

MARKETING

## The risk in China's huge influencer economy

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Two of the top Chinese influencers, Li Jiaqi (left) and Viya Huang (right), have gained massive domestic fan bases through live-streaming on foreign cosmetics products. Credit: Image credit: Zhihu. Illustration: Haitong Zheng/Jing Daily

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This year's Alibaba **Singles' Day** celebration proved that a **live-streamer** can turn into a mega-influencer that garners the same attention as a top idol.

Starting his career as an online lipstick salesperson on **Taobao**, Li Jiaqi has since become one of the most recognized Internet celebrities in China. His overnight explosion in popularity is shedding light on the unique influencer phenomenon that has been birthed by China's highly competitive ecommerce and social media platforms.

Idols were always considered to be the best drivers of luxury products, but the mega-influencers are catching up.

According to the Baidu Keyword Searching Index the Chinese equivalent of Google the search volume for Li Jiaqi was higher than top idols **Cai Xukun** and Kris Wu over the past month, which would be unheard of during the early days of celebrity influencers.

From Zhang Dayi a former No.1 influencer in China to Li Jiaqi, businesses wanting to market in China must look at what's happened to China's influencer economy over the past decade to understand what Chinese influencer trends we will see in the future.

The commercialization of Chinese influencers would not have occurred without the help of a Chinese startup known as Ruhnn: China's biggest influencer facilitator and the creator of one of today's most popular influencers, Zhang Dayi.

Featuring two business models full-service and platform Ruhnn makes a killing by carrying out entire Internet KOL ecommerce operations, while providing brands and merchants with KOL sales and advertising services.

But despite their success, the first Chinese influencer incubator has stumbled upon entering the stock market, and the future of Ruhnn is as indeterminate as those of many Internet celebrities. The company took a 37.2 percent slip right after its \$125 million Nasdaq IPO in April, and investors question the long-term profitability of Ruhnn's business

model, which mostly relies on one top-tier KOL and her Taobao business.

The Taobao-centric model that Ruhnn is reliant on is a typical full-service package that includes influencer training and marketing, product development and store management. It activated the commercialization of KOLs in China as Alibaba gave birth to the online shopping platform Taobao, but as more overseas brands tap into China and launch on Alibaba's newer Tmall platform, original Taobao stores tend to be less competitive in this crowded ecommerce battleground.

According to Ruhnn's Q1 fiscal year 2020 investor presentation, the company has been expanding its influencer sales and advertising services, both of which contribute more to its gross profit every year. This adjustment, along with Li Jiaqi's explosion and other live-streamers' springing up, points toward a trend in influencer ecommerce: a platform-oriented model that connects influencers, brands and consumers.

The emergence of many new social media platforms and types of digital content has also been shaping China's ecommerce and the influencer economy.

Different from the relatively fixed social media matrix of Facebook, Instagram and Twitter in Western countries, new Chinese platforms continuously re-engage Chinese users, particularly **millennials and Gen-Zers**. Words, images, videos and live-streaming have had to adapt to each different platform.

**WeChat** is suitable for influencers who are talented at writing stories, while Weibo encourages and supports influencers to post short videos.

The process of attracting followers and driving online traffic is time-consuming, and traffic usually sticks to platforms in particular ways.

Thus, the transition from one to another is a challenge for influencers.

The popularity of short videos and **live-streaming** has contributed to the Li Jiaqi "cult." His emotive rhetoric, which easily provokes viewers into buying products, can only be realized through video format.

However, his reputation has recently been threatened by a misleading promotion for a product that failed to work during a live-stream. This is creating a trust crisis for consumers with high expectations of these influencers, and the incident only reinforces that they are looking for reliable experiences and knowledge.

Despite the challenges of influencer ecommerce, platforms are still exploring ways to optimize this community.

As a leader in this industry, Tmall Global announced in early November that it is launching an "influencer incubator" to facilitate a worldwide influencer ecosystem. The plan is to train and support 2,000 mega-influencers and to build up a network of "wangzi" an upgraded version of "wanghong," which means Internet celebrity.

Tmall's ambition is to provide influencers who can connect global brands to consumers in China's marketplace. The first big experiment with this initiative was a live-stream collaboratively hosted by **Viya Huang and Kim Kardashian West** on this year's Singles' Day.

While the mega-famous **Kardashian West** has 152 million followers on Instagram, her connection with Chinese consumers falls below the average influencer's popularity.

Despite her prowess in the American influencer economy, Ms. Kardashian West has had to adapt to a set of different rules to win over consumers in China, and Viya, who is currently that country's top live-streamer, can help accelerate this process.

Although Ms. Kardashian West's debut in China around Singles' Day was nothing short of awkward, she was able to sell out 15,000 KKW fragrances in a few minutes with the support of Viya's loyal followers, with most not knowing who Kim Kardashian West even is.

Internet stars such as Viya and Li Jiaqi can play a big role in introducing foreign brands and overseas influencers to domestic followers, yet some well-educated consumers are meticulous about KOL credibility and tend to trust influencers with whom they share similar experiences and backgrounds.

As live-streaming on **Douyin**, Kuaishou and Taobao has become popular with users in lower-tier cities, top-tier consumers do not tend to keep up with new live-streamers, as they do not spend hours watching live-streams.

This elite group of consumers also presents a greater desire for individuality as well as fatigue for mainstream brands and now their craving for "niche" content has spread to the types of KOLs they prefer. Though micro-KOLs

cannot compete with the big ones in terms of sheer numbers, their followers' stickiness and buying power are by no means inferior.

THE FUTURE OF China's influencer economy is still murky, and it is crucial to take a step back and question what types of influencers Chinese consumers expect. Is it a salesman? A role model? A content creator? The answer is all of the above and more.

Therefore, agencies and MCNs should not solely look to make KOLs bigger stars or increase their number of followers. Instead, they should embrace diversity and fluidity among influencers since each type of character can play a valuable role in this burgeoning economy.

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