

Marketing & Sales Practice

Ready for prime time? The state of live commerce

The innovative social-commerce format continues to grow, but its potential could be unlocked by tailored approaches responding to differences in consumer characteristics and needs.

This article is a collaborative effort by Camilo Becdach, Daniel Glaser, Natalya Sak, Kevin Wei Wang, and Stephan Zimmermann representing views from McKinsey's E-commerce Global Initiative, NeXT Commerce.



Live commerce emerged in 2016 with the launch of Alibaba's Taobao Live.¹ Seven years later, it's time for a closer look at the state of live commerce across geographies. Our latest research finds that the shopping format—which enables real-time product purchasing and interaction with a host during a live video event—continues to rapidly emerge within the universe of social commerce,² where products and services are promoted and sold by leveraging social media platforms, influencers, and interactive formats.³ In fact, live commerce has become mainstream in China and is showing signs of strong growth in other markets, including the United States and Europe.⁴

That points to live commerce's growth potential as an important element of the next wave of e-commerce.⁵ But our research also uncovered barriers to realizing the promise of live commerce, from user concerns about the staleness of some content to inconvenient show times, perceptions around value for money, and limited product availability. Coupled with the significant differences we have identified in the maturity of markets, the profile of users, and how they like to engage, live commerce requires a tailored approach by market to tap into its full potential. With up to ten times higher conversion rates than in conventional e-commerce and increased brand appeal and differentiation, especially for younger audiences, the effort of integrating live commerce into broader e-commerce likely yields significant benefits.

What we found

China is the most mature of all live-commerce markets. We found that 57 percent of live-commerce users in the country have used the shopping format for more than three years, compared with just 5 to 7 percent of live-commerce users in Europe, Latin America, and the United States. And individuals using live commerce for the first time in the year leading up to the survey made up only 2 percent of total live-commerce users surveyed in China, compared with 78 percent in the United States, 82 percent in Europe, and 83 percent in Latin America. China also has the highest share of frequent live-shopping attendees, with 87 percent of surveyed individuals attending live-shopping events at least once per month, compared with 43 percent for the United States, 52 percent for Europe, and 64 percent for Latin America.

For live-commerce users surveyed in China, groceries were the category most purchased during the past 12 months (Exhibit 1), a trend accelerated by the COVID-19 pandemic, during which live streaming farmers became popular.⁶ Clothing was the most popular live-commerce category in Europe, the United States, and Latin America, while the least-shopped categories in those regions were insurance (purchased by 9 to 11 percent of all live-commerce users in the past 12 months) and experiences such as travel and local events (11 to 15 percent). In China, just 11 to 13 percent of live-commerce users purchased bigger home items such as furniture and large appliances in the past 12 months.

¹ "Factbox: 'Oh my God, buy it!' How livestream shopping works in China," Reuters, December 21, 2021.

² "Social commerce: The future of how consumers interact with brands," McKinsey, October 19, 2022.

³ Analysis in this article is drawn from our industry experience and a live-commerce survey that was conducted in August and September 2022. The number of respondents to the survey were as follows: 485 in the United States, 1,250 in Europe (comprising France, Germany, Poland, and the United Kingdom), 240 in Latin America, and 435 in China.

⁴ Throughout this article, Europe refers to four countries covered by our survey: France, Germany, Poland, and the United Kingdom.

