social media feeds. Consumers tune into hosts, typically online influencers but sometimes celebrities, who detail the value and perks of various types of merchandise. Users can ask questions or offer reactions in real time, making the experience more engaging and boosting potential conversion rates. While this can occur via incumbent social media apps such as Instagram and TikTok, much of the innovation is happening by way of new apps dedicated to livestream shopping.

### Technologies & processes

#### Character counts

Given the emphasis on hosts selling to live audiences, the character and energy of presenters is key. Brands may specifically single out influencers who match the lifestyle or personality the brand is trying to convey. Much as one might scroll through a TikTok feed and gravitate to particular personalities, social commerce companies aim to find charismatic influencers who can hold the audience's attention and provide compelling details on the product being sold. Influencers can sometimes be celebrities, especially if they are associated with a specific product, but far more often, they tend to be relatively unknown, with a small but dedicated group of followers. This arrangement is also more economical for brands, which don't always want to pay for celebrity endorsements.

#### Partnerships

As live shopping matures as an established retail channel, brands are increasingly developing partnerships with influencers and livestream commerce companies to promote their goods. One of the most prominent examples of this trend has been Walmart (NYSE: WMT), which announced in early 2022 that it would partner with Talkshoplive to host regularly scheduled live shopping content.<sup>1</sup> Such partnerships offer brands and major retailers such as Walmart a degree of competitive differentiation, connecting them to consumers in unique ways that could prove to be more memorable to consumers, helping to drive conversion. In return, livestream commerce startups generally charge commission on each item sold, sometimes in addition to a flat fee for using the service.

<sup>1</sup>: "Walmart Introduces Regularly Scheduled Live Shopping Content Strategy with Talkshoplive," businesswire, February 23, 2022.

## *Engagement*

The real magic behind live commerce, outside the personalities and brands, is the technology. More than a decade of social media innovation has resulted in a rich suite of tools for creators to use in reaching, engaging, and monetizing audiences. Even ideas as simple as “tip jars,” a way to donate to creators, took years to become standard across ecosystems such as Twitch and TikTok. The improvement in tools has enabled creators and users to form stronger connections. In the world of live commerce, being able to share reactions, post feedback videos, or ask questions during a live presentation greatly increases the sense of engagement a consumer has with the brand. It is true, as some have said, that live commerce is merely a modern revival of shopping channel QVC; but unlike QVC, consumers have never before had so many tools for expression and engagement.

## **Opportunities**

For those living in or with close relations to China, this trend is not all that new. In 2016, Chinese e-commerce giant Alibaba launched a service called Taobao live, which would go on to produce sensational revenues for livestream sellers. In 2020, the first 30 minutes of a Singles’ Day campaign on the Taobao service generated \$7.5 billion in total transaction value.<sup>2</sup> China’s mobile ecosystem and digital culture, in many ways more mature than that of the West, could presage a new wave of livestream commerce success stories in Europe and North America.

### *Social media is social commerce*

One reason China has taken the lead in social commerce is the strong uptake of mobile telephony and super apps in the country, which have shifted consumer expectations towards digitization of traditionally analog experiences, such as shopping. While smartphones and the internet have achieved significant consumer penetration in the West, such advancements were developed and adopted in a more disaggregated manner. The COVID-19 pandemic, which pushed even more interactions online, combined with the examples of successful startups out of China, hinted to Western tech executives that social commerce—combining social media with e-commerce—is the inevitable way of the future.

While it made sense for digital commerce and digital communication to develop separately, given the fragmented early landscape of the internet and mobile computing, most tech executives are betting on a future in which most digital experiences are merged, as seen in the uptick of the term “metaverse” in the venture ecosystem. Such a bet is logical, as evidenced by the investments Big Tech firms are making into more immersive technologies such as augmented reality and virtual reality, with Google coining the term “ambient computing” to envision a world with computers so ubiquitous as to be invisible. Simply put, as long as human beings have communicated with each other, they have engaged in trade and exchange. The digital world is no exception, and ultimately all social interaction will likely have an element of commerce embedded, or at least very close by.

