simplicityDX

State of Social Commerce Annual Review

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Contents

Introduction

Each quarter here at **SimplicityDX**, we conduct our **State of Social Commerce Survey**.

Over the last twelve months we have surveyed over 3,000 U.S. online shoppers. These shoppers have answered a series of questions about their social media shopping habits each quarter and the results have been aggregated.

With these questions, we are able to gain a greater understanding of the social commerce market as a whole and pull out any trends in customer shopping behavior and habits.

Here, we have looked at all our results across the year and identified the key takeaways. Read on to find out what we learned.

Executive Summary

Research Highlights

Social media is the most important new customer acquisition channel for many brands and represents up to **30%** of eCommerce site revenue. However, this revenue is frequently underreported because many consumers prefer to purchase on brands' eCommerce sites, visiting them directly after having discovered products on social.

In fact, SimplicityDX research shows that only **29%** of brand site social revenue is currently being tracked by typical analytics and reporting tools. What we learned was that 71% of shoppers who discovered on social - eventually buy directly on the brand site, without clicking through from social (**23%** do this immediately, while **48%** will go to the brand site and buy later). This shows that brand site reported revenue from social is understated by approximately 2.45x or **245%**. So, for every $1 million in sales that your web analytics tool reports as generated from social, it's actually likely to be closer to $2.45 million

It is clear that understanding how, why, and where consumers choose to buy is critical in developing a social commerce strategy.

Our research shows a clear pattern. The majority of consumers — when using social — prefer to start their shopping journeys on social media, but actually complete their purchase on the brand site. While purchasing directly on social is possible on some social platforms, and used by some brands, the experience is frequently problematic. Inventory, pricing, and promotions are often not synchronized and the returns experience following a purchase on social media makes most customers wary of purchasing again on social.

Additionally, customers also have a profound lack of trust in social media and are concerned that social platforms will abuse their personal and financial data.

Given this background, it is interesting to see how customers prefer to use social media as part of their shopping process. Four patterns emerge:

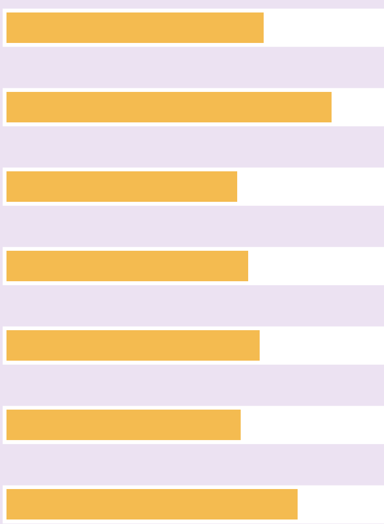
1. Social media is a great place to discover new products, but not for purchasing.
2. Influencers and creators are valued for product recommendations, and "how to" advice, but consumers are wary about scams and authenticity, with the majority preferring to purchase from the brand, not the influencer.
3. Clicking through from social is frequently a problematic experience, resulting in high bounce rates and low conversion rates when landing on the eCommerce site.
4. Livestreaming is growing fast but most shoppers still see them as a way to discover new products, not make purchases.

Key Takeouts for Brands

For brands, recognizing that social is increasingly important for driving not only new customer acquisition, but also eCommerce revenues, there are several key takeouts:

- **Don't use social checkout:** The established pattern of "discover on social, buy on the brand site" should be the model going forward for most brands. This ensures that brands are building a customer base that they have consent to market to and is how the majority of customers want to buy. This is also aligned with Instagram's refocusing on advertising and away from social checkout.
- **List & tag products:** Brands should upload their entire product catalogs onto social networks, wherever possible, and ensure all products are tagged. This connects aspirational lifestyle imagery with products that can be purchased. Customers should then be directed to the brand site to purchase.
- **Trust:** Build trust with relevant, authentic content and be transparent at every step of the customer journey.
- **Show promotions on social:** While challenging for brands, especially during peak periods, we recommend reflecting seasonal promotions across all social channels. This ensures that prices are consistent across social and online channels. Driving traffic to the brand site eliminates inventory synchronization issues.
- **Fasten seat belts for landing:** Brands funneling social traffic to their eCommerce stores frequently direct traffic onto product detail pages. This causes an experience "hard landing," as the aspirational context is replaced with a hard transactional experience, resulting in high bounce rates and low conversion rates. We recommend brands soften these landings with a blend of social and product content to drive engagement and nurture the sale.
- **Think Social + Email + Retargeting:** Social media is a great place for new customer acquisition, enabling brands to showcase products in an aspirational context not possible on their brand site. But new customers rarely buy on the first visit. Encouraging these new visitors to subscribe to brand communications, coupled with the use of retargeting to drive repeat visits, will encourage purchases over time. Consequently, social teams need to work closely with their email colleagues to synchronize efforts around new subscriber acquisition.