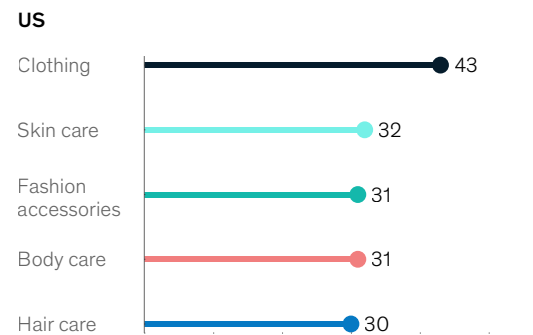
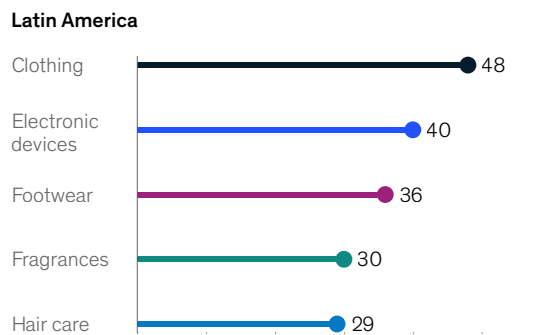
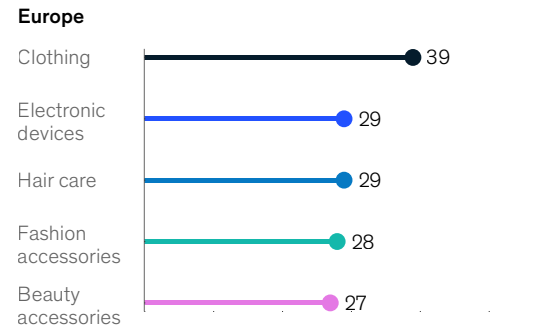
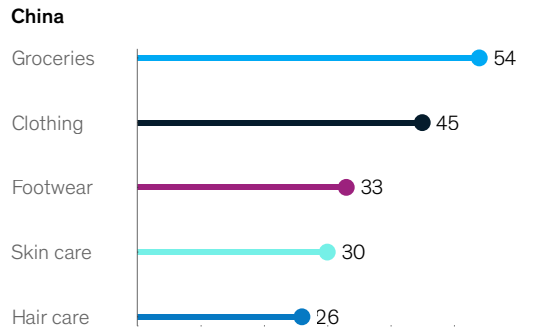
⁵ "It's showtime! How live commerce is transforming the shopping experience," McKinsey, July 21, 2021; "Becoming indispensable: Moving past e-commerce to NeXT commerce," McKinsey, November 15, 2022.

⁶ Karen Hao, "Live-streaming helped China's farmers survive the pandemic. It's here to stay," MIT Technology Review, May 6, 2020.

Exhibit 1

Live-commerce users in China favor groceries, with fashion and beauty categories popular globally.

Top five categories most purchased via live commerce in past 12 months,¹
% of live-commerce users



¹Question: Which products have you bought via live shopping in the past 12 months?
Source: McKinsey Global Live Commerce Survey, Aug–Sept 2022

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Yet even in its most mature market, live commerce retains growth potential. About 72 percent of users in China agreed or strongly agreed they want to buy more products through this shopping format, ahead of users in Latin America (63 percent), the United States (49 percent), and Europe (38 percent). About 67 percent of users in China agreed or strongly agreed they want to spend more, as did 49 percent of users in Latin America, 39 percent in the United States, and 33 percent in Europe.

So what's restraining growth outside of China? Convenience is the biggest barrier to uptake in Europe (the timing of live shows was cited by 29 percent), the United States (32 percent of respondents), and Latin America (44 percent).

US and Latin American consumers were also hesitant about value for money, and European live-commerce users said it was hard to make a choice. In China, lack of product or brand availability (49 percent) and finding better value elsewhere (47 percent) were cited as the main barriers to using live commerce more.

What else don't users like? A major source of concern was the dullness of much live-commerce content as well as its overt sales-oriented tone. Others found voiceovers repetitive or product demonstrations too lengthy. Viewers in the United States and Europe found shows in general to be too long.

Who's using live commerce

When we looked specifically at frequent users of live commerce, we found the average age globally was between 33 and 36 years old—with those aged 25 to 34 years old representing the largest share of frequent live-commerce users. Yet there were differences by market (Exhibit 2).⁷ For instance, US users were relatively evenly distributed across age brackets, live-commerce users in Europe and China skewed slightly younger (18 to 34 years old), and users in Latin America were concentrated in people aged 25 to 44 years old.

When it comes to the gender of frequent live-commerce users, there was one major point of diversion: in China, they were predominantly female (58 percent), while the reverse was true in other markets (men made up 59 percent of frequent live-