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<sup>2</sup>: [“It’s Showtime! How Live Commerce is Transforming the Shopping Experience,” McKinsey Digital, July 21, 2021.](#)

## *Mobile's unstoppable rise*

Year after recent year, data shows that consumers are increasingly engaging with their phones and spending less time with legacy formats such as cable television. 2021 saw the time spent on connected devices and mobile video increase by six minutes per day.<sup>3</sup> While traditional TV viewership still commands the greatest share of attention from consumers, its continued decline echoes similar paradigm shifts that occurred during the switch from radio to television, or television to the internet. Older consumers introduced to the novelty of TV adopted it en masse; eventually the novelty faded until TV was replaced by the internet, with adoption driven by younger generations. For any parent struggling to understand TikTok or child serving as their parent's tech support guide, this is a familiar story.

Given this dynamic, the importance of a strong and dedicated presence in the mobile ecosystem is paramount. Demographically, the greatest share of consumers who use a smartphone are those under the age of 30.<sup>4</sup> The rise of mobile has been so rapid and all consuming that cultural divides have even emerged between Millennials and Gen Z'ers—two highly savvy cohorts when it comes to technology. Gen Z'ers have the added advantage of growing up in a more mature mobile ecosystem, enabling them to integrate such technologies into their habits more intuitively. Such behaviors demonstrate the comfort with which the dominant consumers of the future will depend on mobile apps. Livestream commerce, an outgrowth of influencer culture and the creator economy, is poised to succeed in some form, given changing digital attitudes.

## **Risks and considerations**

### *As goes China, so goes the world?*

Much of the analysis and enthusiasm surrounding the growth of livestream commerce has been predicated on the successes seen in China. To some degree, this template provides reasons for excitement, but it also risks oversimplifying the connection between Chinese and Western consumers. Super apps have been immensely popular in China and other Southeast Asian countries but have yet to catch on in the West, partly due to culture and partly due to increased scrutiny of Big Tech monopolies. As a result, while consumers in the US have access to all the same services as their Chinese counterparts, they tend to be disaggregated across dozens of apps. This fractionalization makes it inherently challenging for new business models to accrue momentum outside the confines of Big Tech's walled gardens. In other words, for livestream commerce to succeed, investors must bet that Western consumers share the same zeal for online shopping as the Chinese and that such a business model can successfully penetrate multiple e-commerce ecosystems simultaneously. Some studies have even shown that the Chinese tend to enjoy shopping more than their Western counterparts, who often view it as a chore.<sup>5</sup>

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3: "Theme Report 2021," Motion Picture Association, 2021.

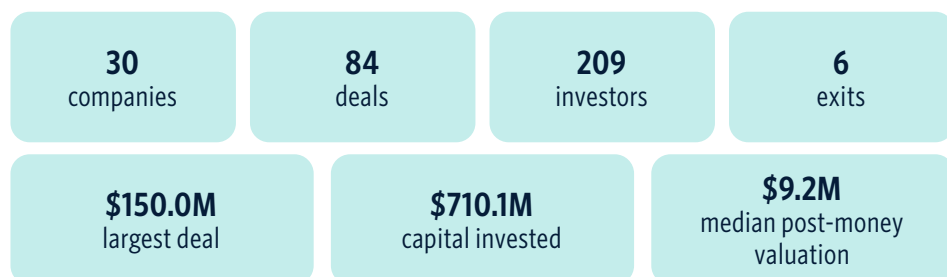
4: "Mobile Fact Sheet," Pew Research Center, April 7, 2021.

5: "Comparing Chinese and Western Consumer Habits," Daxue Consulting, April 9, 2021.

## *Ephemeral engagement*

Given the lack of super apps in the West, it is harder to imagine standalone livestream commerce apps succeeding, at least relative to more centralized experiences such as Instagram and TikTok. An open question for investors is whether these apps would have enough appeal and word-of-mouth enthusiasm to attract consistent users. The quality of such an experience must be strong enough to change consumer behavior and draw in users at a desirable cadence. However, it is far easier to imagine social commerce channels embedded into Instagram or TikTok experiencing the greatest adoption and taking sales away from startups in this space. Numerous niche social media apps have lived and died in short order. Consumer behavior is not easily altered.

## Quantitative perspective



\*As of April 26, 2022

## Recommended reading

[“ShopThing raises \\$10M to Scale its Live Video Shopping Marketplace,” TechCrunch, Aisha Malik, March 23, 2022.](#)

[“YouTube Offers New Shopping Option During Coachella Livestream,” Los Angeles Times, Wendy Lee, April 11, 2022.](#)

[“It’s Showtime! How Live Commerce is Transforming the Shopping Experience,” McKinsey Digital, July 21, 2021.](#)

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