Hype Beasts, Unboxing and Product Drops

The Rise of Social Commerce

REPLY
PORTALTECH

The rise of Social Commerce

Social Commerce – sales journeys that start on social media platforms such as Facebook and Instagram - are predicted to grow to $165bn by 2021.

We were keen to lift the lid on this new shopping phenomenon, to find out what the British public thinks of purchasing products either directly or indirectly through social media channels, and how social functions such as reviews and ratings, and emerging Influencer personalities, affect their decision-making.

So we conducted our own extensive research, which we present here for the first time.

It certainly looks like Social Commerce is here to stay. Key principles to navigate in our view, will be trust, consent and robust customer management, so that Social Commerce represents a win-win for both customer and brand.

Lastly, it goes without saying that Portaltech Reply is on hand to help you make the most of Social Commerce integration into your business operations, so if you have any questions, please feel free to contact us for a chat.

THE PORTALTECH TEAM

Meet the team

The Research

In the early, hot summer of 2018, we commissioned a research project in the UK to understand what the British public thinks of Social Commerce.

	Age	Number	%
Fieldwork	18 - 24	877	44%
	25 - 34	343	17%
	35 - 44	202	10%
	45 - 54	232	12%
	55 +	353	18%
Male		963	48%
Female		1044	52%

The sample skewed more heavily towards 18-24 year olds with a London and South East bias, due to claimed Social Media usage, and this penetration has been born out in other studies.

- London/South East 30% representation
- Social Media Platforms: Facebook, Instagram, Twitter, Snapchat, Pinterest, LinkedIn, YouTube, Yelp.
- Methodology: online questionnaire

WHAT DID WE WANT TO FIND OUT?

Do consumers want to shop in Social Media?

Is the pace of the developing Social Commerce market in line with consumer demand and expectations?

What do consumers think about their data, and how it's being used to power Social Commerce?

What can brands and retailers do to provide a more relevant and personalised shopping experience for their customers, and what are the implications for consent and trust?

Reviews & Ratings

Insight One

One of the most powerful influences on digital purchases – relevant reviews and ratings – is curiously underleveraged in Social Commerce journeys, which means brands/retailers are missing out on conversions.

32% and 44%

32% and 44% of respondents value positive and negative reviews respectively from friends and family in their network 'a great deal'

50%

50% of consumers claim to have left reviews on a website

7%

But... only 7% have recommended products/services on social media...

3%

...and only 3% leave criticism.

What this means:

'Swing' Consumers are missing that final relevant endorsement that could clinch a purchase. Brands may be spending more than they have to on demand-driven communications higher up the purchase funnel.

Recommendations:

There is a clear correlation between positive reviews and ratings, and their influence on sales.

Social media micro profiling provides the opportunity to take personalisation to the next level, through increased relevance and context.

A 360-degree Single Customer View, matched with the platforms' reach (especially on Facebook), means the most relevant reviews can be baked into Social Commerce to drive conversion at point of purchase.

Advertising

Insight Two

The Social Commerce advertising model is missing a trick by not distinguishing between Customers and Prospects.

76%

76% claim never to have purchased anything in their feed.

52%

52% of respondents dislike advertising in their feed,

75%

75% don't find it useful.

47%

However, 47% follow brands in social media...

49%

...and 49% claim to have purchased a product as a result of recommendations seen in a Brand's social feed.

What this means:

Consumers are irritated by advertising in their feed, especially when irrelevant products and services are targeted at them. Brands and retailers are missing out on increasing lifetime value for 'soft' customers, by not distinguishing them from prospects.

Recommendations:

Integrate Single Customer View technology with dynamic creative optimisation tools, to serve up content that is differentiated for existing customers vs prospects.

Make advertising designed to serve prospects more 'useful', by focusing more on content-driven communication, as opposed to pure commerce.

Influencer Marketing

Insight Three

6 degrees of separation: consumers want influencer endorsements executed at point of purchase, to be as close as possible to them in their personal networks.

What this means:

When it comes to the crunch, 'swing' consumers are looking for endorsement from friends and family at point of purchase, rather than paid endorsers.

Recommendations:

Retailers need to orchestrate a multi-influencer strategy across the Social Commerce purchase journey.

Build a data-driven model that measures the effectiveness of the most relevant influencer, in the right place, at the right time.

Use Single Customer View to identify ambassadors landing on your site; use rewards (e.g. Discounts) to encourage them to share purchases with their friends and family (through publicly searchable hashtags and referral marketing).

50%

50% of respondents believe that celebrity endorsement will **not** influence their purchase.

50%

50% of respondents agree that influencers (defined as 'brand ambassadors', 'bloggers') have **some** influence on their purchase decisions.

80%

80% of respondents say that 'real people' peer group recommendations are **more likely** to influence their purchase decisions, than celebrities or other endorsers.

62%

SALE SALE SALE SALE SALE

62% would be influenced to make a purchase, **if** they received a discount for promoting the product or service in social media.

Education

Insight Four

Consumer interaction with Social Commerce platform functionalities is underleveraged, through lack of education.

56%

56% of respondents were unaware they can purchase products by clicking on image tags like on Instagram.

54%

However, for those who have made a purchase, 54% believe it's easier than other ways.