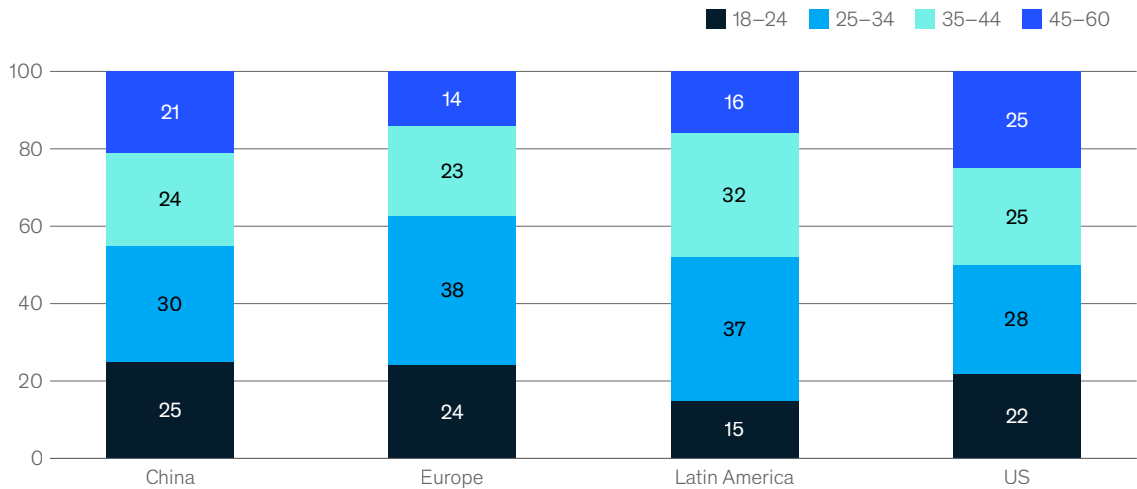
commerce users in the United States, 58 percent in Latin America, and 53 percent in Europe). The biggest share of frequent live-commerce users in the United States and Europe had annual incomes of between \$25,000 and \$50,000, but there was divergence at the top end: 32 percent of frequent users in the United States made more than \$100,000 in income annually, compared with just 5 percent of frequent live-commerce users in Europe.

Last, Latin America has a high concentration of users in urban areas (86 percent), while the United States and Europe see more even distribution geographically. In the United States, 46 percent of frequent live-commerce users live in urban areas and 53 percent in suburban and rural regions, while in Europe it is split by 55 percent and 45 percent, respectively.

Exhibit 2

Frequent live-commerce users in Europe and China skew younger than those in the United States and Latin America.

Age breakdown for frequent live-commerce users,¹ %



¹Question: What is your age?
Source: McKinsey Global Live Commerce Survey, Aug–Sept 2022

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⁷ Frequent live-commerce users are defined as those shopping via the channel at least once a month.

Why they're using it

The top reason cited by frequent live shoppers in the United States (42 percent) and Europe (38 percent) for engaging with the format was because they see it as entertainment (or “fun”), closely followed by live shopping potentially being a way of securing better prices and deals (cited by 35 percent of shoppers in the United States and 30 percent in Europe). Conversely, “fun” ranked last in China, at just 6 percent. Frequent live-commerce users in China are driven to live commerce for functional reasons, led by the ease of shopping for their favorite brands (64 percent) and followed by better prices and deals (61 percent) and access to exclusive products (52 percent).

Where they're shopping

Specific destinations are emerging as winners for live shopping shows in China and Latin America. In China, the most mature market, Douyin (the Chinese version of TikTok and used by 88 percent of frequent live-commerce users) and Taobao Live (61 percent) led by a significant margin, with all other platforms capturing a smaller share of the same population. The next closest competitor was Xiaohongshu (Little Red Book, a beauty-focused platform), at 22 percent. Europe, Latin America, and the United States had the same channels in the top five: Facebook, Instagram, YouTube, TikTok, and Amazon. In Latin America, 71 percent of frequent live-commerce users shopped on Instagram, while 51 percent used Facebook. Facebook led other channels in the United States and Europe, capturing 54 percent and 57 percent of frequent live-commerce users, respectively.

What about brand-specific websites? Less than half a percent of frequent live-commerce users in China use them, but they are much more popular in the West: 16 percent of live-commerce users in Latin America visited brand sites to watch live-commerce shows, as did 9 percent of frequent live-commerce users in the United States and Europe. And with

social media channels ending live-shopping features—for example, Facebook and Instagram's live-shopping features ended in October 2022 and March 2023, respectively—live-shopping content seems likely to shift to brand websites and apps.

