HOW TO MONETIZE
SKYROCKETING SOCIAL COMMERCE GROWTH

retail TouchPoints®

SPECIAL REPORT

INTRODUCTION

Social commerce — already a major force in digital trendsetter China — is set to explode by the middle of this decade. **Accenture** forecasts that the **$492 billion** in 2021 global social commerce sales will reach **$1.2 trillion** by 2025, accounting for **16.7%** of the projected **$7 trillion** in global ecommerce total spend. In the U.S., social commerce sales are projected to more than **double** over the next **three** years, reaching **$99 billion** by 2025.

Much of this dramatic growth is due to the overall popularity of social media: **eMarketer** estimates that **3.5 billion** people, more than **44%** of the world's population, currently use social networks. And the social platforms themselves have been racing to enhance their commerce functionalities, from streamlining purchasing and payments to adding a range of livestreaming options.

"The entire concept of online decision-making is really on the level of social validation," said Eric Dahan, CEO of influencer marketing agency **Open Influence** in an interview with *Retail TouchPoints*. "There's a TED Talk about the Dark Web that said drug dealers have their own ratings and reviews. This idea has permeated everywhere. That need for social validation has customers already used to sharing content, and now that content is layering in [commerce] functionality."

"People are looking for a more convenient, seamless experience; you never want to be more than a click or two away from buying," said Matt Maher, Founder of **M7 Innovations** in an interview with *Retail TouchPoints*. "We're an **attention economy**, so people believe the products [they see] should be there for people to buy."

Other consumer and business trends turbocharging social commerce's climb include:

- Brands can leverage the **varied user experiences** on different social platforms to reach not just key customer segments but also buyers at different points along the purchase funnel;

- There are big opportunities for brands and retailers to **deepen their knowledge of individual shoppers** — that is, if they can get the customer data they want from the traditional "walled gardens" of social networks; and

- If the metaverse becomes as central to the future of digital commerce as some are predicting, it will **expand and amplify social commerce's strengths**, including greater personalization, community-building and potentially using NFTs as purchase or loyalty rewards.

SELECTING THE OPTIMAL PLATFORM FOR SOCIAL COMMERCE

It's a brand marketing basic: choose a medium and content that matches your target audience. In *Mad Men* days that meant choosing the right TV show to run your commercial on; for social commerce it's about matching the platform not only to your audience but to your product's unique elements.

"The first questions with social commerce are, *Who is my audience? Where are they spending their time?* and, *What kind of information are they looking for?*" said Dahan. But once those questions are answered, brand marketers should investigate how users interact with various social networks.

"If it's a product that requires a lot of [customer] education that is geared to Gen Z, YouTube is a great platform, because you can explain things in depth," Dahan noted. "If it's a new toothbrush with some interesting features for millennials and older generations, you could advertise that on Instagram, because that really lets people look and see the product. TikTok is great for unique single products, like a cool pair of leggings or a beauty product, because you can demonstrate it concisely and show it to people, and it's at more of an impulse purchase price point. It wouldn't work as well if your product was a bottle of wine that's just incrementally better than another bottle of wine."

Social commerce also affords marketers greater opportunities to use advanced customer-facing technology, such as VR/AR to simulate what a product would look like on one's body or in one's house. In Social Commerce Central, a.k.a. China, "**65%** of Chinese consumers have used AR prior to purchase, compared to **35%** globally," said Maher. "People can virtually try on makeup or sunglasses, post it to their network, and then buy it right there. If you have a product like shoes, fashion apparel, watches or makeup, you can put the entire consumer journey within a [social] platform."

Marketers can use social commerce even for big-ticket, high-consideration purchases: "No one will make an impulse buy of a car, but using social commerce can be really powerful for building consideration," said Dahan.

"With social commerce, all of a sudden brand awareness will be **directly quantifiable** and **trackable to a purchase**," he added. "That will unlock much bigger budgets geared toward generating actual sales."

DEEPER CUSTOMER DATA IS THE REAL REWARD FROM SOCIAL COMMERCE

The type of unified buying journeys that social commerce can provide are so effective that brands and retailers are busy "socializing" their own touch points. "Brands and retailers will inherently become more social," said Michael Felice, Associate Partner in the Communications, Media and Technology practice at **Kearney** in an interview with *Retail TouchPoints*. "**Interaction is the new transaction.**"

Additionally, the looming disappearance of cookies and general trends toward greater data privacy have made first-party data a buzzword among retailers and media companies, and the desire to **monetize that first-party data** is the reason brands are trying to create their own social-style solutions. These would ideally parallel social platforms' ability to both control the entire shopper journey and gather data at various points along it. Felice noted that Meta's ownership of multiple social platforms, including Facebook and Instagram, provides it with a "unique, curated data set across a single consumer."