What this means:

Consumers are missing out on 'instant gratification' purchases in Instagram. Retailers – especially in the leading online purchase categories of fashion, jewellery and food - are failing to convert sales opportunities in this channel.

Recommendations:

There is a need to educate consumers in older age groups (24+) about new Social Commerce functions, particularly on Instagram.

Brand owners will need to promote this functionality, and promote this at scale using automation.

Employ chat bots in Instagram to provide 'buy now' notifications and step by step guidance through the purchasing journey.

Group Purchasing

Insight Five

Group purchasing currently works best for experiences that are not personalised...but still potential to grow.

63%

63% of respondents never engage in group purchases.

92%

92% of respondents don't use existing group purchasing applications.

39%

However, 39% of respondents say that the opportunity to group purchase travel/automotive/hotel/holiday products is appealing.

What this means:

Consumers will benefit from group purchasing of individual, personalised products in retail situations, with the right technology. Retailers should harness group purchase functionality in their own websites, building a Social Commerce experience away from the social media platforms.

Recommendations:

Create a shoppable environment integrated with communication tools (group chats, event management, etc.) to enable group purchasing on your website. This will give the brand valuable data insight into the group decision-making process, and facilitate discount notifications to close deals quicker.

Leverage group purchasing functionality in retail, integrating with new group payment apps (Bill Pin, Pay It Square etc.).

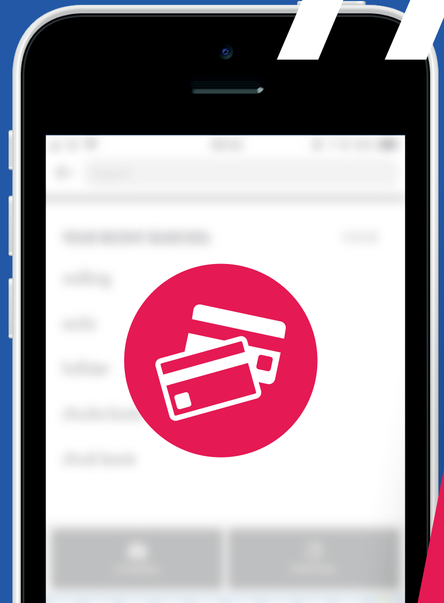
Trust

Insight Six

Trust is inhibiting consumers from purchasing directly in Social Media.

77% aren't comfortable entering payment and address details into social media platforms.

77%

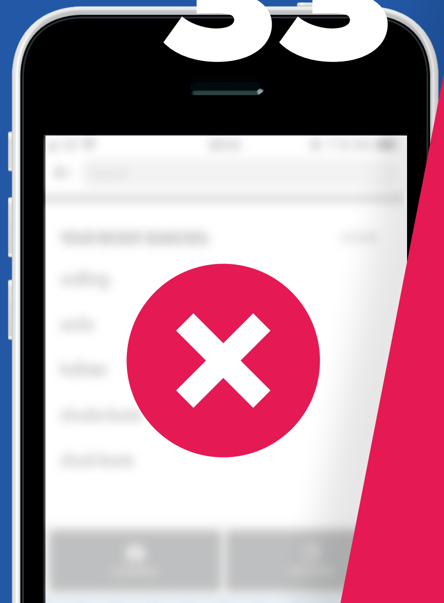


45% of respondents were comfortable for platforms to only access the details of products they have liked or recommended on social media.

45%

33% of respondents aren't comfortable with any of their information being used to provide product recommendations.

33%



25% of respondents don't trust Facebook (vs approx. 12% for the other social media platforms).

25%

What this means:

In an era of fake news and data abuses, consumers will look to brands to build trust back into the internet. Retailers must take advantage of this to strengthen their trust credentials by managing their customers' data (preferences and financial) in a robust, secure and transparent fashion.

Recommendations:

Our 2016 research into online Trust and Retail, illustrated that trust is highest with those retailers that provided the best end to end customer experience.

Create a win-win scenario: Give consumers control of their data footprint & empower them to own their preferences. Create a Single Customer View that is fully GDPR compliant.

Seek the approval/endorsement of 3rd party financial and governance institutions to underline transactional security.

Conclusions

The marketplace for Social Commerce is developing fast, with consumer demand currently at its strongest among 18-24-year olds in London and the South East.

The key to Social Commerce is not only experiencing the convenience of purchasing your favourite brands from the comfort of your mobile newsfeed, but the endorsement from those individuals that matter most to you.

We believe brands need to work harder to serve the right endorsement at the right time. Our research confirms that friends and family are still the most important influences at point of purchase, but leveraging this power comes with great responsibility for brands.

In an era where Facebook lost 3m users in the UK in one quarter off the back of the Cambridge Analytica scandal, brands must seduce and entice their customers into sharing their precious data in return for something truly valuable: a trusted network of reliable endorsements from real people.

What brands must do is create a means of putting their customers in control of their data, so that brands can build a 360-degree view of their customers, and connect them with others in their network where necessary during the purchase journey.

We believe it is possible to create progressive consumer profiling that not only builds consumer trust, but does so in a way that is truly GDPR compliant, wrapped up in a seamless end to end digital experience that builds brand value and conversion.