The popularity of owned interfaces as a destination for live commerce may also accelerate for two other reasons. First, they provide access to richer customer data that helps better understand customers and optimize the user experience—which is especially valuable because third-party cookies are set to be discontinued by Google in 2024. Second, they can facilitate a much smoother customer experience. Social media channels that offer live shopping often do not have checkout functionality available in all countries, lengthening the journey to purchase (typically by redirecting the user to a brand's website). In China, by contrast, social media channels and live-commerce platforms smooth the customer's path with functionality ranging from in-platform checkout to embedded short videos in personalized feeds and extensive dashboards informing continuous improvement. This all contributes to creating more attractive and engaging destinations for live commerce.

What they want

Across markets, shows specifically featuring exclusive deals and promotions made up the most popular live-commerce content, cited by 64 percent of frequent users in Latin America, 56 percent in China, 47 percent in the United States, and 41 percent in Europe. The second-most popular type of content on live-commerce platforms varied by geography. In Latin America, there was a three-way tie among tutorials showcasing how to use products, question-and-answer sessions with experts or influencers, and the unveiling of new products. In China, the second-most popular type was reviews of products by influencers or celebrities; in the United States, it was reviews of products by experts; and in Europe, it was tutorials about how to use products.

How they're shopping

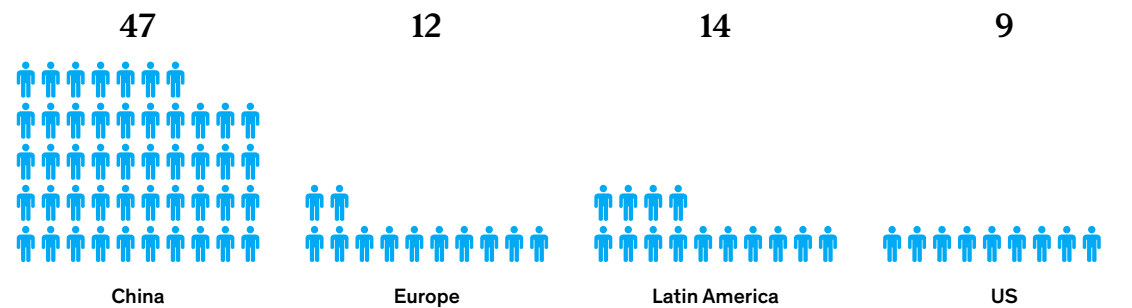
Frequent live-shopping users in China engaged with live-commerce shows and bought from them at a different frequency than those in other markets. China's frequent live-commerce users watched far more shows on average in the past 12 months compared with users in the United States, Europe, and Latin America (Exhibit 3). And while

live-commerce users in China spent less per live show (about \$82 to \$90 per show compared with \$127 to \$197 per show in other markets), they bought far more overall. Frequent users across markets typically had the same amount of viewing time per show (31 minutes in the United States and Europe, 36 minutes in China, and 41 minutes in Latin America).

Exhibit 3

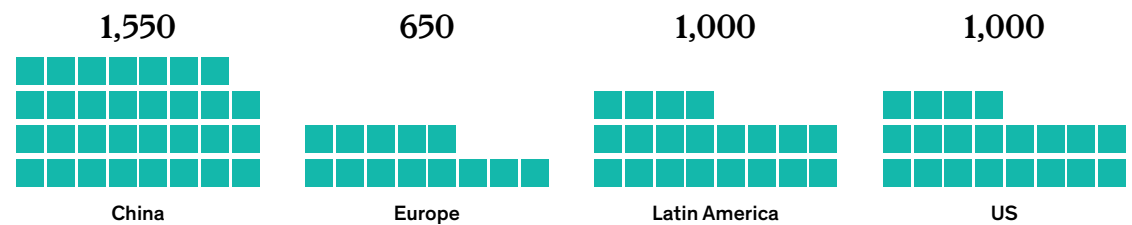
China's frequent live-commerce users watch more often and spend more money than users in other regions.

Average number of live shows attended in past 12 months,¹ frequent live-commerce users



Average annual spend on live commerce,² frequent live-commerce users, \$

■ \$50



¹Question: How many live-shopping shows have you attended in the past 12 months?

²Question: How much did you spend on the products you purchased via live shopping overall in the past 12 months?