The convergence of retail and social commerce is also part and parcel of Amazon's business model, according to Chris Ventry, VP in the Consumer and Retail Practice of **SSA & Company**. "Amazon is one of the largest social platforms there is, with its reviews, wish lists, etc. They offer real engagement with things like shared checkouts for families or groups," he said in an interview with *Retail TouchPoints*.

Social platforms' ability to spur interactions — from as simple as a "like" to people providing ratings, reviews and even their own video content — give them a significant edge in developing detailed customer portraits, using more qualitative feedback than is generally available from other sources.

However, social platforms have traditionally been "walled gardens" when it came to sharing this data with brands and other sellers. Maher identified two major problems for brands selling on platforms that continue to "hoard" data: "The first problem is that if you want all the best features of a social platform, you must sell on it to get, for example, Instagram's checkout along with the great virtual try-on features and the best, most immersive experiences. And they're just so big that you can't not be on them, with paid media at the very least.

"The second problem is that not only [do these platforms] have your data, but you wonder how Facebook is using the data they get from you to help other brands," Maher added. "They must be doing it if they are building custom audiences, and how do I know that they're not taking my data to help others?"

The days of playing "keep-away" with data may be ending, however. "As commerce becomes [a bigger part of] these platforms, there's much more ability to have information flow both ways," said Ventry. Even so, it's one thing to gain access to social-generated customer data; it's another to make effective use of it. Ventry believes pure-play retailers have an edge here.

"Digitally native brands like **Glossier, Eloquii, ModCloth** and **Bonobos** have a true understanding of data," he said "They know who to target and how frequently to interact, whether that's daily, every few days or weekly. These are the companies that have done much better with their utilization of UGC [user-generated content]. It's no longer just about showing a product image; it's showing that it was worn by someone, doing a particular activity, in a particular place and potentially with their friends. **That's how content on a social platform can be part of a larger conversation.**"

THE METAVERSE MULTIPLIER EFFECT

Even though the metaverse is still very much "under construction," it offers the potential to amplify virtually all these social commerce trends, particularly if customer experiences there are personalized. "Because social media is inherently personal, the person with whom you're communicating knows a lot about you," said Ventry. Brands and retailers have tried to leverage social with non-personalized ads on the theory that visibility drives conversion, but "it has to have intimacy and personalization to work," he added.

The metaverse adds visual and interactive elements to personalization initiatives. "Say you had the ability to dress your metaverse avatar in branded clothing, and position yourself in a restaurant or an environment where you feel comfortable," said Ventry. "It's augmented reality but based on a physical presence, so it's an opportunity to have **a live advertisement that will interact with you as an individual, in your augmented state, to create a new type of commercial**. And if a brand had a virtual storefront, you could walk in and see how their product hangs on your avatar."

Virtual reality also can show off product differentiators and match them to the needs of a particular customer, for example showing how a running shoe interacts on gravel or rocky trails and in wet or dry conditions: "While you're not physically running in them, you see them actually performing, and that can be keyed to the shoes' size, fit and the type of runner you are," said Ventry.

In the near term, "brands will be able to sell gamers an outfit to wear in the game," he added. "The gaming and dating worlds are often ahead of the curve in social media interactions."

The metaverse will allow brands to "profitably target individual curated assortments to a single user, with just a small marginal cost of changing the code," said Kearney's Felice. "You also might see people using NFTs as tokenized mechanisms like a reward point on 'earn-and-burn' loyalty cards. **Gamifying loyalty can be part of a brand's shift to Gen Z, and it also plays back to the metaverse for buying digital merchandise.**"

Even if the metaverse doesn't live up to its current hype, social commerce is likely to continue gaining strength. "Social commerce can be massive, and it's still in its early stages," said Dahan. "Every online brand is leveraging social for advertising in a massive way. And by consolidating the customer journey on social, you remove a lot of the attrition that happens, creating more effectiveness. It's all about people sharing information; that's what social is all about. I strongly believe that all commerce is going to be social commerce, and that the lines will be blurred very soon."
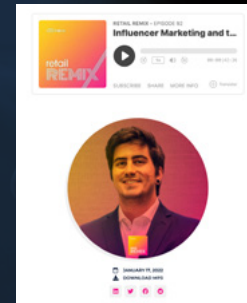
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201.257.8528
info@retailtouchpoints.com

ABOUT THE AUTHOR

Adam Blair, Editor

Avid theater-goer, intrepid journalist and grammar nag. There's always something new to learn about retail technology.