

# HOW INTERNET ADVERTISING COMPANIES ARE DRIVING THE GROWTH OF LIVE E-COMMERCE YUNMIAO LIVE

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## ABSTRACT

About 790 million Chinese people use the Internet for shopping, accounting for 79.1 percent of the country's Internet users, while nearly 620 million people, or 62.4 percent, will participate in live streaming. In this context of online shopping, the marketing mode of live streaming has achieved a comprehensive blowout growth in recent years, especially due to the impact of the COVID-19 epidemic, traditional enterprises have made the digital transformation. In this context, China's network live broadcast industry has ushered in a huge tuye and entered a stage of rapid development." Live streaming +" fully enables e-commerce, tourism, cultural communication, and other fields to drive economic growth and promotion. Cultural communication, helping social civilization, and other aspects show extremely high social value, and the social identity of the live broadcasting economy is further enhanced. Relying on the massive customer resources of the parent company Yunrui Group in 17 years, strong financial strength, perfect company management mechanism, and other factors, Yunmiao Live broadcasting will lay out in the field of live broadcasting in 2021. The strategic layout of Yunmiao Live is to provide digital marketing services to the whole link of live broadcast strategy marketing. The financial and feasibility is initial investment at RMB 10 million yuan, the average annual profit in the five years from 2021 to 2025 will be RMB 12.71 million yuan, the ROI is 127%.

**Keywords:** "live broadcast +", Internet advertising, integrated marketing

## INTRODUCTION & COMPANY INTRODUCTION

Yunrui Group is a professional advertising service provider providing digital marketing integration solutions. Founded in 2004, the company has accumulated nearly thousands of customer resources, which can extend to a dozen mainstream industries to provide customers with "one-stop" integrated marketing services. After 17 years of hone and development, the company has opened branches in Shanghai, Guangzhou, Shenzhen, Zhengzhou, and other places. In 2017, layout brand business has now become the top three brand agents in China; in 2021, layout lives broadcast business, funded the establishment of Cloud second live broadcast, comprehensively layout live broadcast e-commerce, around Bytedance, Kuaishou, Tencent Ecology, to link customer business growth. While decorating 15 broadcast rooms in Beijing, in response to the call of the country, Zhengzhou, a new first-tier city-Zhengzhou, purchased a 35,000 square meter building at Zhengzhou high-speed

railway station to meet the needs of employees for office, live broadcasting, and accommodation, providing a full guarantee for the development and expansion of live broadcasting business.

Zhengzhou is located in the Central Plains, backed by the Yellow River, the sea, land, and air advantages are obvious. Zhengzhou East Railway Station, China's first meter-shaped high-speed railway, and its unique geographical location also make Zhengzhou a national regional logistics center. The second factor in the layout of Zhengzhou is the population advantage. Although there are not many well-known universities in Zhengzhou, Zhengzhou ranks second in China, which is a very valuable talent resource reserve. As the headquarters of Yunmiao Live, Beijing will focus on a high, fine, and sharp talent structure, and constantly provide power support for the future development of the company. In how to effectively promote the development of the company, both the advertising business and live broadcasting business are inseparable from the support of major media, and Beijing has its advantages.

Zhengzhou mainly focuses on the DP industry matrix, undertaking various types of top brands, leading the seven segments: education, food, clothing, daily provisions, beauty makeup, 3C, etc. Beijing to economic contract, anchors to create vertical IP. Constantly meet the multi-dimensional needs of customers, and truly achieve the mission statement of cloud second live broadcast: cloud poly superior, seconds to users.

## **INDUSTRY ANALYSIS**

The introduction of the live streaming model into marketing can first go back to the 1990s when TV was used as the main medium of live streaming. This model is introduced by TV presenters, and users watch live TV ordering goods over the phone. With the popularization of the Internet and the maturity of various network technologies, the platform of live broadcast marketing has shifted from TV to the network. The landmark event is the official entry of Taobao in 2016. The launch of Taobao Live streaming not only means that the big era of e-commerce live streaming is coming but also directly changes the life trajectory of countless ordinary people in the next few years. Subsequently, JD, Suning, and other major e-commerce platforms have added live streaming marketing business, which has accelerated the live streaming e-commerce industry. In addition to traditional e-commerce platforms, short video and content distribution platforms such as Kuaishou and TikTok have also joined the army of live streaming marketing. In 2019, driven by the background of "house economy", multiple local government policies, technical environment, and other factors (PEST), the network live broadcast marketing ushered in an outbreak.

