

THE CHALLENGER 2020

BY  Lazada

LazLive

Retail New Normal





This case was jointly written by Supawat Likittanawong, Adjunct Professor of Thammasat Business School, and Lazada Thailand. The case was prepared solely as a basis for discussion, and is not intended to serve as endorsements, sources of primary data, or illustration of effective or ineffective handling of a business situation.

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"LazLive offers a closed loop for in-app purchase which enables higher transaction and a more seamless experience for consumers. Today's public health crisis is driving an increased demand for digital shopping experiences. LazLive is a valuable tool for our brands and sellers to engage with consumers under our collective new normal..."

"...By end of June (2020), we aim to increase daily livestreaming sessions by 50 per cent and expect total viewers to rise by 40 per cent. We are helping businesses to continue to connect with consumers through innovative technology as behaviours and practices are reshaped across Southeast Asia in the shadow of Covid-19."

"Lazada operates e-commerce content and activities under the shoppertainment strategy that grows the consumer base beyond just transactions... LazLive enables higher transactions and a more seamless experience for consumers,"

Lazada Group

CHALLENGER 2020

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Founded in 2012, Lazada Group is the leading e-commerce platform in Southeast Asia offering a fast, secure and convenient online shopping experience. Lazada offers broad product categories ranging from fashion, consumer electronics, household goods, toys and sports equipment. Lazada is always striving to offer its customers the best possible product offering and experience. The company is accelerating its progress in Thailand, Indonesia, Malaysia, the Philippines, Singapore and Vietnam through commerce and technology. With the largest logistics and payments networks in the region, Lazada has become an integral part of consumers' daily lives and aims to serve 300 million shoppers by 2030. Since 2016, Lazada has been the Southeast Asia flagship platform of the Alibaba Group and is powered by the group's cutting-edge technology infrastructure.

Lazada Thailand is a significant part and contributor to the Lazada Group. With Lazada Thailand's leading position in the Thai market, it has consistently delivered on new and innovative ways to engage consumers in the e-commerce space. One of the latest innovations in recent years is LazLive that combines live streaming, entertainment and retail to provide "Shoppertainment". Although in still its early days in Thailand, it has shown strong potential and offers new opportunities for e-commerce here. Lazada Thailand looks to develop and grow this new form of retail and follow the footsteps of success the group has enjoyed in its sister market like China.

COVID-19 ACCELERATING DIGITAL ADOPTION

The COVID-19 pandemic has tremendously impacted livelihoods, industries, and the economy in general. Governments around the world have imposed strict measures such as travel curbs and restricted movements to contain the virus. Authorities have issued safety guidelines, and everyone is urged to practice social distancing until a viable vaccine for the virus is found and made widely available. Some of these measures are likely to stay indefinitely and as a result, this pandemic has significantly changed the way people live their lives. Citizens and businesses are pushed to embrace the "New Normal" due to the virus.



Exhibit 1: New Normal

This “new normal” has accelerated the adoption of a digital culture worldwide. As millions are working at home, buying groceries online, and using digital wallets and entertain themselves through digital outlets. Eighty five percent (85%) of digital consumers across SEA said that they have been involved with new digital apps during the first quarter of 2020 and the highest increase in first-time and continued usage are from social media, video streaming, and instant messaging. Consumer retail has also evolved, and consumers is adapting to a “New Normal” way to shop.

Although Thailand has managed the COVID-19 pandemic relatively well when compared to other countries, it has not been spared from the social and economic impact of the virus. The overall Thai economy is projected to slow down significantly due to COVID-19 pandemic. The Thai government’s countermeasures such as travel restrictions, curfew time limit, and the closure of venues considered high-risk areas, including retail shopping malls, were designed to curb the spread of the virus during the peak of the pandemic but these measures have also impacted hospitality, offline retail, and food service industries severely. Food sales through convenience stores, supermarkets, supercenters, and their online platforms saw mild growth, while full dine-in restaurants are under severe stress from the outbreak. Despite the easing of these bans, the crisis has habituated Thai consumers to online purchases. The pandemic resulted not only in changes in consumer purchasing behavior but also in their consumption habits (increase in home cooking), healthy living trends and online content consumption.