Key Statistics



68% of respondents reported that they would prefer to buy on the brand site

86% reported issues when migrating from social media to the brand site

61% of shoppers think that social media is best suited for product discovery

64% have attended or have thought about attending a livestream shopping event

67% don't trust social media platforms with their personal data

62% don't trust social media platforms with their financial data

77% of consumers are unsure or do not know how to secure a refund on a product purchased on social media

Questionnaire Results

Survey Methodology

SimplicityDX surveyed over 3,000 U.S. online shoppers across the 4 quarters of 2022. Each shopper had made a purchase online in the last 90 days:

- **261 (52%)** had made a purchase using social media in the previous 90 days. This includes using social media to shop and clicking through to the brand site to complete the purchase there.
- The subset of **261** social media shoppers were then asked additional questions about their social shopping process.

The sample was selected randomly and is broadly representative of U.S. online shoppers.

QUESTION 1: Have you made a product purchase using social media in the last 90 days?

Across the four quarter results, our results showed that **57%** of respondents had made a product purchase using social media in the last 90 days, with **43%** reporting that they had not.

There is an interesting comparison that can be drawn between this result and the result of our research into **Gen Z social commerce habits**. Gen Z comprises those born between 1997 and 2012, meaning the oldest members of this generation are 25 years old. We know that Gen Z have the highest level of social media use, and this is a trend we see reflected in their social commerce purchases too.

Our research found that **62%** of Gen Z had made a purchase using social media in the last 90 days, while **80%** were planning on using social media for their holiday shopping. Although this is not a hugely significant difference compared to the overall population, it shows that there is a preference for social shopping among the younger generations.

> **The clear message to brands:**
> **Embrace social commerce in an engaging manner, placing a consistent customer experience and authenticity at the top of your priority list.**

QUESTION 2: Thinking about this recent purchase you made where you used social media, which social network did you use?

When looking at which social media platforms were used to make purchases, Facebook is the clear leader with **58%** reporting that they had made their purchase using the platform in some capacity. Important to note here, the majority of this (**40%**) was through Facebook Marketplace.

Since Facebook Marketplace is mostly peer-to-peer buying and selling, many brands do not consider this platform when planning their social commerce strategy. Despite the sheer number of transactions taking place here, as the name suggests, this platform is designed as more of a marketplace and subsequently, does not have many brands operating on it.

Instagram, however, is currently the most popular destination for brands and the second most popular platform for social commerce purchases. **22%** of respondents reported that they had made a purchase on Instagram. This was a number that remained relatively stable across the year, with the highly visual nature of Instagram making it well-positioned to advertise and sell products.

Figure 2: A graph to show the percentage of respondents who made a purchase using Instagram across all quarters.

One platform that is growing in popularity in the social commerce space is TikTok. Our results showed that, across the year, **10%** reported that a recent purchase they had made had come from TikTok. However, when we look at the individual numbers by quarter, we can see that purchases have almost doubled from **8%** in Q1 to **15%** in Q4.

There are likely a number of reasons for this, chief among them being the younger user base present on TikTok. As previously discussed, Gen Z have the highest social media use and social commerce purchases (although their total spend is lower due to their lower levels of disposable income). Gen Z are also the biggest users of TikTok, which is likely what accounts for this growth in TikTok purchases.

The other aspect to consider is the rise in popularity of livestream shopping events, a type of content TikTok is ideally designed to make the most of. We will look more at livestream shopping a little later on.