Political Factors (Political): The 2020 Government Work Report pointed out that new forms of business such as e-commerce online shopping and online services have played an important role in fighting the epidemic. We should continue to introduce supporting policies to comprehensively promote the "Internet Plus" and create new advantages in the digital economy. At the national level, in July 2020, the National Development and Reform Commission issued the Opinions on Supporting the Healthy Development of New Business forms and New paradigms, Activate the Consumer Market and Expand Employment. Some local government officials also took the lead, with mayors and party secretaries becoming network anchors to speak for the products in their hometown, which has achieved a good

social response. These actions have further promoted the development of online live broadcast marketing.

**Economic factors (Economic):** China's final consumption expenditure accounted for 54.3% of GDP in 2020, the highest level in recent years. Under the development thought of the new normal of economy, the development of domestic economy requires paying attention to supply-side reform, transforming from manufacturing to service-oriented, and from expansion to energy-saving. Focusing on the development of the e-commerce industry meets the development needs of the new normal economy. Especially when the epidemic crisis has not been completely resolved, people's offline activities are greatly reduced. Online live streaming not only kills people's leisure time but also meets people's material life needs.

**Social Factors (Social):** By the end of 2020, the number of web cast users in China had reached 620 million, accounting for 62.4% of the total Internet users. Among them, live streaming e-commerce has become the largest user live streaming category among online live streaming, with a user scale of 388 million, an increase of 123 million compared with March 2020, accounting for nearly 40% of the total Internet users. The live broadcast of single users accounted for 66.2% of the users watching the live broadcast, that is, nearly two-thirds of the users have made purchases after watching the live broadcast. With the further expansion of the Internet-scale, consumers to live interactive, social, entertainment cognition, and live with goods to the audience more favorable price, more intuitive introduction, more trust, user groups to live network and live electricity acceptance is gradually increasing, users average daily watch live time continues to increase.

**Technical factors (Technological):** The rapid development of webcasts cannot be separated from the support and promotion of relevant science and technology. These technologies mainly include 4G network technology, cloud computing, big data, etc. With the popularization of 5G technology and the continuous application of virtual reality and artificial intelligence in the business field, the marketing model of network live streaming will still usher in a new outbreak point.

## **MARKET ANALYSIS & MARKETING PLAN**

The traditional marketing theory is based on the 4P theory generated by Neil Bowton's "marketing portfolio", namely product (Product), price (Price), promotion (Promotion), access and distribution channels, and distribution (Place & Distribution). With the development of the Internet, the traditional product segmentation and positioning strategy are no longer effective, free popular, channels disappear, the promotion also no longer rely on the traditional advertising forms. A large number of Internet stories and new terms began to become popular, the old rules were constantly broken, and the 4E theory of Internet marketing emerged, namely experience (Experience), cost (Expense), electric shop (E-shop), display (Exhibition).

In the Internet era, space and time restrictions disappear. In terms of consumers' feelings, concepts such as advanced and easy to use, high quality and cheap, participation, pain points experience, and mobile Internet itself are also more optimized experiences. Low price, discount, buy free are the most used competitive strategy, but now more and more products begin to play free, such as 0 yuan to buy, 1 yuan to buy, etc., it seems that merchants

are giving profit but they get another thing —— traffic. Customers spend not only the price after the purchase behavior but also the time. So it can also be understood as: customer expenditure = price + time, we call it to cost; corresponding, enterprise revenue = sales + customer flow.

Under the support of the Yunrui Group for 17 years, Yunmiao Live is most closely combined in the 4E theory of marketing strategy (Exhibition). The purpose of the display is two, one is to obtain traffic (viewing/listening rate, arrival rate, click rate, effective retention time, etc.), the other is to obtain consultation (telephone consultation, online inquiry, counter consultation). The acquisition of traffic is for two dimensions, one is through the content, the topic to gather fans of the same hobby, since driving the growth of performance. Second, through the information flow advertising orientation according to the region, the crowd, preferences to pay to obtain more accurate users, to achieve the purpose of customers whether consultation or direct transaction.

