ISSN: 2688-9323

Research on Contracts for Live Delivery

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Abstract

In recent years, with the rapid development of live streaming sales, the issue of contract disputes in the process of live streaming sales has become prominent, research on the impact of contract selection on revenue in the supply chain of live streaming sales has increased, and the charging mode between live streaming sales entities has been continuously improved. The importance of live streaming sales contracts has increasingly increased, In response to the lack of research and summary by previous scholars on the types of live streaming sales contracts and fee models, this article studies the relationship between entities in the live streaming sales supply chain, contract types, sources of goods, fee models, and fee trends. There are wholesale price contracts and revenue sharing contracts on the live streaming supply chain. Under the revenue sharing contract between merchants and broadcasters, broadcasters charge merchants fees through four settlement modes: pure commission, pit fee, guaranteed quantity, and gambling; Under the revenue sharing contract between merchants and live streaming platforms, live streaming platforms charge merchants entry fees through annual technical service fees and technical service fee rates; Under wholesale price contracts, live streaming platforms or anchors pay wholesale product fees to merchants.

Keywords

Live Streaming; Contract; Supply Chain.

1. Introduction

Introduction Research Background In recent years, with the rapid development of the live broadcast industry, not only Taobao, Vipshop, Pinduoduo and other shopping platforms have added live broadcast functions, but also Kwai, Tiktok, Weibo, WeChat and other social media software have added live broadcast segments and live broadcast platforms. In 2020, the number of users participating in online live streaming reached as high as 524 million, and the number of live streamers also continued to increase. The user scale of e-commerce live streaming has expanded. On May 6, 2020, the Ministry of Commerce's big data monitoring showed that in the first quarter, e-commerce live broadcasts exceeded 4 million, and the number of live broadcasts rapidly increased. According to data from Iimedia Research, the total size of China's e-commerce live streaming market reached 433.8 billion yuan in 2019, a year-on-year increase of 226%. In 2020, it will continue to grow at a growth rate of over 111% to 961 billion yuan[1].

With the rapid development of live streaming sales, issues such as contract disputes, "platform workers", and the inability to protect consumer rights in the supply chain of live streaming sales have become increasingly prominent. In order to maximize their own interests, various entities in the supply chain continuously improve their charging models with each other. The contract for live streaming goods involves the distribution of benefits in the supply chain, which affects the selection of main channels in the supply chain. Studying the types and charging modes of

ISSN: 2688-9323

contracts for live streaming goods has reference value for the selection of main contracts in the supply chain, and can serve as important evidence for maintaining the interests of all parties.

2. Literature Review

2.1. Related Literature

At present, research on live streaming sales contracts in China mainly focuses on the legal regulations of live streaming sales contracts and the optimal strategies of supply chain entities in the context of live streaming sales. The research on legal regulations for live streaming sales contracts mainly focuses on three aspects: market regulation, consumer rights protection, and contract disputes. Su Haiyu (2021) conducted a study on the legal regulations of online live streaming sales, proposing to improve the contract provisions of online live streaming sales through collaborative regulation, strengthening network law enforcement, and public-private cooperation governance, clarifying the responsibilities of all parties, and regulating live streaming behavior[2]. Liao Zheng (2019) conducted a study on contract disputes between online live streaming platforms and live streaming, pointing out that judicial authorities should popularize judicial interpretations and guiding cases of online live streaming behavior, and promote the formation of industry self-discipline rules in the online live streaming industry[3]. he research on the optimal strategies of supply chain entities in the context of live streaming sales mainly focuses on two aspects: the selection of supply chain entity contracts and the optimal pricing strategy. Among them, Ma Hanwu (2021) studied the impact of adding live streaming sales on pricing strategies in the e-commerce supply chain. By analyzing the mixed channel model of retail live streaming and retail agent live streaming, the optimal pricing strategy of the supply chain under different commission ratios and price competition coefficients was obtained [4]. Zhou Hantong (2020) analyzed the pricing strategy of a dual channel supply chain under online live streaming marketing using the Steinberg game, and provided the optimal decisions for both centralized and decentralized decision-making in the supply chain [5].