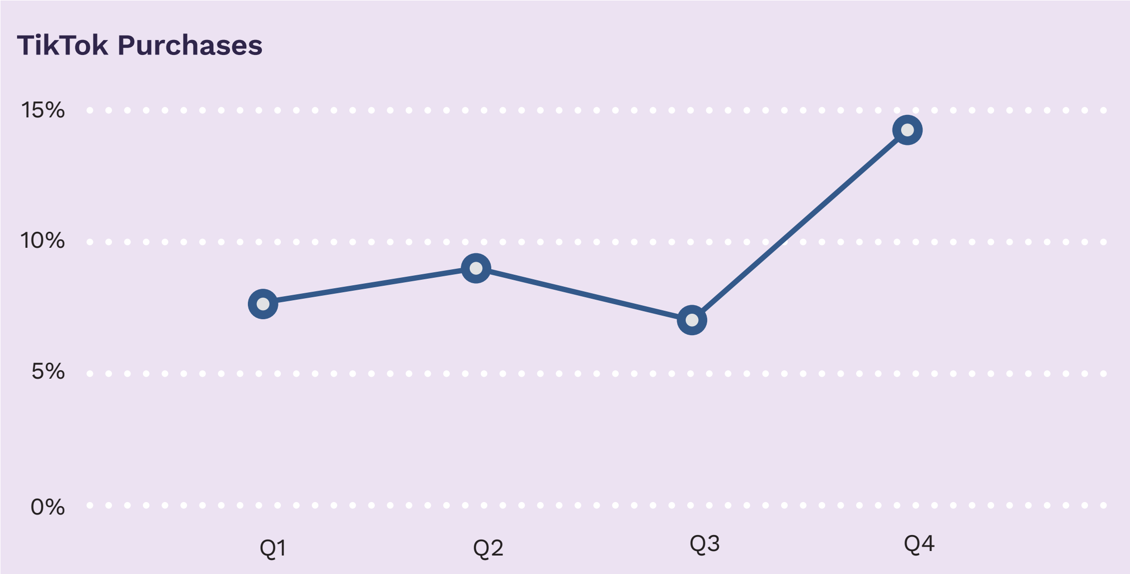
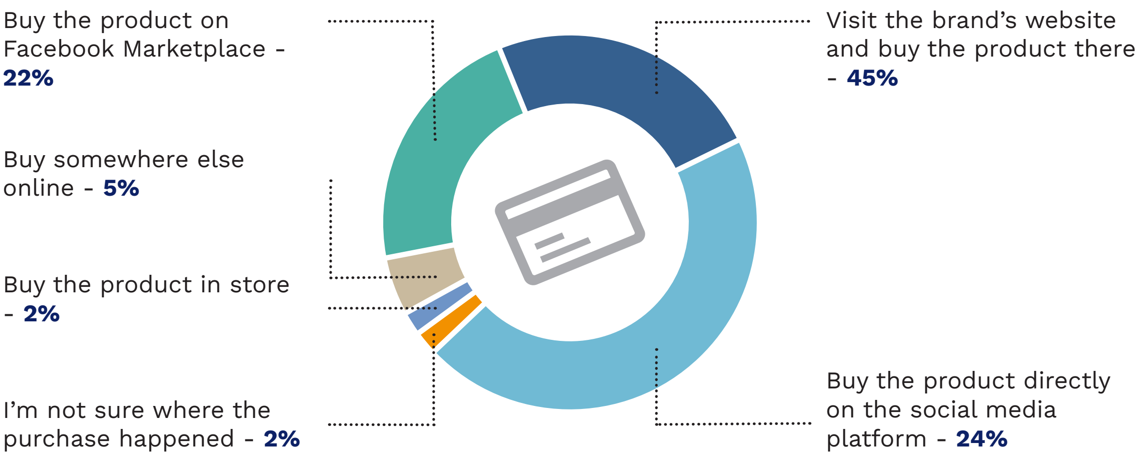


Figure 3: A graph to show the percentage of respondents who made a purchase using TikTok across all quarters.

QUESTION 3: Thinking about a recent product purchase you made where you used social media, did you:

For this question, the options given were as follows, with the corresponding response levels across three quarters:



We can see here a clear preference for shoppers to migrate from the social platform to the brand site to complete their purchase. We are able to ascertain, with a reasonable degree of certainty, as to the reasons behind this preference by looking at the rest of the data we have gathered.

While we can see that the second biggest purchasing route is through the social media platform, the fact that Facebook Marketplace is the third largest purchase route merits some consideration. This high number is likely due to the fact that Facebook

Marketplace is the number one place social commerce happens (Qu. 2), coupled with the fact that it operates mostly peer-to-peer and therefore there is no brand site to migrate to.

When brands are looking to move into Facebook Marketplace, they should carefully consider how they wish their products to be purchased. Ideally, the goal should be to funnel users to the brand site. However, this may not always be possible on Marketplace and so brands should make a concerted effort to streamline the purchase process through this platform.

