



The rise of Social Commerce: A growth opportunity for brands

February 2023





INTRODUCTION

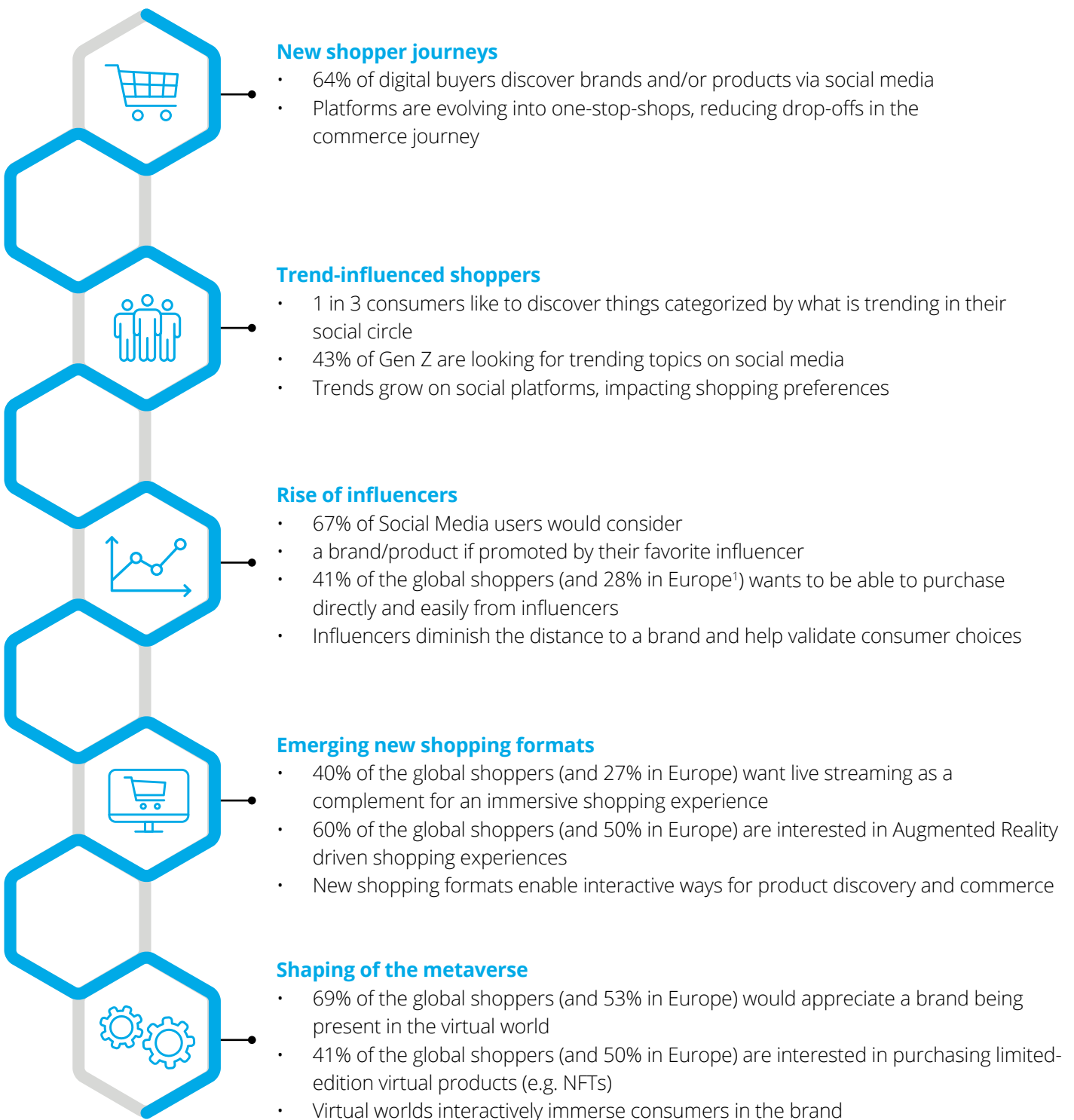
Imagine: You are scrolling on your phone, and you see a post from your favorite influencer, wearing a t-shirt from an up-and-coming brand. You love the design and tap the photo to see the price and it takes just a couple of clicks to find yourself reading a product detail page on Instagram. A few seconds later you click the purchase link to approve the transaction with facial recognition inside the app. You've just made a socially driven, seamless and fast purchase.