The legal regulation of live streaming sales contracts is to study how to solve practical problems related to the specific content of the contract from a legal perspective. The research on the optimal strategy of various entities in the supply chain under the background of live streaming sales is based on the impact of contracts on the profits of each entity in the supply chain from the perspective of the supply chain, analyzing how each entity in the supply chain makes the optimal decision. Both aspects of research focus on the practical application of contracts, without conducting detailed research on the contract itself.

2.2. Related Theoretical Knowledge

Live streaming is an attempt to restore offline physical stores to provide consumers with clothing matching suggestions, product usage, and effect displays by inviting celebrity internet celebrities as anchors, utilizing the entertainment and interactivity of video live streaming itself. This is done to compensate for the lack of experience in online shopping graphic and text styles, thereby changing consumers' perception of products and guiding them to purchase products.

Live streaming sales involve a combination of "people", "goods", and "venues". Therefore, if merchants want to bring goods through live streaming platforms, they need upstream suppliers to provide them with sources of goods, while the middle live streaming platform provides live streaming venues. Downstream anchors need to carry out live streaming, and by promoting products or brands among potential customers, they can leverage the anchor's opinion leader or internet celebrity effect to achieve a "grass planting" effect among potential consumers, Further promote the conversion of potential consumers and achieve product sales [6].

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2.3. Question Raising

Live streaming sales involve four entities: merchants, live streaming platforms, broadcasters, and consumers. The four entities include four links in the supply chain: consumer ordering, live streaming promotion by broadcasters, platform technical support, and merchant supply. These four links are interconnected and closely linked. In order to ensure the smooth operation of live streaming sales and maintain the interests of all parties, each entity in the supply chain will use contracts to distribute benefits.

This article is based on live streaming sales and analyzes the contracts used in live streaming sales from the perspective of contract types. Firstly, it summarizes the contract types commonly used in live streaming bases. Then, based on the contract types, it further analyzes the source of live streaming sales, specific charging modes between various links, and cost flow.

In order to better understand the subjects, contract types, and basic fund flows involved in the entire live streaming sales, this article mainly analyzes the contracts in the independent situation of "people", "goods", and "field" in the live streaming sales, that is, the merchant, live streaming platform, and anchor are all independent entities on the supply chain, without considering the situation where the anchor belongs to the live streaming platform and the merchant cultivates the anchor themselves.

3. Contract for Live Delivery

3.1. Wholesale Price Contract

In the wholesale price (resale) mode, upstream (merchants) supply to downstream (live streaming platforms or anchors), and downstream settle at wholesale price. Then, downstream sell the product to consumers through live streaming. At this time, downstream has the pricing power of the product and earns profits by earning the middle price difference.

Wholesale price contracts, also known as resale contracts, are a variation of a sales contract from a legal perspective. The ownership of the subject matter is transferred to the buyer when the buyer pays the final payment. Therefore, after the transaction under this contract is completed, the ownership of the product changes, and downstream customers have the pricing power of the product. From the perspective of the supply chain, under wholesale price contracts, the upstream and downstream of the supply chain make independent decisions without cooperation. Without cooperation, each entity has stronger decision-making power. However, under such contracts, there will be two price increases, with dual marginal utility. Secondly, under wholesale price contracts, there will be inventory, goods backlog, warehousing, logistics, and distribution issues both upstream and downstream, Easy to cause resource waste in the entire society.

3.2. Agency Contract

Under the revenue sharing (agency) model, upstream and downstream cooperate, with upstream responsible for supply and downstream responsible for marketing. Then, both parties complete the profit distribution through sales commission, and the upstream pays agency fees to the downstream based on the commission ratio in the contract.

Revenue sharing contracts, also known as agency contracts, are agency relationships between various entities from a legal perspective. The ownership of products does not change between the upstream and downstream of the supply chain, and downstream only have the right to act as an agent without the pricing power of the products. From the perspective of the supply chain, adopting revenue sharing contracts requires close communication and cooperation between the supply chain and downstream. It is necessary to achieve information sharing on the supply chain, improve the agility of the supply chain, and information sharing will increase supply chain costs. However, once a good cooperation framework is established on the supply chain, it

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can more accurately predict production for upstream, save inventory, warehousing and other costs; For downstream customers, it is possible to respond more quickly, improve service levels, and enhance their competitiveness; For the entire supply chain, transaction costs can be reduced; Upstream and downstream cooperation in the supply chain can not only eliminate double marginal effects, but also reduce problems such as goods backlog and warehousing, and reduce resource waste.

