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## How live commerce transforms social shopping: McKinsey

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*As social shopping continues to accelerate, live streaming events are becoming an integral part of this transactional channel. Image credit: Alibaba*

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Live commerce has proven successful in China and other parts of Asia, and is rapidly spreading to Western markets, indicating it could hold enormous potential for brands and ecommerce platforms.

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The channel combines instant purchasing of a featured product and audience participation through a chat function or reaction buttons. According to a recent [whitepaper](#) from McKinsey, sales originating from live commerce could account for 10 to 20 percent of all ecommerce by 2026.

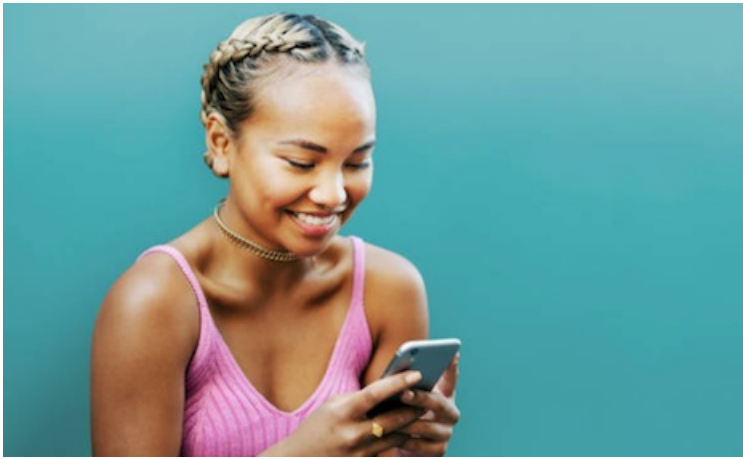
### Value of live commerce

Live commerce can help brands, retailers and marketplaces primarily in two areas: accelerating conversion and improving brand appeal.

These experiences can be both entertaining and immersive, keeping viewers watching longer. For instance, time-limited tactics such as one-off coupons can be used to generate a sense of urgency.

If executed properly, live commerce could potentially increase a brand's appeal and distinctiveness, and pull in additional web traffic. It can strengthen positioning among existing customers and attract new ones, especially young people keen on innovative shopping formats and experiences.

The channel has evolved rapidly in China, growing 280 percent in value between 2017 and 2020, reaching an estimated \$171 billion. This acceleration has been intensified by the pandemic, and sales are expected to reach \$423 billion by 2022.



*According to a 2019 survey, 39 percent of Gen Z respondents cited social media as most influential on purchase behavior. Image credit: Getty*

Apparel and fashion is the most showcased product category within the channel, followed by beauty, food, consumer electronics and home decor.

In terms of demographics, Gen Z and millennials dominate the channel. By March 2020, live commerce was used by 265 million people, with almost 30 percent of those being Chinese users.

Western brands, retailers and marketplaces are following China's lead and establishing their own live commerce strategies. In December 2020, retail corporation Walmart piloted a livestream fashion event on TikTok that netted seven times more viewers than expected and added 25 percent to its TikTok follower base ([see story](#)).

To successfully launch live commerce channels, brands and retailers must consider their products and audiences, the format through which they are selling and how they will enable their channel.

McKinsey found that live events can be highly effective for creating awareness and prompting trial but less so for solidifying loyalty, so brands must consider which stage a product has reached in its life cycle.

Brands must know who makes up their audience, what matters to them and how to get their attention to attract the most relevant consumers to a livestream event. Generally, Gen X and Gen Z shop and spend more time online than other groups, according to McKinsey, but it is worth studying the data at a more granular level.

To set up a livestream event, companies typically engage a key opinion leader (KOL) or key opinion consumer (KOC) to host the show, introduce the product and interact with the audience to trigger sales.

Tutorials are effective in showing audiences how to apply or use a specific product as well as suggesting how to combine it with other products, opening up cross-selling opportunities.

Interviews with big names from relevant segments feel more authentic than product launches and can be good for building awareness and driving traffic.

"Behind-the-scenes" videos offering the inside story of a product or company help build brand image and loyalty in a target segment.

Planning a live-commerce event also involves deciding on the following enablers: technology, tracking and marketing.

The key technology choice is which platform or marketplace to use for hosting the stream and providing ecommerce functionality. Some providers offer one of these functions; others, such as Instagram and Facebook, offer both.

McKinsey suggests that the right choice depends on a business's level of maturity with live commerce. It also involves considering which technology provides the biggest target audience, which features it offers and the level of commission to be paid.



*TikTok is exploring an expansion of its livestream shopping events as social media moves in a more transactional direction. Image credit: Getty*

Effective tracking and measuring of event impact are crucial to understanding what does and does not work. It is important that the live commerce operating model be flexible enough to act quickly on that data.

Good marketing drives performance, and McKinsey thinks companies do not invest enough time or resources to get their marketing right.

To maximize views, an omnichannel approach is key, alerting target audiences to an upcoming show through newsletters, emails, websites, apps, push notifications and social media, and providing links and information on paid social media.

#### Future of live commerce

Over the next few years, McKinsey predicts live commerce development in three areas: micro-and nano-influencers; expansion into new sectors; and new formats.

Using influencers with a few thousand dedicated followers can generate a more intimate and trusted connection with audiences at lower cost, suggests McKinsey. According to one survey, the engagement rates for nano-influencers on Instagram are 10 times higher than those for mega- and macro-influencers.

French beauty brand Lancme achieved records on both 618 pre-sales and the first day of the 618 festival. In addition to livestreaming, the brand's official WeChat account was a significant area for exposure and community discussion of Lancme's exclusive 618 product releases.

Micro- and mid-tier influencers generated 65 percent of placements for Lancme's 618 campaign, most of whom posted on Xiaohongshu ([see story](#)).

As live commerce increases its reach, industries such as healthcare, engineering, finance and B2B sectors are likely to enter the space. For instance, a leading tech company is planning to use its livestreaming platform to provide health-related content and services such as consultations and appointment scheduling.

Augmented and virtual reality can make the shopping experience more immersive and enable buyers to see a product from every angle. In the future, consumers may be able to have virtual face-to-face conversations with a show host just as though they were speaking in a store.

Social media platform Snap Inc. recently partnered with Southern California-based online retailer Verishop to launch Verishop Mini.

Users can virtually sample popular beauty products and accessories available from Verishop through Snap's new augmented reality try-on experiences. For instance, users can see how they look in shades of lip gloss or virtually try on select styles and colors of sunglasses ([see story](#)).