


CAN
SOCIAL
SHOPS
DISRUPT
D2C?

Ogilvy





With customer attention becoming a currency on its own, brands can no longer afford detours in the purchasing process. Seconds matter, and if the experience is poor and cluttered, customers will abandon and spend their cash elsewhere.

Building on this backdrop, social shops can offer a smart solution for discovery and commerce, deepening relationships and building out equity. While forward-looking brands are gradually prioritising the concept, social shops are well on their way to shake up the D2C cycle and are technically stacked to 'kill off' slow-cooking sales channels.

HOW IT STARTED, HOW IT'S GOING



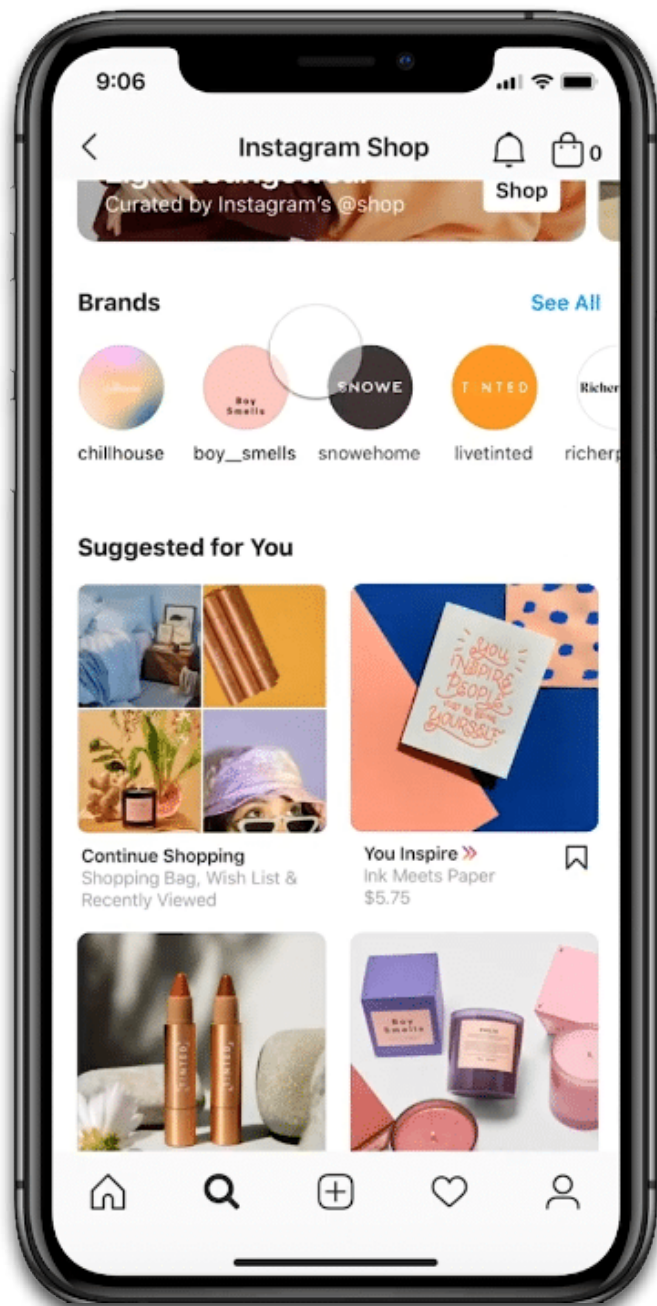
Social commerce is not a novelty thing, it's been around for a while but has skyrocketed in the last two years. New services and product developments have been brought into the realm by top-tier social networks, and we've gone from basic shopping list features and product discovery seen early in the decade, to frictionless experiences and native checkouts in 2021.

As platforms emerged and matured, social commerce grew to encompass various ways for businesses to leverage social for better shopping experiences, driving sales, and drawing attention to products.

From a definition viewpoint, social shops embody social commerce. It's more than just an online showroom, it's a time-efficient and instantaneous way for brands to interact and engage customers. A new and promising revenue stream that taps into the platforms' algorithm to shape up personalised experiences and generate high-value data.

In terms of developments, Facebook and Instagram lead the dance. Next to a broader array of commerce features, the network pioneered the social shop as we know it today. In the United States, Shops offer a fully integrated solution; from customisable storefronts and tools for creators, to shopping tags and native checkouts.