LIVECOMMERCE AND THE CHINA EXAMPLE



Exhibit 2: China live Streamer in action

Although livestreaming as a channel for commerce is relatively new in South East Asia, it is not new to commerce. China, a leader in LiveCommerce has shown us what potential this new and exciting channel has to offer. Starting as early as 2014, LiveCommerce has become a mainstream commerce channel in China. Livestreaming is a new “go-to” option for Chinese consumers when seeking out new products. When it comes to decision making to purchase, livestreaming is considered an essential part of the consumer discovery journey. It is not surprising that Chinese livestreaming market has a huge content community, Taobao is a home to over 4,000 livestream hosts, generating more than 150,000 hours of content daily.

Livestreams in China e-commerce platform is where fans can shop for the products or items they see immediately within the same application while customers are able to shop for over 600,000 items through livestream daily. Taobao Live revenue for Singles’ Day in 2019 racked up almost RMB 20 billion (USD 2.82Bn), almost 10% of total annual revenue. Ten livestream ‘rooms’ sold over RMB 100 million (USD 14Mn) worth of goods and over 100 rooms topped RMB 10 million (USD 1.4Mn), with 2018’s Singles’ Day livestream revenue surpassed within 63 minutes. China is forecast to have 526 million live-streaming video users in 2020, up from 504 million in 2019, however this forecast is likely to be greatly underestimated after the outbreak of COVID-19. The pandemic has taken live-streaming to a new level, expanding extensively beyond the traditional ecommerce streams to everything from education, entertainment and health. A market estimate published by inke.cn done pre-COVID-19 outbreak already expected the live streaming market size in China to grow at almost 25 percent CAGR between 2017 and 2022. With COVID-19 pandemic continuing to be a risk, this growth rate is expected to be significantly under-estimated.

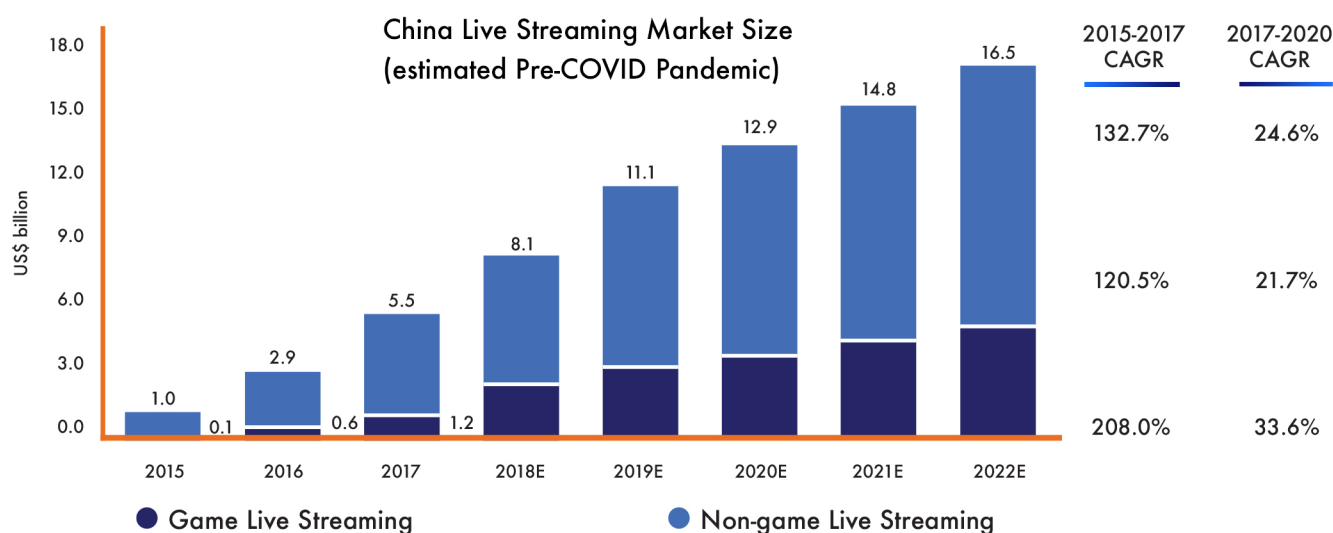


Exhibit 3: China Live Streaming Market Size
(Source: Inke.cn)

