

China's influencer industry

Not just a pretty face

HONG KONG

Online starlets are refashioning Chinese e-commerce

LIANG TAO shifted 80 pink Givenchy bags in 12 minutes. Becky Fang off-loaded 100 turquoise Mini Cooper cars in just five. Both are *wanghong*, literally “red-hot on the web”. Every day millions of Chinese trawl social media for *wanghong* posts or tune in to live-streams for opinions on everything from a French fashionista's essentials to rampant sexism in China. The fans are helping this new breed of Chinese internet star to monetise their popularity—and to shake up the country's e-commerce industry in the process.

Unlike conventional luxury-and-beauty brand ambassadors, many *wanghong* have built their fan bases through compelling online content rather than a famous name. Some of the most successful are not especially glamorous. “Pudgy Luo” is a middle-aged man who discusses everything from Chinese emperors to 3D printing on his talk-show. MC Tianyou raps about the hardships faced by other young, working-class men. Papi Jiang, a comedian, pokes fun at stardom and Chinese society in salty tirades.

A few have been recruited by luxury brands. After the Communist Party's anti-corruption campaign crimped sales of Jaeger-LeCoultre's snazzy timepieces among its traditional older clientele, the Swiss watchmaker hired Ms Jiang for a video ad targeting young urbanites, including her 27m fans on Sina Weibo, a Twitter-like microblog. Zhang Yi of iiMedia Research, a consultancy, reckons that up to 15% of sales on shopping sites like Taobao or social-media apps such as WeChat are influenced by *wanghong* endorsements. The length of a dress might be decided by a survey of a *wanghong*'s fans; its launch date might be based on the number of hits, shares or comments it garners, some of which can prompt last-minute design tweaks.

This poses a new challenge for retailers, whose supply chains must respond ever more quickly to *wanghong* verdicts. Whereas previously a company would look for a celebrity to match its image, *wanghong* and their admirers are shaping merchandise.

Another challenge comes directly from *wanghong* themselves. They increasingly make money not merely from online endorsements or advice but by launching their own e-commerce stores. Sales of goods accounted for just under half of *wanghong* earnings of 53bn yuan (\$8bn) in 2016, estimates Analysys, a Chinese mar-

ket-research firm (the rest came mostly from live-show tips and adverts).

Some *wanghong* are going a step further. In November Ms Fang launched her own clothing line. Part of her motivation, she says, was that the brands she endorsed did not always match the trends she was sharing with her followers. By creating her own marque, Becky's Fantasy, she retains full control of the quality. She also gains a new revenue stream. For the time being only 3-5% of *wanghong* follow Ms Fang's entrepreneurial example, iiMedia Research reckons. But it expects the model to become an industry in its own right, straddling entertainment and e-commerce, and driven by online data.

Agents of change

An industry is indeed springing up to assist the internet starlets. Dedicated *wanghong* incubators, of which China now has around 50, seek out promising candidates, help them hone online business models and act as supply-chain managers, as well as agents. They help with hiring designers, sourcing fabrics and finding factories. In 2016 Alibaba, China's biggest e-commerce group and owner of the Taobao emporium, invested 300m yuan in Ruhnn, an incubator which was valued at 3.1bn yuan at the time and has since inked contracts with

a few dozen influencers.

The *wanghong* economy looks poised to grow. In 2016 it was already 15% bigger than the Chinese film industry's gross box-office sales, Analysys reckons. This year it could surpass 100bn yuan.

Its success illustrates how intertwined online retail and social media are becoming in China. Alibaba has stakes in video-streaming sites such as Nonolive and Youku Tudou. A year ago Weibo launched a venture to support e-commerce *wanghong* and their incubators with consumer analytics and customer surveys; it owns a live-streaming platform, as does Taobao. Alibaba hopes such integration will keep shoppers on its marketplace for longer (an average one opens the Taobao app almost eight times a day). Other apps like Xiao Hong Shu (“Little Red Book”), a Pinterest-like e-commerce site, blur the distinction altogether.

Like all branding, however, the influencer business is a delicate one. Many consumers seemed put off when Christian Dior, a French fashion house, hired Zhao Liying, an actress who had previously endorsed mass consumer brands like Dove. Given the influence of *wanghong*, some of the more risqué can run into trouble with the authorities. The profane Ms Jiang has been reprimanded by censors. MC Tianyou was recently barred from his platforms for promoting drug use. Many starlets expect to quit after a couple of years, straining incubators' business model. In the first half of 2017 Ruhnn was 15m yuan in the red. Some brands have started to look for lesser-known influencers, who command smaller fees and retain a more authentic image among devotees. It is hard to stay red-hot for long. ■



Ms Jiang and Mr Liang, salespeople of the year