Source: McKinsey Global Live Commerce Survey, Aug–Sept 2022

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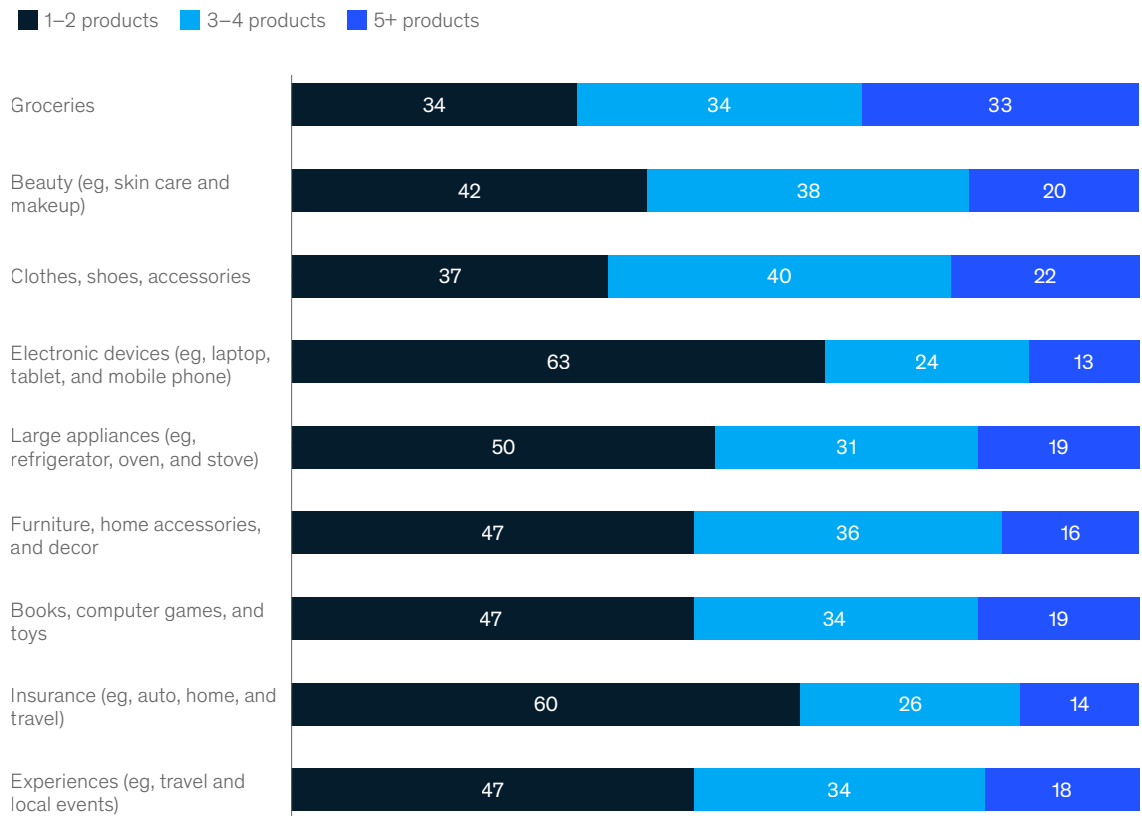
In the United States, the largest share of frequent live-commerce users buy one to two products per live-commerce show across categories (31 to 59 percent), with the exception of the clothes, shoes, and accessories category, in which the largest share of users (44 percent) buy three to four products per show (a reflection of the ability to cross-sell between these categories). That same pattern holds in Europe (Exhibit 4).

In Latin America, the largest share of frequent live-commerce users buy one to two products per show across categories (50 to 77 percent), higher than in both the United States and Europe. Grocery are an obvious exception, with the largest share of users (38 percent) buying three to four items, followed by five to six items (32 percent). In China, 63 to 78 percent of frequent live-commerce users buy an average of one to two items per show across categories.

Exhibit 4

Europe’s frequent live-commerce users typically buy multiple grocery items, and categories with natural cross-selling also perform well.

Number of products purchased per live-shopping show by frequent live-commerce users in Europe,¹%



Note: Figures may not sum to 100%, because of rounding.
¹Question: How many products do you typically buy during a live-shopping show when shopping for the following products?
 Source: McKinsey Global Live Commerce Survey, Aug–Sept 2022

In terms of how frequent live-commerce users are made aware of both the format and shows, social media advertising was the top method in the United States and Latin America. In Europe, social media advertising was number two, falling behind word of mouth from family and friends. In China, because of the different landscape of internet and platform use, frequent live-commerce users most often discovered the channel purely by browsing social media channels.