Other than size, diverse content is also what makes China an interesting market to study. While fashion and beauty remain the top livestreaming categories where hosts talk about the latest trends, livestreaming about fresh produce with farmers picking up the vegetables, catch live fish from a river is also becoming more popular where consumers can ask and make orders instantly. Proving that not only the popular category such as fashion and beauty can be livestreamed.

“

E-commerce livestreaming has become popular, especially among female consumers in lower tier cities and rural area (in China). These women treat broadcasters like their close friends, someone they can turn to for product advice, someone whose recommendations they trust.

”

“

For many of them, purchasing products through livestreaming has already become a habit, and I only see this habit growing stronger in the future.

”

Lauren Hallanan,
Vice President of Meet Group,
a leading global social entertainment platform.

CHINA'S BIGGEST LIVESTREAMERS

There are two undisputed leaders or key opinion leaders (KOLs) in China's livestream scene, Viya and Austin Li. Both these individuals have fan following on their live channels larger than the entire population of some countries. They are also able to bring in billions of yuan in sales on a single day. Viya, known for her ability to sell hundreds of million RMB worth of product in only just one livestream session and attract several million viewers. Austin Jiaqi Li, famously known as "Lipstick King" tries on 300 lipsticks a day and once sold 15,000 lipsticks in just 15 minutes.

International brands such as Lancôme worked with Viya to feature their products in livestreaming session for International Women's Day in March. That featured session generated RMB 10 million worth of products for the brand. During Mega Chinese shopping holidays, livestreaming is considered an engaging way for international brands to reach their customers. At the Global Shopping Festival in November 2019 or 11.11, Tmall hosted its third "see now, buy now" fashion show, featuring Guess, Clarks, and Anna Sui where consumers were able to order items straight from the runway while watching the livestream on Taobao application.

