

# The rise of live streaming e-commerce

Deep dive from the Global Entertainment & Media Outlook 2020–2024

The spread of COVID-19 and strict movement measures have given rise to more instances of online shopping and spurred further growth in e-commerce in Mainland China. In particular, live streaming has gained prominence in recent years as a viable way to market, communicate, and sell products online. Chinese consumers are increasingly shifting away from traditional mass media and looking to mobile and electronic devices for information and entertainment.

It is estimated that live-streaming shows will drive a transaction volume of RMB 500 billion (about US\$71.4 billion) on Taobao. Many social platforms - including Douyin, Kuaishou, Little Red Book, Pinduoduo, and WeChat mini programmes - have jumped on the bandwagon to capitalise on the significant growth and success of commercial livestreaming.



## Live streaming has gained prominence as a viable marketing and retail channel

Live streaming growing revenue streams come from subscribers and advertising for both short video streaming and e-commerce platforms. It is a uniquely successful retail model in Mainland China as it monetises consumer attention during a “sales” window, that encourages impulse buying encouraged by the Key Opinion Leader (KOL), such as internet celebrity live streamers.

Amid the COVID-19-led closure of retail shops, consumers were hungry to spend and socialise, live streaming offered both – digital engagement and an interactive shopping experience.

Highly interactive and entertaining, live streaming started initially more in lower-tier cities in Mainland China but has now grown into higher-tier cities and attracted the attention of many well-known international brands.

According to [PwC's 2020 Global Consumer Insights Survey China Report](#), the shift to online-based

consumption has become unavoidable in the post pandemic era, as digital platforms evolve to appeal to digital-savvy Mainland Chinese consumers.

Live streaming e-commerce, with its surging popularity, was the biggest highlight and growth engine on Singles Day 2019.

In 2020, "KOLs + live streaming" further becomes a new normal for e-commerce. Total sales of Alibaba's two top live-streamers reached over RMB 9.1 billion in just two days of pre-sale on Singles Day 2020.

With only a few years of development, direct sales via live streaming has emerged as a new and promising channel leveraging the strength of both KOLs and Key Opinion Consumers (KOCs). Live streaming has brought “retailtainment” to the next level, with added benefits of enhancing supply chain efficiency and cash turnover for retailers.

Nevertheless, with the rapid development of live streaming, China Consumers Association has



recently warned consumers to take caution on products promoted or sold by KOLs and KOCs over concern of authenticity and quality. Retailers should take actions to strengthen consumer trust in this respect.

On the other hand, with the substantial increase in mobile internet access traffic, there has been a visible shift from non-digital advertising to digital advertising.

According to our [Global Entertainment & Media Outlook 2020-2024: China Summary](#), it is estimated that the proportion of mobile internet advertising will increase to 63% by 2024, with live streaming e-commerce advertising becoming the new driving force.



## Key tax considerations before tapping into live streaming e-commerce

In the live-streaming e-commerce, the business models vary among platforms operated by different market players. The business arrangement between platforms, live streamers, merchandisers and MCNs are relatively complicated, which results in the situation that it is difficult to confirm implications from the commercial, legal and tax perspectives. In general, the tax treatments and reporting bases would be greatly affected by the proposed business flows, business contracts and cash flows. Hence, it is suggested having an assessment on an overall tax implications of corporate income tax, Value-added Tax (VAT), individual income tax and other duties when formulating the business flows, business contracts, and related cash and invoice flows etc among the involved parties. Moreover, the taxpayers shall understand the views and practices of different tax authorities on related tax issues in order to manage overall tax efficiency and minimise related risk.





## Conclusion: The E&M future on fast-forward

The pandemic has caused a seismic shift in the way consumers work, shop and play. It has accelerated digitalisation of the Entertainment & Media (E&M) industry and paved the way for Mainland China's now-booming e-commerce sector to cater to an even wider demographic of users.

The transition from traditional consumption to online-based models has boosted the demand for home entertainment, and creating a strong case for retailers to adopt live streaming, given its popularity and ability to drive sales through integration of e-commerce and entertainment platforms.

The live streaming market has grown at a phenomenal speed in a short span of time. This is made possible by Chinese consumers' ubiquitous adoption of mobile technology and online shopping, which has played a pivotal role in the digitalisation of Mainland China's E&M and retail industries.

With more Chinese consumers engaging in social commerce, retailers should consider new ways to strengthen their digital and social media capabilities. They need to evolve their digital marketing playbook, leverage online platforms, and invest in content and advertising to continuously improve sales conversion and retain customers.

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Explore how we can help your business benefit from this new normal. Please contact:

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