In 2022, roughly 4.6 billion people (58% of the population) are active social media users, spending an average of 2:27 hours per day on these channels. Consumers, meanwhile, have more digital savviness than ever, passing an average of 6.58 hours on the internet a day, 3.43 of which are spent via mobile (Hootsuite, 2022). Furthermore, e-commerce has become mainstream and consumers are increasingly seeking instant gratification, presenting platforms with a significant opportunity to monetize time spent and social influence online in a digital ecosystem. Platforms expand and evolve their features in the race to be faster and more relevant in the consumers' own environment, enabling consumers to seamlessly connect, share, discover and purchase products. The growth of peer-to-peer platforms and influencers is another trigger for 'Social Commerce', along with some curiosity about the metaverse. Brands looking to meet shoppers in their own environments should determine how they want to use this emerging channel.



Social Commerce growth is driven by emerging changes in consumption patterns, particularly:

FIGURE 1: Social Commerce Drivers



Notes: ¹Europe is average of UK, France and Germany

Source: 1. Global Web Index 'Social' (2021); 2. Facebook IQ and GfK Survey (2020); 3. META Internal Market Research (2022), 4. Global Web Index 'The Age of Influence' (2020); 5. Deloitte Analysis

DEFINITION

Social Commerce sits at the center of the evolving convergence of features on a growing number of online retail and social interaction platforms. This is driven by social-first platforms launching commerce features (e.g. social media creating in-app product catalogues) and commerce-driven sites launching social shopping elements (e.g. marketplaces launching live streaming or group buying). The most common form of Social Commerce is commerce-driven sites launching social shopping elements (e.g. marketplaces). At the same time, in some parts of the world - like in China, where brands more commonly use online retail platforms - social media is used to inspire and drive purchases, while e-commerce is seamlessly integrated into these experiences through popular formats such as group buying and live-streaming.

FIGURE 2: Social Commerce Definition



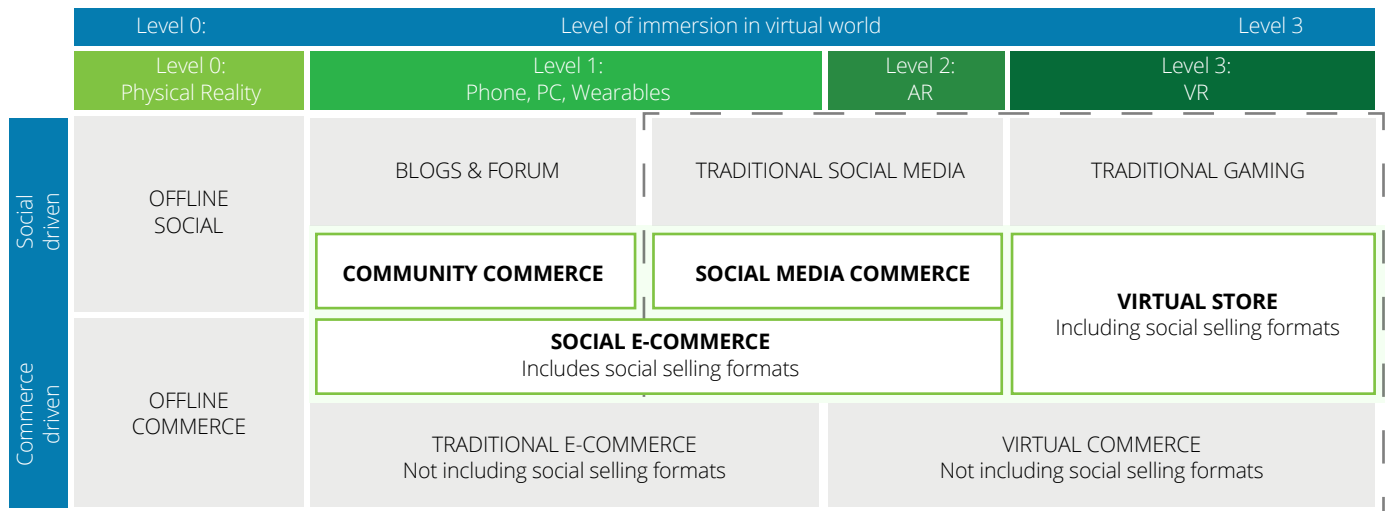
Source: Deloitte Analysis

Social Commerce can span across the entire shopper journey from driving awareness through to brand advocacy and loyalty. However, its potential for different industries will likely vary according to the level of social influence on purchasing within the category and the consideration time required in the buying process. So far beauty and apparel companies have been pioneering the space as consumers are often driven by trends and social cues commonly shared on social media platforms (e.g. #TikTok MadeMeBuyIt).