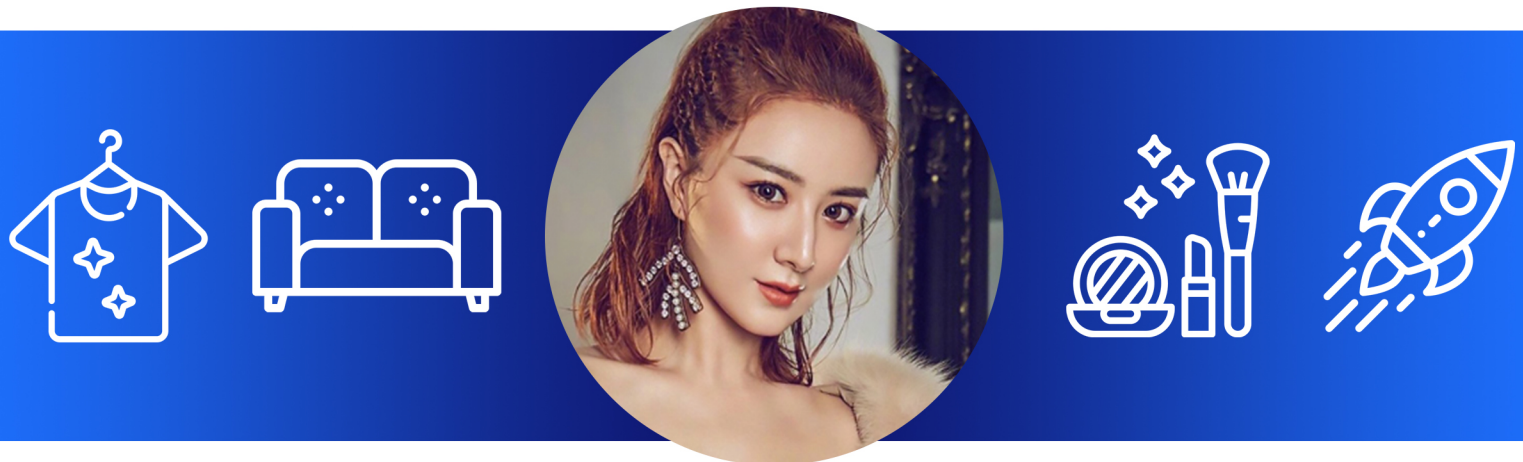


Exhibit 4: Viya or Huang Wei – China's Supermarket Celebrity

Viya was one of the first anchors of Taobao Live, joining in May 2016, less than one month after it was launched. In 2019 she had 19 million Taobao Live fans and brought in RMB 2.7 billion Singles' Day sales revenue (the equivalent of her 2018 sales) in one day. Viya is often described as a "supermarket celebrity", which means she covers the most categories among livestream anchors, calling her audience "Viya's girls." In 2018 alone, she worked with over 5,000 brands. She is even said to have sold out discounted rockets on her stream – RMB 45 million (USD 6.4Mn) down to RMB 5 million (USD 710K). She has been known to attract more than 800 people to pay deposits of RMB 500K (USD 71K) within 5 minutes.

Her success has been attributed to her appearance and eloquence. She also covers common products from a wide range of categories with wide appeal. She makes sure she gets her fans the best deals and has been known to threaten a supplier “Why I am going to let my audience down, let them buy expensive products, I want the lowest price, or I quit” in the livestream room, as a symbol of her bargaining power.

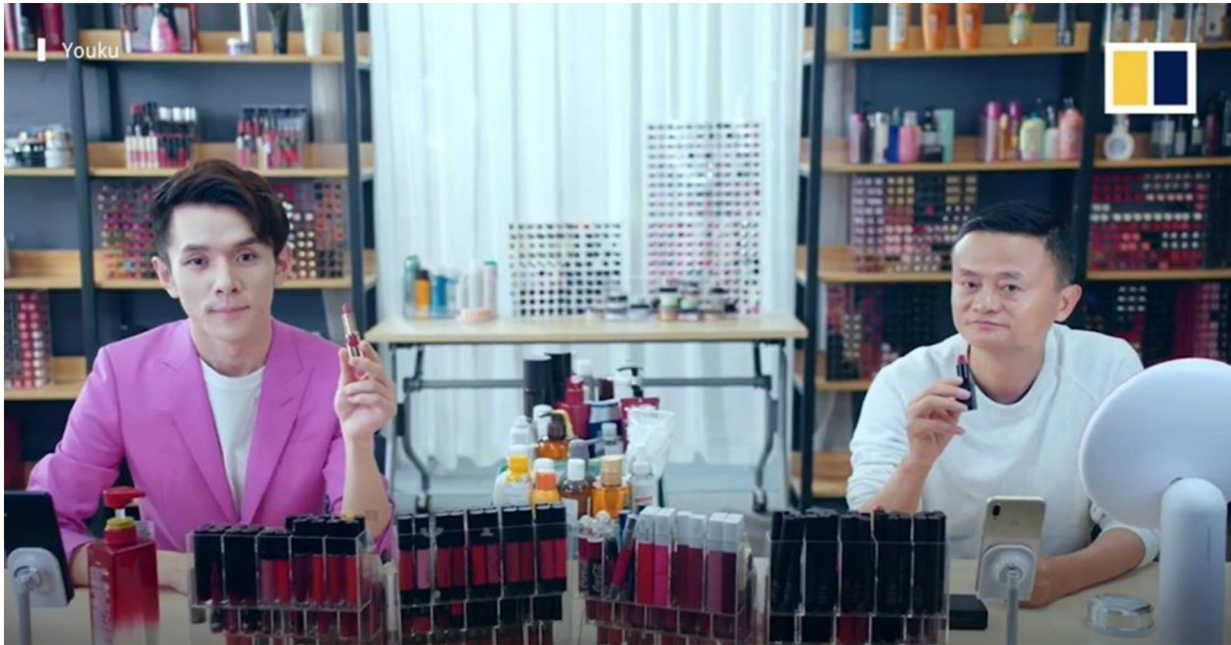


Exhibit 5: Austin Li, the Lipstick King of China at a Lipstick sale competition with Jack Ma