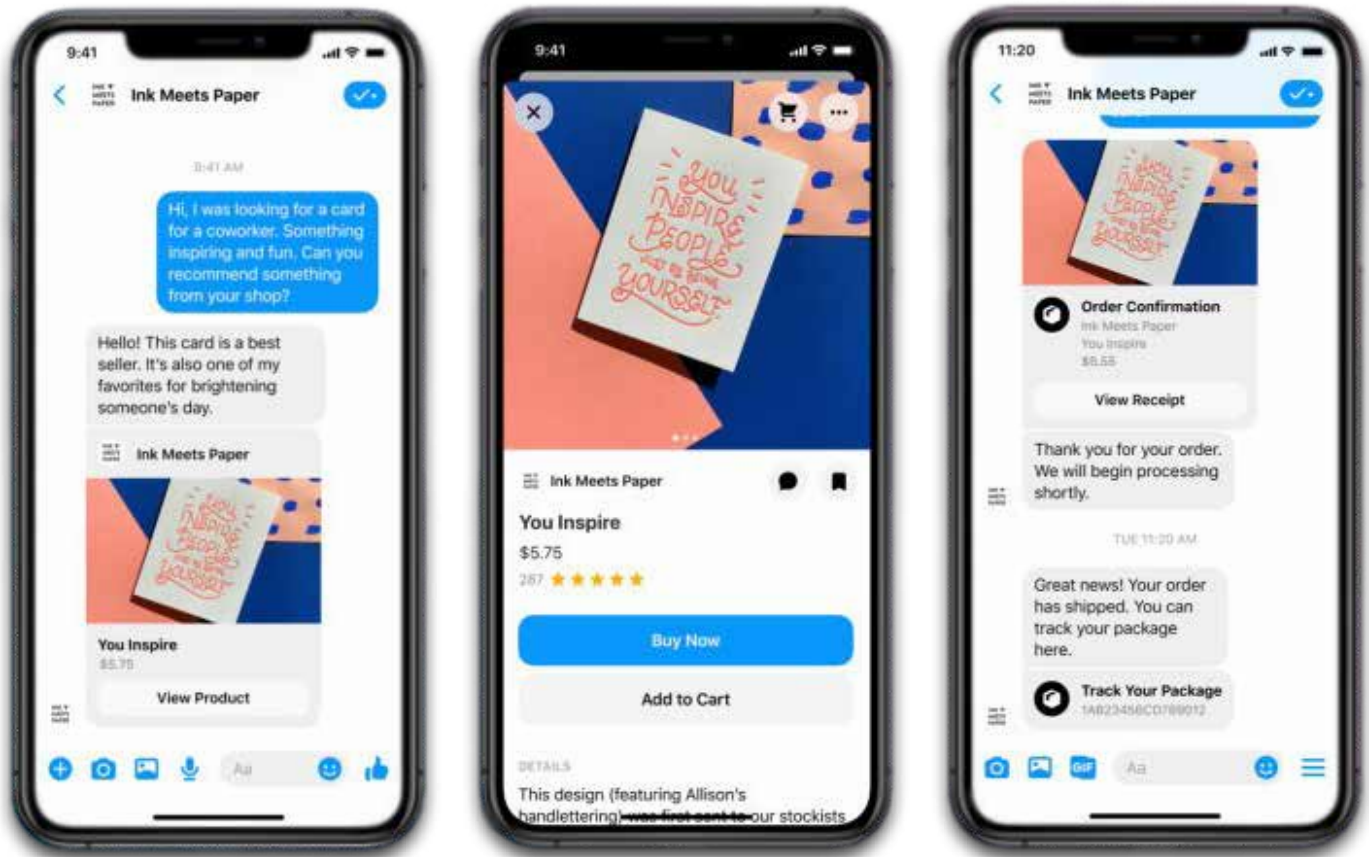
Furthermore, TikTok and Pinterest are testing dedicated social shops. In the United Kingdom, cosmetics and fashion brands have been enlisted to try out the beta versions. Snapchat is still prioritising discovery and camera-centric commerce, like AR try-on functions and scanning, whilst also keeping an eye on the growing shift to in-platform shopping. Twitter, mostly unknown for its commerce opportunities, is also testing Shopping Modules: a seamless in-app browser where users can flip through brands' products to learn more and purchase without having to leave the platform.





ENABLING COMMERCE POTENTIAL





Before rolling into operations, brands must understand the role of shops within the broader commerce ecosystem. Not just from a channel hierarchy point of view, but complementarily to other sales drivers.

With the right minds and efforts behind them, social shops can be operated and curated without cannibalising revenue from owned D2C, affiliates, or retailer sites.

But let's stick to the undeniable advantages of a social shop. When looking at the growing volume of success cases and the ongoing velocity of technical developments, we believe there's a strong likelihood shops can claim a top-lane position in commerce over time.



Here are 5 arguments why:

1. BUILT FROM SOCIAL ENGAGEMENT

The secret sauce for offering relevant shopping experiences are the engagements and signals users leave behind while interacting with content. Viewing products, sharing links, liking posts, or saving items; dozens of these signals can be gathered and will eventually feed the algorithm personalising future content delivery.