MARKET PLATFORMS

Social Commerce can happen across four platform types, which differ according to a platform’s commerce/social nature and level of digital immersion: Social E-commerce, Social Media Commerce, Community Commerce, and Virtual Stores.

FIGURE 3: Social Commerce Platform Types



Source: Deloitte Analysis



Social e-Commerce:

Both Own.com and traditional e-Commerce platforms (marketplaces and retailer sites) that integrate social or interactive formats into the selling process. For example, Amazon launched Amazon Live to facilitate consumer interaction in the shopping journey through live streaming events.



Social Media Commerce:

Traditional Social Media platforms that integrate commerce formats into the selling process. For example, Instagram launched Instagram Shops and in-app check-outs to drive purchases. Fresh Beauty leveraged product tags to extend its Black Friday campaign to its Instagram product catalogue.



Community Commerce:

Interest-led platforms that enable product purchases within the community experience. For example, NFL Game Pass is a subscription-based platform for NFL enthusiasts to watch games and shows, additional interesting content and access to other parts of the NFL (e.g. Redzone and network), broader NFL community (incl. Fantasy Football).



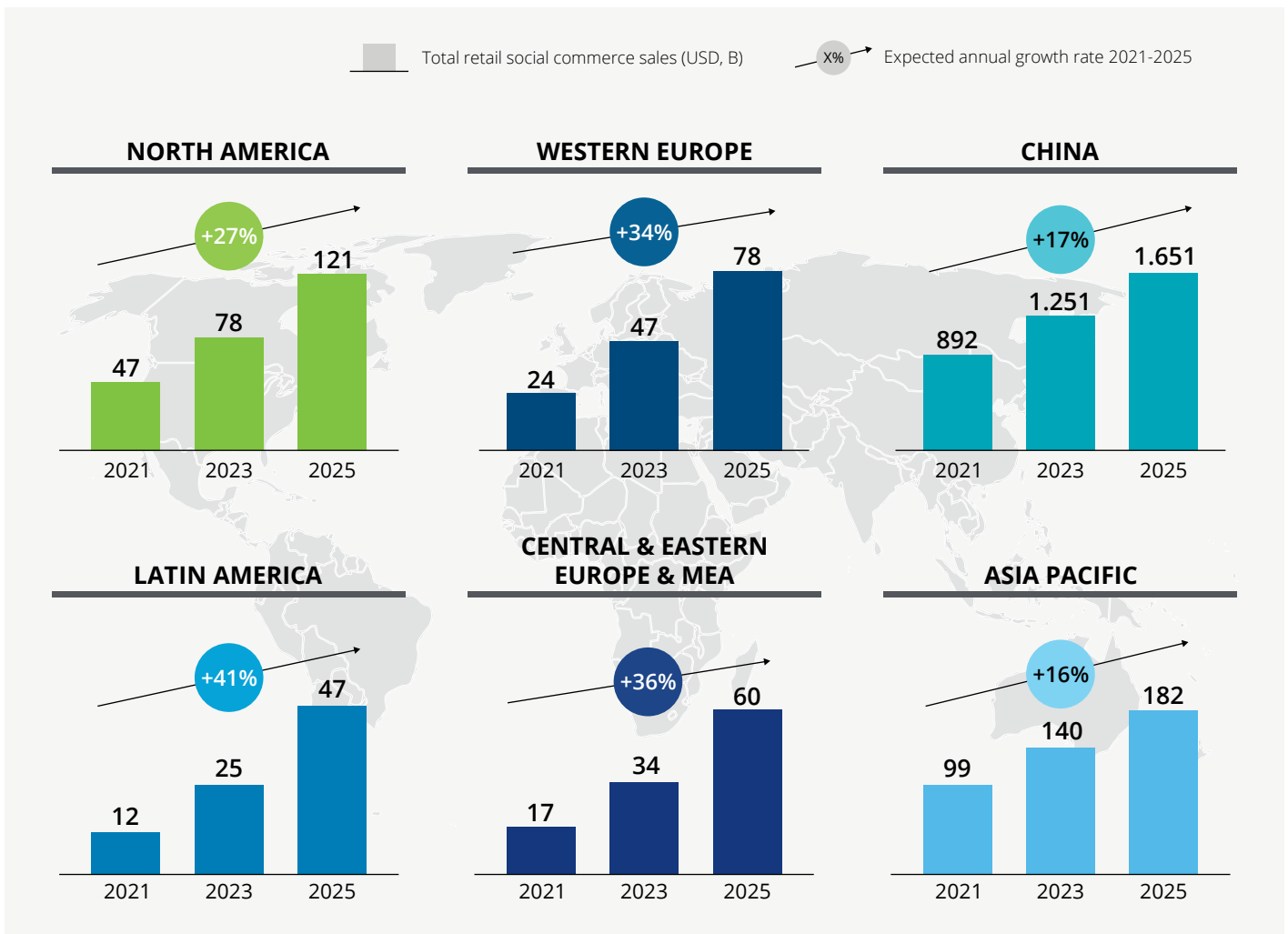
Virtual Store:

New virtual realities that enable the selling of digital and physical products. For example, Nike launched 'Nikeland' on Roblox for users to play games and style their avatar with branded gear.

MARKET POTENTIAL

Social Commerce is estimated to reach approximately two trillion USD by 2025, growing by around 18% per annum between 2021 and 2025, the equivalent of roughly 28% (or 13% excluding China) of all online retail sales in 2025. With its well established live streaming and group buying on e-commerce platforms, China is expected to drive the lion's share, followed by Asia Pacific and North America, while Europe, Latin America, and Africa are growing substantially but from a relatively small base level.

FIGURE 4: Social Commerce Market Size

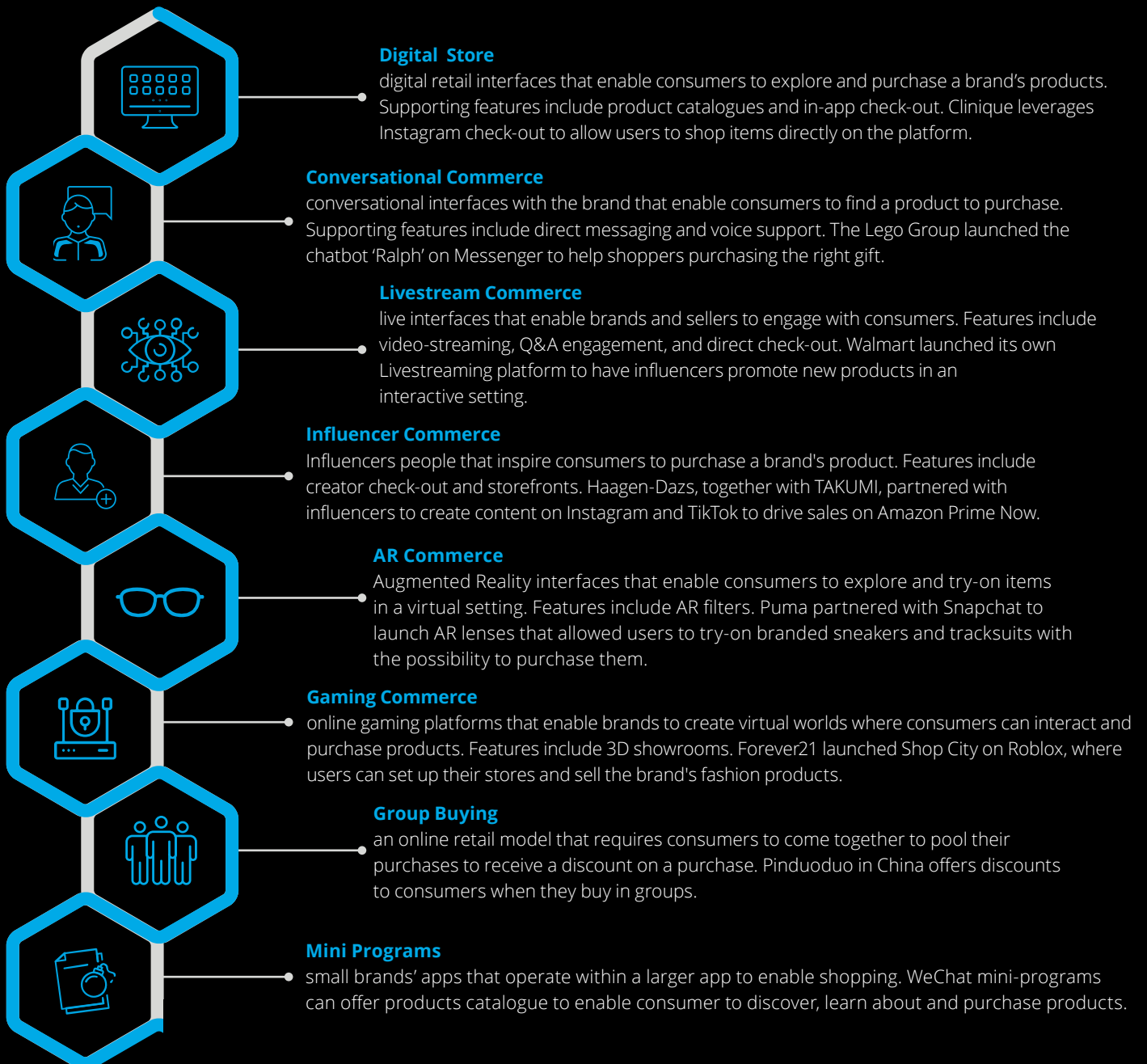


Notes: Market potential estimate excludes Community Commerce, since still nascent; for Social Media Commerce in-app and redirected purchases are included; Social e-Commerce includes livestreaming and group buying in China; Virtual Stores includes socially-led gaming platforms such as Roblox
Source: Deloitte Analysis



TYPES OF SOCIAL COMMERCE

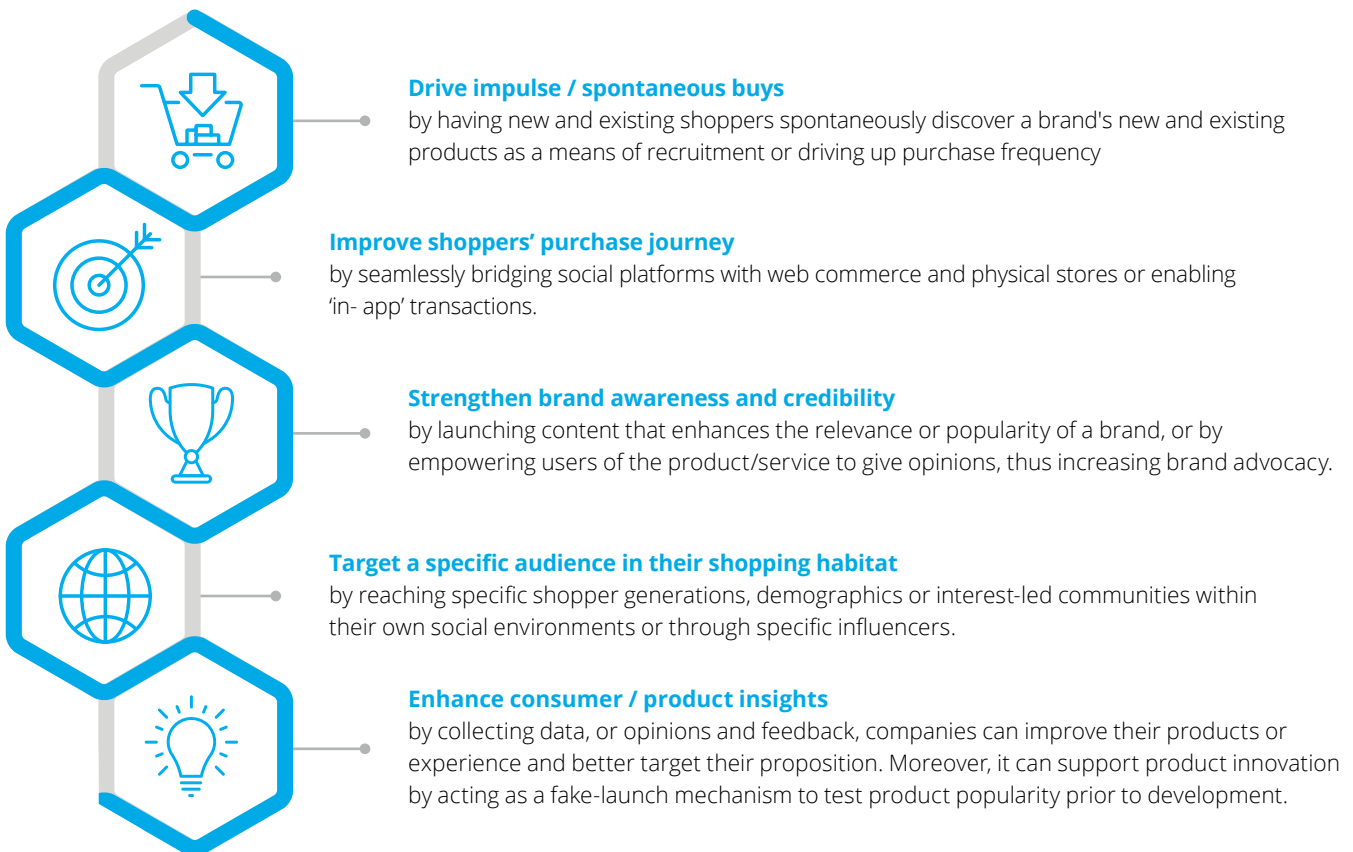
Depending on their commercial aspirations and investments available, brands can tap into this opportunity in multiple ways. Having studied various brands, we have identified, a total of eight key Social Commerce features increasingly being implemented on both social media platforms and commerce sites:



THE OPPORTUNITY FOR BRANDS

Social Commerce is not a stand-alone sales channel but can serve multiple purposes by creating a powerful consumer engagement ecosystem, from driving brand engagement, funneling recruitment, to driving repeat purchase insights. Brands must determine why they want to use a critically assessing the key benefits they want to unlock:

FIGURE 6: Social Commerce Brand Opportunities:



"Social Commerce provides several opportunities to engage with consumers in the space where they spend time to get entertained, inspired and increasingly seek information. At the LEGO Group we see this as a chance to connect with our shoppers through more relevant, valuable, and engaging ways while also welcoming new audiences to the LEGO universe. That is why we are looking into enriching our consumer and shopper experiences with capabilities such as interactive shopping, conversational commerce, and product tagging across our owned channels."

Martin Wolf, Director e-Commerce Enablement, The LEGO Group

Exploring a channel will pose key questions for different stakeholders within an organization, as Social Commerce expands across different channels and necessitates a growing suite of e-commerce features to enable a seamless discovery and purchase.



E-commerce Director

How can social-driven selling features be used to augment performance on own.com and/or marketplaces and retailer sites? How can commerce features on social media be leveraged without cannibalizing sales of other channels?



Marketing Director

What is the role of Social Commerce in our marketing strategy (e.g. awareness vs. engagement and conversion)? How does Social Commerce complement our paid media efforts? What should be our key metrics to measure the impact of Social Commerce?



Digital Director

What integration systems and technology are needed to seamlessly connect our own.com with our social media channels? Can we leverage our existing D2C or marketplace stack to integrate with Marketplaces?