4. Source of Live Streaming Goods

According to the two types of contracts for live streaming sales, the five common sources of goods for merchants were sorted and classified into two types: the wholesale price model with downstream goods and the revenue sharing model without downstream goods.

4.1. Source of Goods under Wholesale Price Mode

Factory procurement channels, downstream directly go to production bases or commodity distribution centers to pick up goods. For example, the small commodity distribution center in Beixiazhu Village, Yiwu, Zhejiang, the clothing market in Sijichun, Hangzhou, and the mobile phone accessories distribution center in Huabei, Shenzhen.

Get goods from the wholesale market, go downstream to nearby wholesale markets to seek sources of goods, and then resell the goods through live streaming.

Online wholesale, obtaining goods through B2B websites, such as Alibaba, has more selectivity in online wholesale compared to wholesale markets.

4.2. Source of Goods under Revenue Sharing Mode

Collaborate directly with brands or merchants, and downstream enterprises collaborate with upstream merchants or brands. When the anchor broadcasts live goods, they directly place a link to the upstream enterprise in the live broadcast room, and consumers directly place orders and purchases on the website provided by the merchant or brand through link jumping. Then, the upstream ships according to customer orders.

The selection pool of live streaming platforms generally has its own selection pool - live streaming platforms provide a gathering place for broadcasters to choose high-quality products to bring, such as Alibaba.

In order to sell products, the upstream merchants will apply to put the product related information into the selection pool of the live platform, and then wait for the anchor to select the products to be carried in the selection pool. Consumers will place orders after learning the product information through the live broadcast, and then the merchants will ship according to the sales order.

5. Charging Mode and Fund Flow of Live Streaming with Goods

There are multiple entities and two types of contracts in the live streaming base, and different entities and contracts adopt different charging modes. This article first analyzes the charging modes between different entities through information collection, and then analyzes the basic fund flow in the live streaming supply chain based on the charging modes between entities, combined with wholesale price contracts and revenue sharing contracts.

5.1. Charging Mode

5.1.1. Merchants and Live Streaming Platforms

a) The deposit fee is used as a credit guarantee during the contract period between the merchant and the platform. The live streaming platform is set up to ensure the rights and interests of consumers and the quality of the products provided by the merchant. Merchants

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who want to enter the platform and open a store on the platform must pay a deposit to the platform. The platform will set different deposit fees based on the trademark level owned by the merchant. A higher trademark level deposit will be lower, while a lower trademark level deposit will result in higher deposit fees. The deposit only provides a guarantee for the reputation of the merchant, so when the merchant wants to exit the platform, if the merchant's reputation is high and the product quality is also guaranteed, the platform will return the deposit to the merchant. If there are problems with the merchant's quality and reputation, the deposit will be obtained by the platform.

b) The annual technical service fee for merchants entering the platform requires the platform to provide technical support such as online stores, so the platform needs to pay the annual technical service fee, which is equivalent to the rent for offline stores. The platform will classify all products and set different quotas based on different categories.

c) Rate: Pay technical service fees based on a certain percentage of sales.

d) Supply system mode, where merchants provide goods to live streaming platforms, and then live streaming platforms settle with merchants based on wholesale prices.

5.1.2. Merchants and Anchors

a) The pit fee mode allows merchants to invite anchors for live streaming. Before the live streaming, merchants need to pay the anchor's pit fee first. After the live streaming ends, the anchor will also charge a certain percentage of the actual transaction amount as a commission. This model can be understood as a payment model of base salary+commission, which is commonly used by top anchors and celebrity live streaming sales, such as Li Jiaqi, Luo Yonghao, Weiya, Liu Tao, etc., because of their high popularity and wide audience, even if the sales volume is not large, it can help merchants achieve a certain promotional effect.

b) Pure commission mode, where there are no fees before the live broadcast, and after the live broadcast, the merchant pays the anchor a certain proportion of the actual transaction amount. It can be understood as the merchant recruiting an unpaid employee. Waist anchors use this mode more because their influence is less than that of top anchors. Many merchants are unwilling to pay for their slot fees, and unpopular new anchors are likely to become free labor and unwilling to choose this mode for settlement.