Austin Li has risen from beauty advisor to the “Lipstick King” of China. He has over 23.5 million Taobao Live fans. Austin has earned his title as the “Lipstick King” by having made the most lipstick applications in 30 seconds from the Guinness World Records in September 2018. That same year, he outsold Jack Ma in a lipstick-selling contest on Singles’ Day. He has promoted 380 different lipsticks in two hours, sold 15,000 lipsticks in 5 minutes and has many other claims related to the product category. He is known to work hard, having live-streamed 389 sessions in 365 days.

His success is due to the ability to build trust among his fans. He personally tests all products before he recommends them. Like Viya, he gets the best bargains for his fans. He even blocked Lancôme and Pejoy because the price offered to him was a little bit higher than that offered to another anchor. He is also a genuine lipstick expert and a great talker. His famous tagline, “oh my god, buy it now” always triggers audience interest to buy. He’s also good at creating an atmosphere: “Attention! only 30,000 products available, ready, 3,2,1, link! 30k, 20k, 10k, ok sold out, next”. This leads to people buying products before they figure out what is really happening – someone even bought a sofa after watching 5 minutes of his livestream.

LIVE STREAM E-COMMERCE IN THAILAND

Lazada in Thailand is taking inspiration from China's 'shoppertainment' trend to sell goods during live streams. Lazada believes live stream e-commerce shopping can greatly help brands and sellers connect with audiences in Thailand. Live streaming helps bridge the omnichannel retail gap as consumers no longer need to visit a physical store to see a product, speak to a store attendant and fulfill the order. Live streaming can address all that and could potentially offer greater convenience to shoppers and buyers who can communicate and transact from the comforts of their homes or on the go. Live stream has even helped rural farmers gain more visibility with online shoppers.