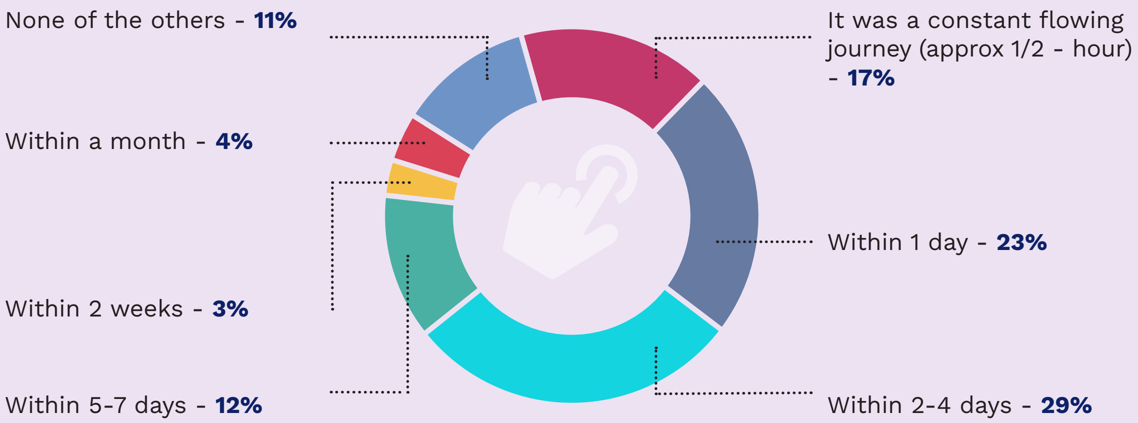
This holds true for all social media platforms — it is key for brands to effectively funnel customers to their own sites, as this is not only what shoppers themselves are looking for, but it also allows brands to capture customer data for retargeting purposes.

First, there is the prevailing opinion that social media is best utilized for product discovery, rather than the actual purchase of products (Qu. 4). Second, uncertainty over the returns and refund process when products are purchased directly through socials leads to many shoppers preferring to make their purchase from the brand site itself (Qu. 13). Third, there is a lack of trust in social media platforms to handle users' data responsibly and not exploit it — particularly with Gen Z — which pushes people to purchase from the brands rather than the social media platforms (Qus. 8 - 11).

Finally, in the Q4 edition of the State of Social Commerce we discovered the fact that many customers do not click through from social on their first visit when browsing through products — they often go to the brand site at a later date to complete their purchase.

This leads to social commerce sales being significantly underreported, potentially by up to **245%**.

Still thinking about that recent purchase, how long was it between when you discovered the product on social and actually made the purchase on the brand site?



QUESTION 4: Which best describes how you use social media for shopping:

The graph below shows the response levels for each option given for this question, averaged across the four quarters:

How consumers use social media for shopping

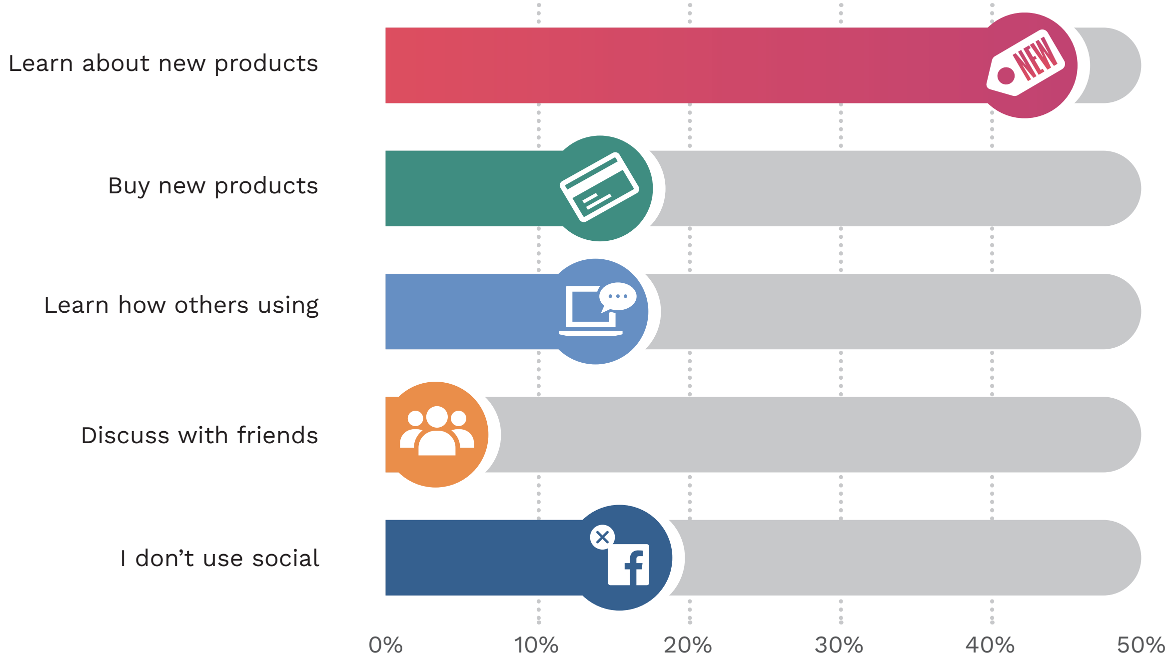


Figure 5: A graph to show how consumers use social media for shopping as an average across four quarters.

As mentioned above, the main draw of social media for customers is to learn about new products and how they are used. If we combine the results of "Learn about new products" and "Learn how others are using products," we can see that product discovery sits far above the other categories at **61%**.

This dovetails with the previous question, showing us that customers are not necessarily looking to use social media to make purchases. Instead, they are far more likely to use social to find something they are interested in purchasing, then visit the brand site (usually at a later date) to make the purchase.

These findings highlight the need for brands to produce engaging, relevant content to attract the interest of potential customers, and the need to make the migration from the discovery step of the customer journey on socials to the purchase step on the brand site as seamless as possible.

> **Social is a massive opportunity to tap into a firehose of eyeballs by injecting shoppable content into social feeds. It's very clear, though, that best practice is to direct engaged traffic to the brand site to buy. It's what most shoppers want, and it enables brands to build an ongoing relationship that turns a first-time shopper into a profitable, repeat shopper.**

Charles Nicholls, founding director and chief strategy officer for SimplicityDX

QUESTION 5: Posts by celebrities and social media influencers sometimes feature products. What do you find most useful about these kinds of posts?:

The graph below shows the response levels for each option given for this question, averaged across the four quarters:

Consumers views about Influencers

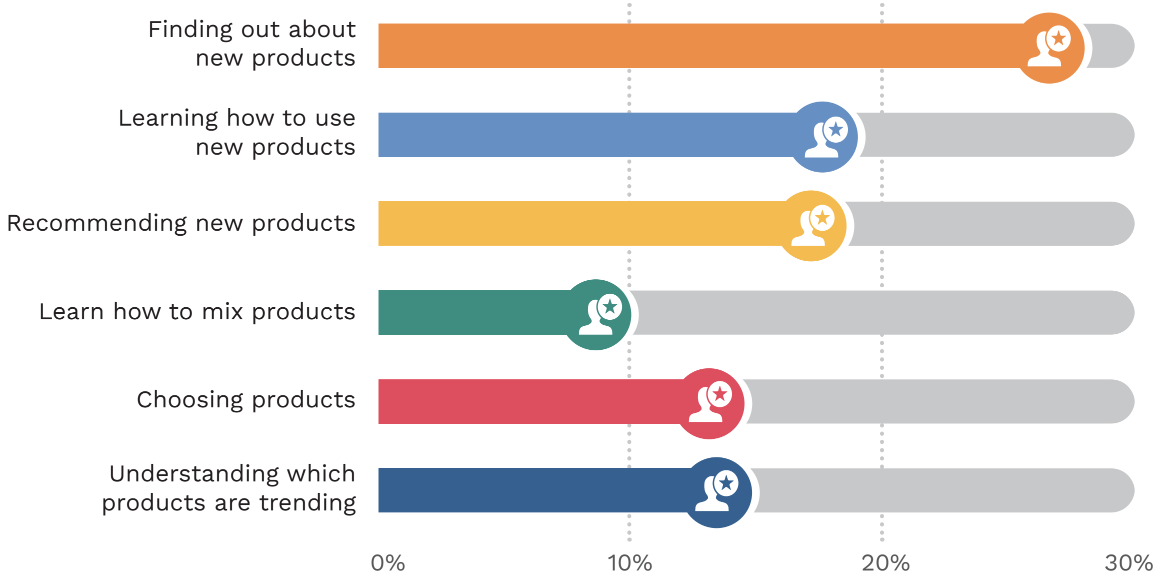


Figure 6: A graph to show consumer views about influencers as an average across four quarters.

Again, we can see here that product discovery is the most important factor when it comes to viewing influencer product content on social.