2. LESS AFFECTED BY TRACKING

Due to the imminent cookie-less future and recent iOS update, there will be a substantial loss of tracking opportunities and limitations to building retargeting audiences from website data. Social shops – especially the ones with a native checkout – can keep the path-to-purchase frictionless, offering a single channel experience and thus ensuring total data transparency.

3. CAN FUNCTION AS AD DESTINATIONS AND PLACEMENTS

Through paid amplification, social platforms – in the US for now – allow for users to engage with an ad and be redirected to the shop itself instead of an external landing page. This is a sweet deal to bypass loading speed issues and navigating to sites that aren't mobile-first. Similarly – and taking Instagram as an example – the Shop

Discover section can also be leveraged as an ad placement. This is additional top real estate for brands that want to display their products towards high intent customers.

4. VALUABLE DATA POINTS TO USE

By offering an additional commerce surface to the end-user, a whole set of additional data points become available as well. This is useful when the goal is to expand both prospecting and existing customer audiences, as users can be retargeted based on product/collection view, add to cart, or purchase. However, this data is still owned by the platform and is considered proprietary towards use within that environment. As of today, it's not possible to streamline the shop data points towards an existing CRM system.

5. EXTENSION FOR LOYALTY AND CUSTOMER SERVICE

Smart customer service features have been developed to keep users locked in, especially in the slipstream of the pandemic. Think of configurable opt-ins for loyalty programs and managing order tracking inside messenger platforms. Creating and improving these interactions with customers can form instant focus groups that enhance brand engagement and improve loyalty.



**POSSIBLE
WAYS BRANDS
CAN ENABLE
SOCIAL SHOPS**



Non-believers and convinced supporters understand that social shops are here to stay, even though we're still waiting for a global breakthrough. This relies heavily on platform developments e.g., a worldwide rollout of the native checkout feature on Facebook and Instagram.

But it's interesting to see that in a digital world that is still largely cemented in D2C and retailer traffic, social shops have all it takes to shake up the foundation and bring in new services that brands must embrace and implement in their own ecosystem. We firmly believe social shops are equipped to become a commerce channel alongside D2C, (e-)retail, and owned physical stores.

With that in mind, here are 3 ways we believe brands may enable social shops:

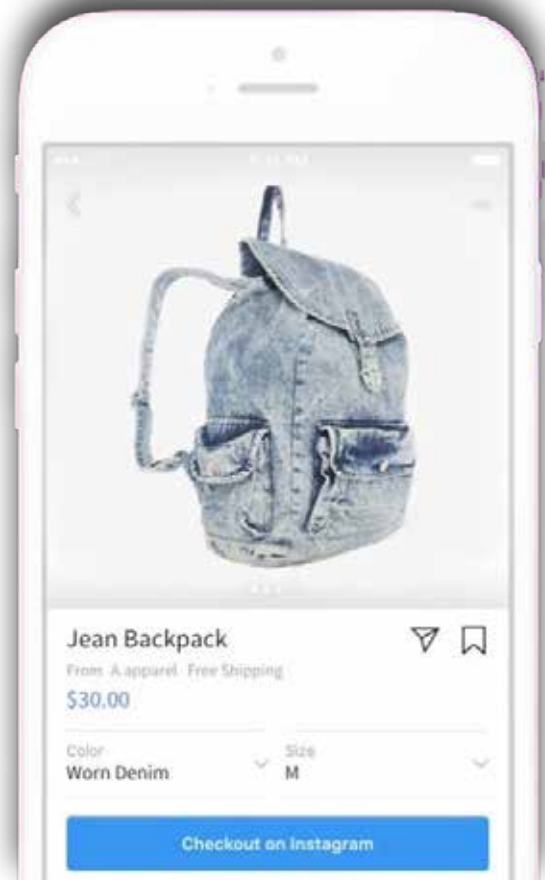
1. AS A NEW COMMERCE CHANNEL WITH NATIVE CHECKOUT

Most eCommerce purchase journeys are too complex, relying on redirects from one platform to another, with some platforms requiring multiple steps themselves. Social shops make it easier for people to complete the purchase of products they want and need. At its core, it's about making it easy for users to complete their purchases. Payment and delivery information are saved, making the purchasing journey as seamless as it can be.

Think of a model that replicates Amazon's convenient 'one-click' ordering feature - that is what social players are aiming for. Due to

this, we expect conversion rates to increase over time as in-app checkouts are rolled out globally. However, the trade-off may come in the form of losing the opportunity to have full access to 1st party data, which is logical collateral to D2C buying.

Brands may embrace the easy setup that comes with shops and the relatively low maintenance costs. Shops will allow brands to streamline user purchases directly from the platform and scale up from there. With payment options being directly integrated within the shop interfaces, social platforms will act as resellers, taking a selling fee on every product sold. The backend, fulfilment, and shipping and returns will still have to be handled by the brand itself.