When they buy

There are also differences in when frequent live-commerce users buy. Users in China are generally more comfortable buying via live commerce, almost always buying everyday products directly during a live stream rather than after a show. When viewing shows for groceries, 100 percent of frequent live-commerce users in China reported making a purchase during the show itself; when viewing them for clothing, shoes, and accessories and beauty products, 99 percent and 100 percent, respectively, of frequent live-commerce users also reported buying during the show rather than waiting. They take slightly more time to consider larger purchases, however: the frequency of buying large appliances during live shows was 87 percent, and for experiences such as travel and events, it was 84 percent.

In the United States, 40 to 54 percent of frequent live-commerce users reported typically purchasing during the show itself, compared with 28 to 46 percent in Europe and 33 to 58 percent of users in

Latin America (21 to 46 percent instead opted to buy afterward on the company's website). Conversion—the percentage of shows a user attended and made a purchase during or after—was consistent, though, with Europe at 30 percent, China at 32 percent, the United States at 33 percent, and Latin America at 36 percent.

Last, frequent live-commerce users in the United States, Europe, and Latin America primarily engaged on weekdays (61 to 65 percent), with frequent users in the United States and Europe preferring afternoon shows on weekdays (48 percent and 40 percent, respectively) and Latin America's frequent users weekday evenings (40 percent). In China, 67 percent of frequent users engaged in live commerce on weekends, and they strongly preferred weekend evenings over other times of the week (70 percent).

What does it mean for companies?

Live commerce is especially booming in China and presents a broad opportunity to boost sales, improve offerings, and deepen customer relationships. But capturing this opportunity requires understanding and accounting for the distinct differences in how customers globally discover, engage with, and use the live-commerce format. This means there's no one-size-fits-all approach to determining the optimal live-commerce strategy—solutions must be tailored to each market.

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In China, live commerce's explosion is strongly driven by social media channels and live-commerce platforms. Social interaction, combined with building social status, is a big element of Chinese culture. The country's social media and marketplace platforms provide a solid foundation for this and especially facilitate social exchange and status building through the live-commerce format. They also offer extensive functionality that enables successful live-commerce operations, such as embedding short video teasers for running live shows within personalized feeds to enable greater user interest, providing comprehensive analytics dashboards allowing brands and retailers to optimize the experience, and offering in-platform checkouts to ensure a smoother purchasing journey for the customer. For these reasons, social media and live-commerce platforms have emerged as a way for brands and retailers in China to reach the right audience and run effective live-commerce operations.

Another critical element of successful live-commerce strategy in China is the use of unique merchandise for shows, ideally with a degree of exclusivity (either a deal or a limited edition), and products that provide sufficient ground for rich and entertaining content. However, to further optimize effectiveness, we found that it is also important to engage shoppers on weekends in the evening and bring in credible hosts.

The approach is different in the United States and Europe. Meta has discontinued its live-shopping features, and other social media or live-commerce platforms do not yet offer the vast functionality—such as detailed analytics dashboards and in-platform checkout in all countries—that provide a foundation for becoming a primary destination for live commerce. However, they can still be valuable

for advertising upcoming events or simultaneous broadcasting of live shows to increase reach and awareness.

So what could companies in Europe and the United States do? Double down on making their website or app the destination for live shopping to capture the attention of their audience, increase the effectiveness of live streams, and drive stickiness. Running live shows on owned websites and apps provides companies with access to richer data and deeper behavioral insights, enabling them to further understand consumer needs, optimize the experience for live shows and overall customer journey, and drive product and marketing innovation.

It remains important to decrease barriers for attendance through steps including scheduling live events at convenient times, such as weekday afternoons, and identifying the most effective length. For optimal results, it is essential to make content fun and engaging rather than clinical or overly sales-oriented, utilizing approaches such as challenges, quizzes, and tutorials as well as using a variety of hosts (or several hosts in a single show). In short, it's about giving target audiences no excuse for not attending, then providing content that is entertaining and informative.

Latin America requires more nuance, sitting somewhere in the middle of China and the United States and Europe in terms of maturity and approach.

One thing seems certain, though. While more can be done to refine the live-commerce format as it develops in each market, it's clear that, seven years after it first appeared, live commerce is here to stay—and its potential continues to grow.

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