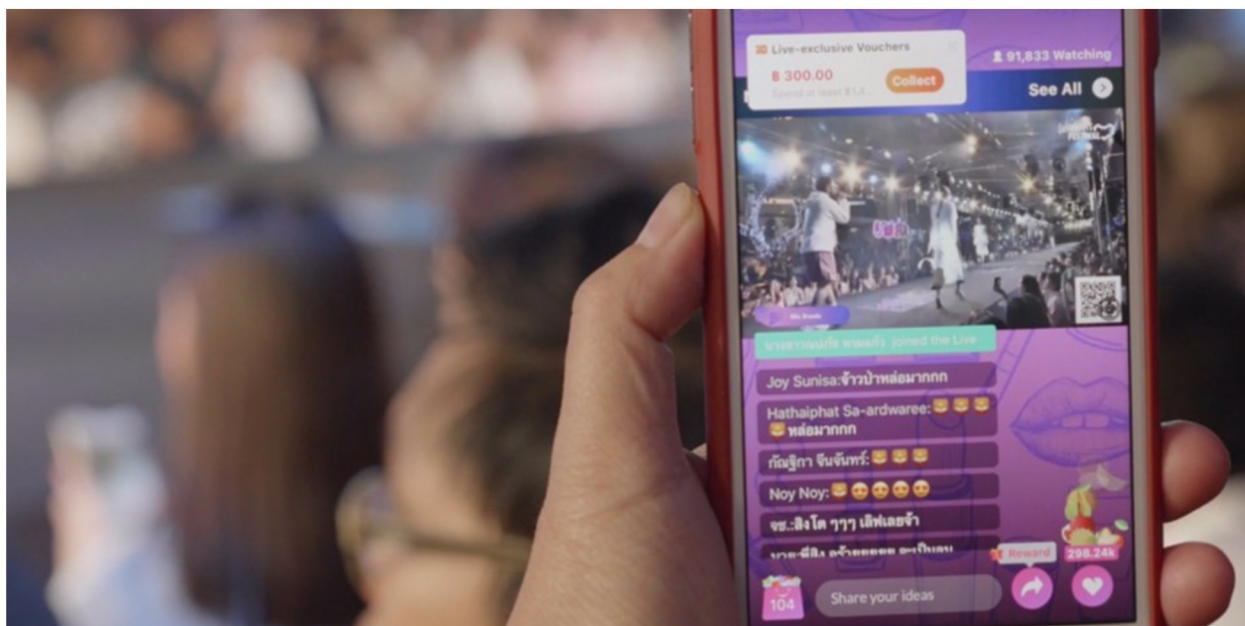


Exhibit 6: Lazada's “See Now Buy Now” fashion shows held in Thailand and Philippines featured local labels.

Lazada has coined the term 'Shoppertainment', which reflect innovations that merge shopping with entertainment and social experiences, so consumers watch, play, and stay. These innovations include in-app live streaming, gamification, and the integration of commerce with functions such as its 'See Now Buy Now' technology.

Lazada also live streamed a music concert on its app simultaneously across its six markets in APAC, as part of its 7th birthday celebrations in March 2019, and again during its inaugural Women's Festival a month later. With the high demand for convenience and interactive shopping environments, Lazada believes that the unique and engaging omnichannel online shopping experience provided by Lazlive is a winning combination.

LAZLIVE CURRENT BUSINESS MODEL AND OBJECTIVES

Lazada Livestream or LazLive, leverages the resources and technology experience of the parent company Alibaba to pioneer this feature in Thailand on November 2018 and was the first ecommerce company to launch this in-app function in the country.

LazLive allows users to interact in real time and has the “See Now, Buy Now” feature that offers a closed loop for in-app purchases. Following Lazada’s ‘Shoppertainment’ strategy, LazLive blends in shopping experience with entertainment. “See now” is where consumers can watch the product demo real time while sellers can showcase their product, and “Buy now” is the opportunity for consumers to instantly purchase after they see the item and a chance for sellers to increase their sales. LazLive allows shoppers, brands, and sellers to demonstrate their product and its details while consumers sit back and watch interesting online content, and are able to purchase the items fast and simultaneously in just a few clicks.

LazLive’s core objectives and priority are to encourage and increase sellers’ adoption to implement this latest livestreaming tool and use it efficiently to increase their sales, increase store traffic, and tighten sellers and customers engagement. Consumer can comment, interact, and follow the brand accounts in the livestream session.

LAZLIVE COLLABORATION WITH BRANDS

Historically sales and marketing were the main drivers of growth but in recent years, a new wave of enterprise growth has seen the partnership channel emerged as a vital engine for customer acquisition, conversions, and brand loyalty. As video and live streaming present a major opportunity for brands and influencers, brands look to connect with influencers whose audience and content aligns closely with their products. A fitness influencer that is filming a new workout routine can reference a certain piece of gym equipment or what they are wearing during the live stream. They can also offer their audience a discount code to purchase those featured items directly from the brand. In Thailand, over 90,000 viewers tuned in to watch one of Shiseido's LazLive sessions, where the international cosmetics brand successfully generated 40 times GMV uplift compared to a normal hour. A LazLive-exclusive price item sold out in the first 30 minutes

Marketing experts believe that these partnerships perform best when brands and influencers work together to create relevant content and find authentic ways for influencers to recommend a brand’s products during a live stream. Instead of hard-selling, these influencers hosts broadcast in real-time, videoing themselves modeling clothes, trying on makeup, or conducting product reviews, and viewers can then immediately purchase the products featured from a product catalog without having to close the live stream. Conducting a live stream session is also a great way for sellers to gauge consumer interest in various products and their market potential.