2. AS AN EXTENSION TO D2C & (E-)RETAIL

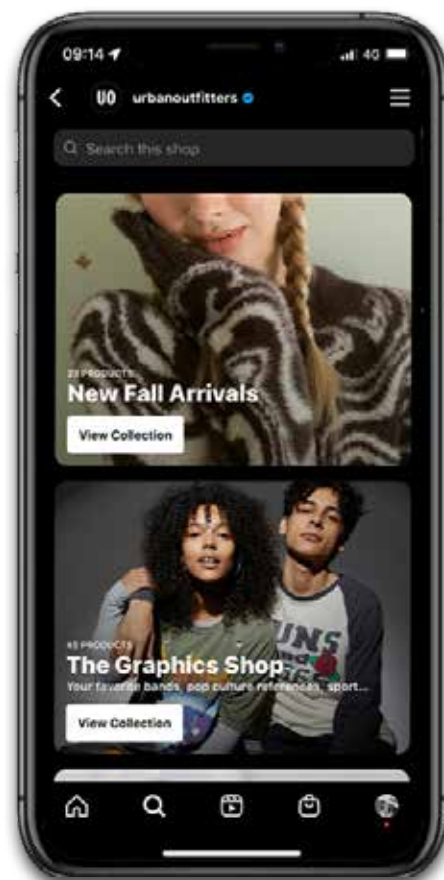
There is a clear growth opportunity for D2C and (e-)retail brands by leveraging social shop features other than just the in-app checkout solution. By fully capitalising on all features, brands can use social storefronts to connect Social and D2C, as well as Social and (e-)retail. Shops provide a path to differentiation outside of physical retail and classic eCommerce routes by giving brands more control over the experience consumers have when discovering or buying their products. Shops have the benefit of being present where consumers are already spending their time, and, in many cases, have already expressed their brand and product preferences.

Brands leveraging behavioural data and insights trickling down from shops provide a greater return on investment when considering pricing, promotions, and product placement. Shops offer a lot of flexibility, allowing for brands to showcase catalogues of items across the board in a more curated way, with products most likely to sell placed front and centre. Brands can build their shop offering based on top collections, new products, flash sale moments, and other more miscellaneous categories. Urban Outfitters have a shop category called 'TikTok made me do it' which includes their TikTok community's favourite gadgets, games, and clothing apparel.

In-platform messaging and chatbots let consumers engage directly with brands for customer service inquiries, product information, shipping updates, usage support, and returns all within channels

where consumers are already comfortable. When coupled with a D2C model, the direct relationship to the consumer is strengthened, giving the ability to collect rich consumer data and develop a more holistic, 360-degree view of how a user interacts with a brand across every stage of the shopping journey.

With social commerce added to the mix, brands can create engagement experiences tailored to a buyer's social media preferences and usage habits. This creates more cohesive brand experiences across channels, driving deeper loyalty and increasing customer lifetime value over time.






3. AS A PRODUCT STOREFRONT FOR BUSINESSES

One of the primary reasons brands hesitate to build a shop presence is a lack of understanding of the full value the offering can bring to the business. A shop presence should not necessarily mean that a business should be focusing on sales. On the contrary, shops can be used as a product storefront for businesses that have low to non-existent returns from social and digital channels. Think of car dealerships for whom it is virtually impossible to sell a car online. Those businesses can use shops to create a place on social where people can


get product information, service offering, and direct access to customer service.

Ford Belgium leverages social shops to redirect customers to book test-drives, book their spot at the Brussels Motor Show, and have a direct line for customer-service inquiries. They do not offer the possibility to sell cars via the channel. The shop is used as a clear extension of the physical car dealers. It's always available and open, which serves instant gratification, and furthermore offers a level of service and guidance through conversational functionalities.



CONCLUSION





Social commerce is moving from strength to strength and is rapidly evolving in line with how users wish to interact with digital storefronts. Mobile use is dominant and consumers' attention span is reducing with the next generation of consumers who were born with social media in their lives.

The logical action is for a brand to take advantage of these behaviours and start selling through the channels they're most engaged in with the kind of checkout they're looking for.

We assume new disruptive brands will base their strategy on social shops because of all the benefits. In previous years, some categories were highly disrupted by digital-native brands entering D2C e.g. Beauty: the launch of Kylie Cosmetics nearly exclusively through social shops. Social shops have all it takes to shake up the foundation of classic D2C and retailer purchasing journeys. There are multiple ways brands can integrate shops within existing ecosystems or embrace them as a unique commerce solution. Whatever the need may be, we firmly believe social shops are a frontrunner for future implementations of social commerce, and any brand for whom commerce is a priority should absolutely start building its presence through shops.

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