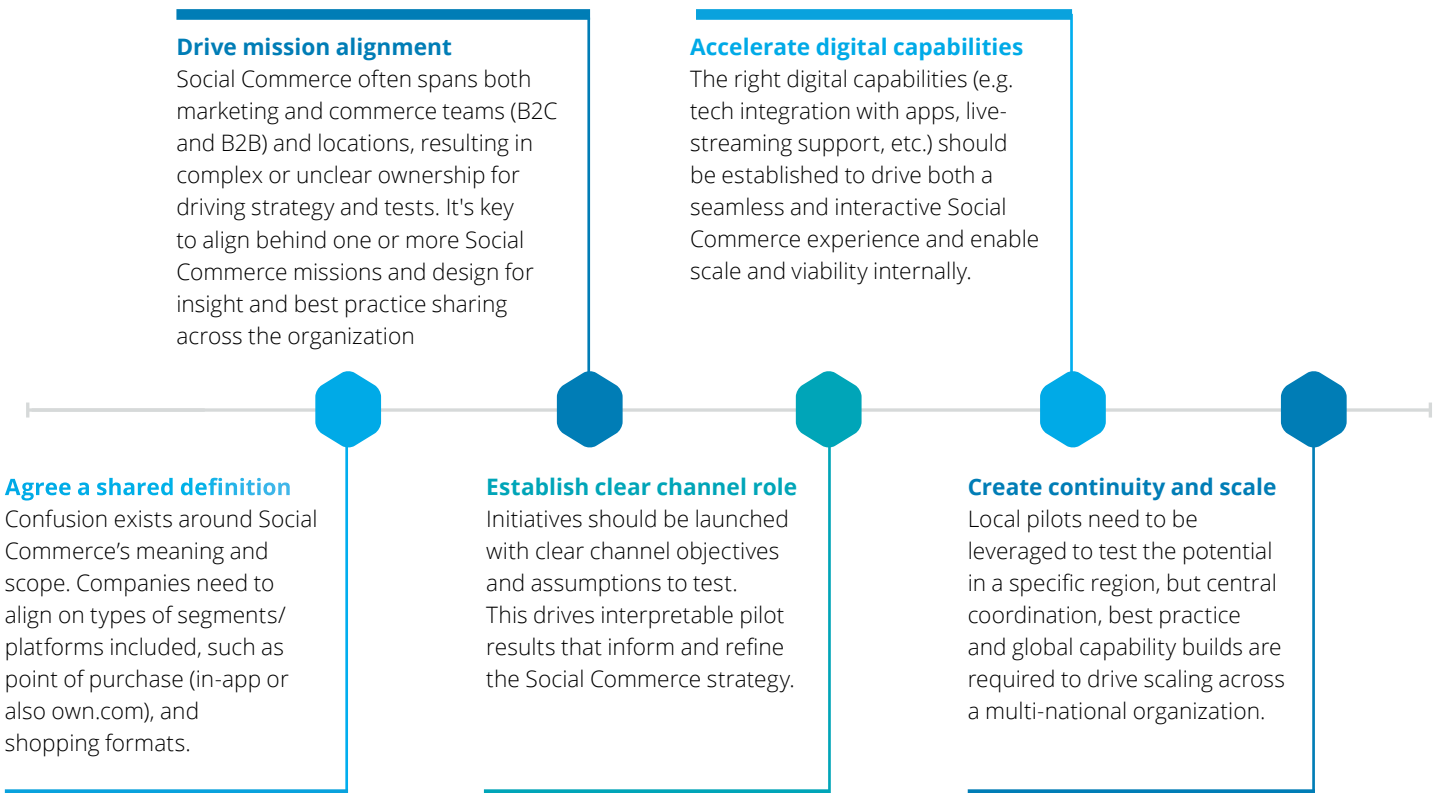


Supply Chain Director

How do we build a flexible supply chain engine to fulfil demand created via this channel? How can we leverage our existing direct-to-consumer operations set-up? How do we handle returns and service in these formats?

FIVE STEPS FOR UNLOCKING SOCIAL COMMERCE POTENTIAL

Despite its potential, today only a few brands are mastering the Social Commerce opportunity. In part this is because it's still nascent in its development, but getting started typically requires the following:



CONCLUSION

Social Commerce is creating exciting new ways to engage and convert consumers through inspiration, interaction, discovery and ease of purchase. It has shown rapid adoption in China, where Social Commerce has become a core part of online shopping, but the jury is still out with regards to its full potential in other regions. Brands need to decide whether they want to be a pioneer in the space or to monitor and potentially follow later.

The quickest way to gauge its impact for a brand is to run focused pilots. But before doing so, it's essential to nail down the specific reasons to play (addressing questions like "what do we want to achieve with Social Commerce - new abbreviation?", "what pain points do we want to address with Social Commerce in the shoppers purchase journey?"). After this, any intended positioning and capabilities required can be tested with consumers and lead to an iterative learning journey.

Do you have any feedback on this article or wish to discuss exploring the Social Commerce opportunity fit with your brand, then do not hesitate to reach out for a conversation.

CONTACTS

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END NOTES

General:

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2. Facebook IQ and GFK Survey (2020)
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4. Global Web Index, Report: 'The Age of Influence' (2020)
5. Hootsuite, Report: 'Digital – Global Overview Report' (2022)

Sources of Social Commerce vehicles examples:

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3. NFL Game Pass (2022): <https://www.nflgamepass.com/en>
4. Nikeland (2022): <https://www.roblox.com/games/7462526249/NIKELAND-ZOOM-FREAK-4#!/about>

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