For Lazada, its 'See Now Buy Now' fashion shows held in Thailand and Philippines featured local labels. Fashion sellers such as Salisa Cheewapansri, who owns Salisa Clothing, saw their sales soar by at least 20 times compared to normal day volumes, with all her items sold out within half a day. Lazada also held its first live streamed gameshow, Guess It!, which featured 2,000 brands and sellers across six countries and 20 days. The 672 gameshow sessions achieved over 7 million viewers, 2 million comments and an average viewing time of 8.1 minutes per session.



Exhibit 7: Lazada's "See Now, Buy Now" fashion show in Bangkok with Lazada Group executives

To empower more brands and sellers to stay connected with consumers during this stay-at-home period, an exclusive seller package, including exposure, comprehensive online learning opportunities, and free livestream episode is offered to new joiners of LazLive. The number of new LazLive accounts has increased by 70% in April compared to a normal month. Lazada has open up LazLive to users and consumers, allowing them to create a new source of income while working from home. About 60% of the new joiners are brands and sellers, while grassroots livestreamers make up the rest. As mentioned, LazLive is a "See now, Buy now" tools, where engagement and conversion are very significant. Therefore the ability of brands and sellers to increase and tighten the engagement and relationship with their consumers is of utmost importance. At the same time, sellers need to find appropriate strategies that can uplift the conversion within the livestream session.

With LazLive expectation to expand pool of sellers, LazLive team continues to support sellers with voucher to increase their sales. However, the team also wants to increase varieties in delivering different types of content to consumers so that every gender, or age can all enjoy watching livestream on Lazada platform.

LAZTALENT TO COMPLETE THE LAZLIVE LIVESTREAMING ECOSYSTEM

Not only sellers are able to do livestream, LazLive has developed LazTalent program to encourage aspiring presenters to step up and start building up their profile to become real KOLs and to gain extra source of income by joining LazTalent program.

To encourage talents who may be experts in a certain field to shine online, a LazTalent contest was launched in April 2020. More than 3,000 grassroots livestreamers and brand promoters have onboarded LazLive during the contest period. As offline stores were closed during the initial outbreak of COVID-19, Lazada kicked off an Offline-to-Online Promoter & Affiliate Programme to enable brands' offline salesperson to earn commissions from products sold through social channels and LazLive. With this program, Bobbie Brown's offline sales team has been able to educate viewers on how to pamper their skin and how to create the perfect looks on LazLive, while still maintaining sales during their stay-at-home period.



Exhibit 8: LazTalent

CURRENT CHALLENGES FOR LAZADA AND LAZLIVE

During the Mega Campaign “Lazada Mid-Year Super Sale” in 13th – 19th June, 2020, LazLive has generated more than 2,200 sessions with average daily session of up to 300 sessions. These sessions contributed more than 6.8M views and more than 500 sellers and 315 KOLs completed livestream during the campaign. Currently, Lazada is expanding the livestreaming sellers pool and also expecting to attract more consumers to LazLive and purchase within the livestreaming platform.

To make LazLive a success, a few challenges need to be addressed.

1. How can LazLive as a platform sustainably onboard, incubate and build sellers’ mindset to adopt the tools and make use of the tools in the most efficient way? At the same time, what can Lazada do to assist sellers in finding appropriate strategies that can uplift the conversion within the livestream session?
2. How can Lazada build a strong consumer mindset to purchase in livestreaming since most of the consumers right now are more likely to only watch LazLive for entertainment rather than watch and purchase? How can Lazada fully leverage LazLive to grow and make the livestreaming business successful and influential like the Chinese market?
3. With LazTalent program to incubate presenters / KOLs who wish to show case their talents, how can LazLive as a platform attract and recruit new presenters to join our LazTalent program to complete the ecosystem? And once recruited, how can Lazada groom their LazTalent to become Thailand Austin Jiaqi Li?

With successful example from China, the management team at Lazada Thailand sees “shoppertainment” through Lazlive as an innovation that will start a new chapter for online retailing locally. To do that, the above challenges needs to be addressed so that Thailand could be the next success case. Lazada looks forward to seeing creative, practical and implementable solutions that can quickly make Lazlive a greater success in Thailand.

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