The live broadcast room of live broadcast e-commerce has its transaction attributes. anchors provide audiences with a more realistic shopping experience through commodity information display, constantly improving the purchase conversion rate of the live broadcast room, breaking the limitations of traditional e-commerce marketing and offline promotion marketing. To improve the development of e-commerce live streaming, it is necessary to adopt more targeted marketing strategies according to the characteristics of live streaming e-commerce. Moreover, combined with the advertising experience and the first-mover advantage of customer resources, the combination of the sales process and promotional activities is as follows:

- With fans centered, marketing from the outside to the inside
- With the cooperation form of cooperative brand advertising customers

Combined with the overall marketing strategy of Cloud second live broadcasting and the unique attributes of brand agent broadcasting and agent operation, the service purpose of Cloud Second live broadcasting is to take customer needs as the core orientation, breathing, and common destiny! Generation, operating cooperation income mainly to live service fee, sales (GMV), live account service, advertising service fee is given priority to, cloud seconds live completely based on customer actual needs and goals, standing in their professional perspective to provide constructive advice and improvement plan, integrate all customer demand, find the best way to cooperation and profit model. Help customers to grow rapidly, to achieve the long-term development goals of the enterprise.

## **MANAGEMENT TEAM AND COMPANY STRUCTURE**

### **corporate architecture**

Live Broadcast Business Center: According to the market demand and according to the needs of the company's business development, there are Zhengzhou Brand Agency Broadcast Service Department and Beijing Talent Live Broadcast Strategy Department

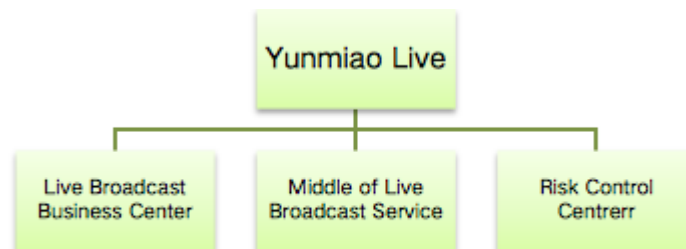
Live service center: The construction of a live service center is designed to unify technology, service, and operation. It consists of Ministry of Commerce, Training Department, Strategy and Creativity Department, and advertising Department

Risk control Center: The risk control center refers to a title of controlling the risk of

enterprise financial loss in modern economic management. It is composed of a data analysis center, Legal Department, Human Resources Department, Finance Department, and Administration Department to jointly escort the healthy development of The business.

### OPERATIONS & PRODUCTION PLAN

With the rapid development of the Internet e-commerce live streaming industry, Yunmiao Live streaming can develop rapidly in the torrent by relying on the Internet advertising client resources accumulated over the years and sufficient capital flow support of the parent company. The Internet is a rapid development of the industry, bringing high returns and rapid realization at the same time, but also to follow the wind direction of the industry, a little careless will be left behind. Through continuous efforts to build the present's three-dimensional ecology, this can stand in the Internet waves.



Multiple content stimulation ways to build a three-dimensional ecology. Through the close connection between brands, fans, and talent, the brand side can contact the circling crowd with the help of the flow of people to have a steady stream of sales guarantee and share traffic benefits. And experts also cultivate a group of loyal and emotionally sympathetic fans through their diversified content forms and high-quality video creation. In this three-way relationship, talent is the bridge between the brand and fans, and Cloud Live is the one who builds the bridge. as shown in the figure



In this seemingly calm scene of the three parties of mutual benefit, there is a hidden surge, if the brand side can not provide the quality and cost performance are higher than the market average products, even if the cloud second live broadcast to do more efforts, the effect is limited. And for the fan group, lost the need to chase after, naturally also will not support the anchor with goods. In this game, what Yunmiao can do is to actively deal with all kinds of problems and ensure the continuous improvement of its strength, but also pay attention to the operation and selection of goods, to build a relatively perfect live broadcast operation system:

### FINANCIAL ANALYSIS & FEASIBILITY ANALYSIS

The financial evaluation of the project is a very important and objective indicator of whether the project has commercial value. From 2021, a five-year planning period will be set as the financial budget of the project operation, with a capital investment of 10 million yuan.