c) Hourly system, where the anchor settles fees based on the live broadcast time. Broadcasters with low popularity and influence generally adopt this mode, which is equivalent to forming a labor relationship between merchants and anchors, avoiding the situation of free work in the pure commission mode.

d) The guaranteed quantity mode is an improvement made by merchants to avoid the situation where some anchors under the pit fee mode do not promote the pit fee seriously after receiving it. In this mode, merchants do not pay the agreed fees to the anchor at once, but instead set up multiple settlement points, each of which includes sales targets and settlement pit fees and commission ratios. The lower the settlement point, the higher the proportion. If the anchor achieves different sales targets, merchants will pay the corresponding pit fees and commission ratios. In April, the Alibaba V mission proposed a new proportional settlement mode for live streaming slot fees. It is not a 'buy it all' mode, but a settlement merchant setting based on the live streaming effect. Settlement Point 1 and Settlement Point 2 are set, and the sales target above Settlement Point 1 is 20% of the agreed sales volume. When the actual sales volume exceeds the sales target, the second settlement point is entered. Otherwise, the anchor will refund the full slot fees to the merchant; The sales target of settlement point 2 is 100% confirmed receipt rate. The anchor meets the sales target and receives full pit fees. Otherwise, the pit fees will be settled according to the confirmed receipt rate [8]. The specific process for settling pit fees in proportion is shown in Figure 1.

ISSN: 2688-9323

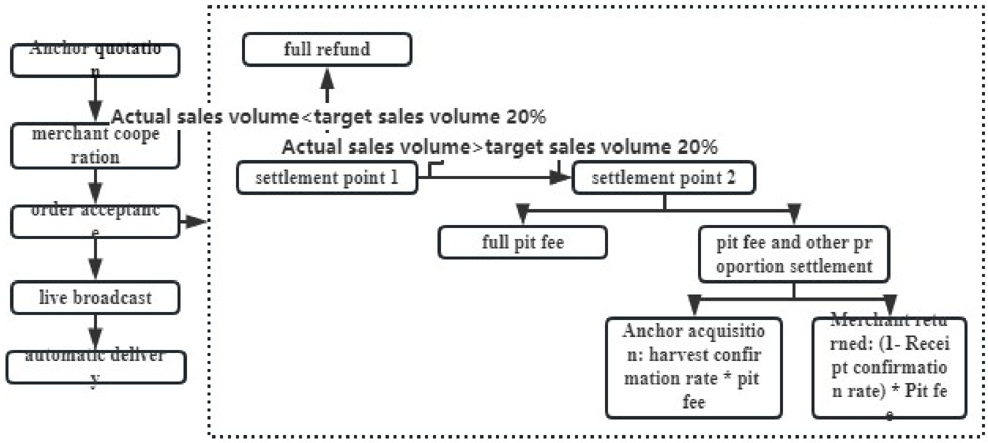

Figure 1. Alibaba V Task Pit Fee Ratio Settlement Chart

e) Gambling mode, which involves merchants, live streaming platforms, and anchors agreeing on a gambling ratio in advance. After the live broadcast ends, settlement is made based on the gambling ratio. Currently, this mode has a low usage rate between merchants and anchors.

f) Supply system, where merchants supply goods to anchors, who settle with merchants through wholesale prices. The anchors have the pricing power over the products, and the anchors mainly earn intermediate price differences. This is actually the charging model between merchants and anchors under wholesale price contracts. In this model, anchors have their own stores on live streaming platforms, and the anchors have dual identities as both anchors and retailers.

5.1.3. Hosts and Live Streaming Platforms

Rewards and commissions are collected by the live streaming platform, which charges a certain fee to the host for live streaming. However, in order to attract and attract the host for live streaming, the live streaming platform does not directly charge the host for fees, but receives them through gift commissions. During the live broadcast process, if consumers brush gifts for the anchor, the platform's gifts are linked to cash and have a certain exchange ratio, and the platform will deduct commission from the gifts. Of course, in order to improve the efficiency of the live streaming platform, the platform will evaluate the anchor's selection ability, anchor's ability, industry experience, opinion leaders, and influence, and decide how much traffic to give to the anchor based on the evaluation results. In addition. Due to the existence of this invisible charging model, platforms often bundle with top anchors in order to obtain more traffic and commission, requiring them to live stream on their own platforms.

5.2. Cost Flow

Combining two types of contracts with various charging modes, organize the contract application between merchants, live streaming platforms, and anchors, as well as the relationship diagram of the charging modes under the contract, and explain the cost flow under different charging modes of live streaming goods.

5.2.1. Relationship Diagram

The relationship diagram between merchants, live streaming platforms, and broadcasters is shown in Figure 2. The first level sub stage represents the entity, the second level sub stage represents the type of contract that exists between the entities, and the third level sub stage represents the charging mode. Because there is no agency contract or wholesale price contract between the broadcaster and the live streaming platform, and no matter what contract other entities adopt, the broadcaster and the platform adopt a reward and commission charging mode, So omit this relationship in the diagram.

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5.2.2. Cost Direction

The pure commission, pit fee, guaranteed quantity, bet, and hourly mode between merchants and anchors are the charging modes under the revenue sharing contract. Under this contract, the anchor acts as an agent for the merchant's products, so the merchant pays the agent fee to the live broadcast according to the agreement. The supply system between merchants and broadcasters belongs to the charging model under wholesale price contracts, where the broadcaster pays the merchants the total cost of wholesale a certain product.

The deposit, platform technical service annual fee, and technical service rate modes between merchants and live streaming platforms belong to the charging mode under the revenue sharing contract. Under this contract, merchants pay entry fees to the live streaming platform, and the supply system between merchants and live streaming platforms belongs to the charging mode under the wholesale price contract. Under this contract, the live streaming platform pays merchants the total cost of wholesale a certain amount of products. The cost trend table is shown in Table 1.

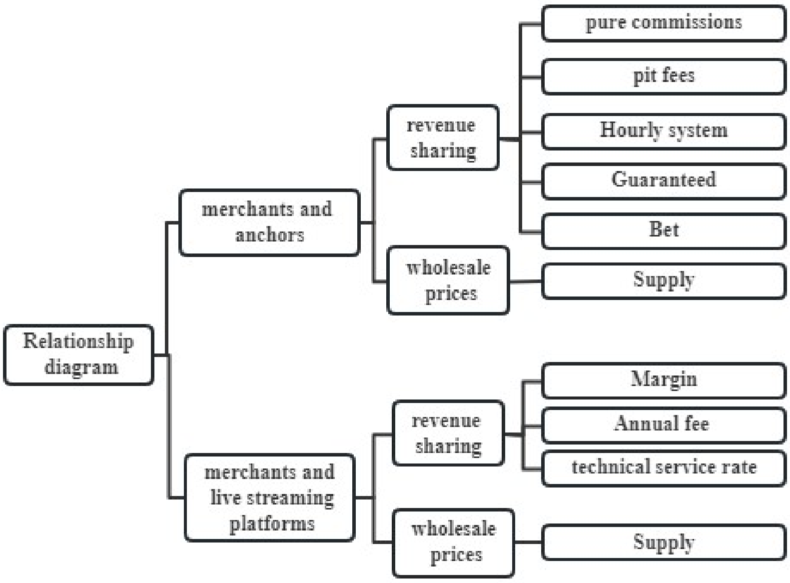

Figure 2. Relationship Diagram

Table 1. Cost Trend Table

subject	type of contract	charging mode	Cost direction
Merchants and anchors	revenue sharing	Pure commission	Merchants pay the anchor agent fees as agreed
		Pit fee	
		Hourly system	
		Guaranteed	
		Bet	
	wholesale price	Supply	The cost of wholesale products provided by the anchor to merchants
Merchants and live streaming platforms	revenue sharing	Margin	Merchants pay fees to live streaming platforms as agreed
		Annual fee for platform technical services	
		Platform technical service rate	
	wholesale price	Supply	The cost of wholesale products provided by live streaming platforms to merchants

ISSN: 2688-9323

6. Future outlook

Limitations and future prospects of this article's research: This article takes the supply chain of live streaming goods composed of merchants, live streaming platforms, and anchors as the research object, and analyzes the contracts and fee models under the independent situation of the three parties. However, with the development of live streaming goods, many merchants have also increased their own training of anchors, platform recruitment of contract anchors, and other situations. The next time, the scope of research can be extended to the use of contracts where the three parties intersect.

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