In terms of fixed costs, Yunmiao, as a new type of media broadcast platform company, has no research and development expenses, basic salary and office expenses are relatively high over the total cost, and are predicted according to the company data in 2021 and the development plan for the next four years. Fixed labor cost is shown in the figure below:

**Table 1** Fixed costs: labor and office expenses (unit: RMB 10,000)

Item	2021 year	2022 year	2023year	2024 year	2025 year
Number of employees	155	700	1,000	800	800
Rent and office expenses	186	860	1,200	960	990
Basic salary of staff	1,450	8,400	12,000	10,560	11,040
Defined benefit Allowance	480	2,100	3,000	2,400	2,400

Total labor cost	2,116	11,360	16,200	13,920	14,430
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Note: 1. Office cost includes the cost of the live broadcast equipment, the scene layout of the broadcast room, and the video shooting scene.

2. The number of people did not increase in 2024 and 2025, but the increase in office expenses and basic personnel salary was mainly due to the loss of equipment and the estimated amount of the national average annual salary rising.

### Profit and cash flow

In the investment decision of a project, investors will pay more attention to the net cash flow, because it can objectively reflect the investment income more than the profit. The cash flow of the project is calculated as follows:

#### hypothesis:

1. Customer receivables account for 1 month, and the current month receivables are recovered in the next month"

2. Compensation and benefits are issued in the next month, rent and office expenses and monthly expenditure

3. The corporate income tax of the current year shall be paid next year, and the VAT of the current month shall be paid next month

**Table 2** Calculation of cash flow statement (unit: RMB10, 000)

project	2021 year	2022 year	2023 year	2024 year	2025 year
1. Cash flow generated from business activities:					
Cash received from selling goods and providing labor services	2,569	13,434	20,835	16,184	16,120
Cash paid to and for employees	1,769	9,786	14,625	13,130	13,400
All the taxes and fees paid	146	892	1,736	1,918	1,137
Other cash paid for in connection with business activities	186	860	1,200	960	990
Net cash flow generated from operating activities	468	1,895	3,274	176	592
2. Cash Flow generated from financing activities:					
Cash received from the investment	1,000				
Net cash flow generated from financing activities	1,000	-	-	-	-
3. Net increase in cash and cash equivalents	1,468	1,895	3,274	176	592
Four: Initial balance of cash and cash equivalents	-	1,468	3,364	6,638	6,814

V. Final balance of cash and cash equivalents	1,468	3,364	6,638	6,814	7,406
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According to the profit statement of the project, the cumulative operating income of the project in the past five years is 664.98 million yuan, the total operating cost is 580.26 million yuan, the operating profit is 84.72 million yuan, the enterprise income tax is 21.18 million yuan, and the net profit is 63.54 million yuan.

There is a market, and there is a competition, Due to the similarity and replacement of advertising business services, If a particular service item changes, leading to a change in the charge, It will certainly cause a change in demand, So the competitors will continue to visit or even exceed the cloud seconds, In the fourth year of the plan, the threat of competitors in a price war, To continue to maintain the city and to better serve its customers, Cloud second is bound to make a profit-giving behavior, Therefore, in the next two years, the pricing strategy and market layout will be based on customer satisfaction and continuous cooperation, At the same time, it is also necessary to ensure the continuous and steady growth of Yunrui in advertising revenue.

### **Investment evaluation and analysis**

Investment profit margin ROI= annual average profit / total investment

The initial investment amount of the Yunmiao lives broadcast project is planned to be set at RMB 10 million yuan. According to the above financial calculation table, the average annual profit in the five years from 2021 to 2025 will be RMB 12.71 million yuan. The calculated ROI=127% ,indicates that the project has a very good investment income level.

## **CONCLUSION AND FUTURE WORK**

By analyzing the internal and external environment, the development strategy of the enterprise determines the target market. Enterprises should make use of their strong strength advantages to first seize the head market, and through excellent professional quality and advanced equipment hardware equipment advantages and humanized experience service to let customers produce continuous consumption and consumption stickiness. Through sales profit to team strength breakthrough, further, increase the advantage of the team in peers. Under the wave of the Internet, live streaming e-commerce as the most powerful market, cloud second live streaming will certainly get rapid development and considerable benefits.

Cloud sharp group's cloud seconds live territory expansion project in line with the current domestic live electricity industry development trend and the company to carry out the project expectations, the cloud seconds live mature operation mode and integrate resources of business model, to build live electricity leading platform, comply with the current economic demand, can help many brands cope with the outbreak store sales, and for consumers to seek more preferential and convenient.



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