We can combine a couple of these questions into a broad category of "Product discovery, recommendations, and choosing." Using this as a loose framework for the above results, **58%** of respondents reported that this is what they are looking for from influencer marketing.

This can help brands to shape their social commerce strategy when partnering with celebrities and influencers to market their products. Instead of using influencers to push customers into making purchases, brands would be far better served partnering with creators who can bring awareness to their products in an engaging and authentic way.

QUESTION 6: What is your experience of livestreaming shopping events?

Livestream shopping events are rapidly growing in popularity, particularly with Gen Z and on video-focused platforms such as TikTok. This is reflected in our findings, with **64%** reporting that they had either purchased from a livestream, been to a livestream but not made a purchase, or had not yet been to a livestream but would consider going.

We can also see a rising interest across all of these categories throughout the year, as evidenced by the following graph.

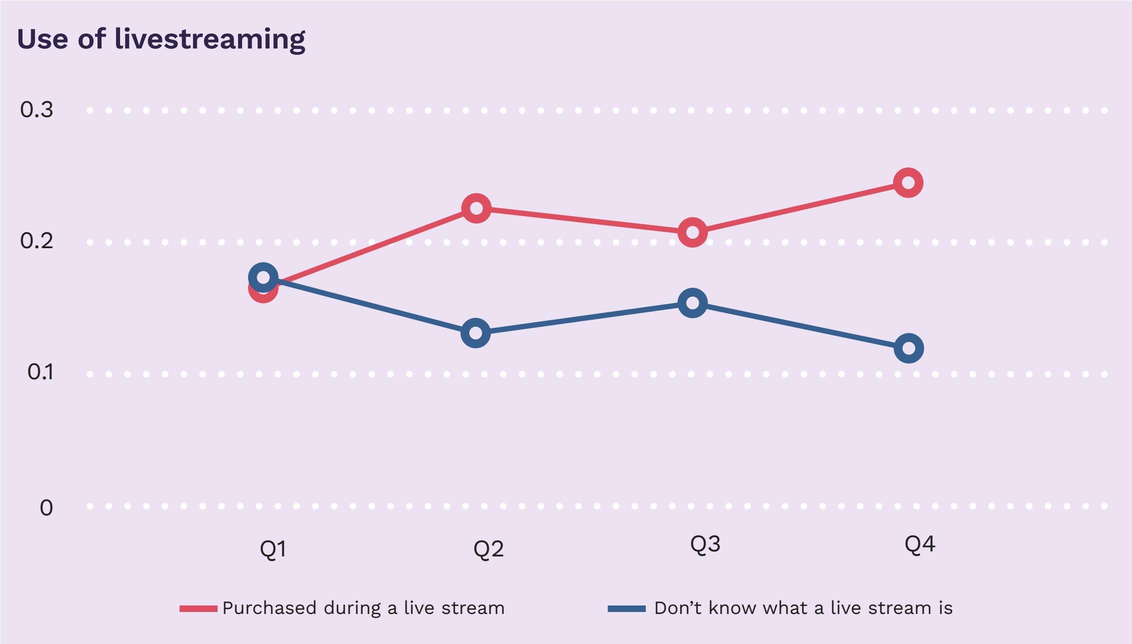


Figure 7: A graph to show the interest in livestreaming shopping events across the four quarters.

As can also be seen by the above graph, there has been a decline in the number of people reporting that they either do not know what a livestream shopping event is or that they have no plans to attend one. Again, this speaks to both the increased awareness of these events, as well as the increasing willingness to meaningfully participate in such events.

QUESTION 7: How do you prefer to buy products featured in livestreaming events?

Next, we looked at how people chose to engage with livestream shopping events. We found that — echoing earlier results — **51%** of respondents preferred to make their purchase from the brand directly.

Interestingly, only **36%** reported that they would buy from the influencer on the livestream. In other words, **64%** of customers would prefer **not** to buy from influencers.

This underlines the previously discussed view of influencers as a good way to raise product and brand awareness but not necessarily as salespeople. It also reiterates the lack of trust that shoppers have in both social media platforms and influencers, with the majority still wishing to purchase from the brand.

Given the rising popularity of livestream shopping, this is a space that brands should be looking to invest in over the course of 2023. In line with our other recommendations, and the results of Qu. 7, brands should focus on using these events as a way to showcase products, engage with their audience, and provide valuable information to potential buyers. The goal should be to inform and engage customers, with a view to them making a purchase directly from the brand at a later date.

QUESTIONS 8-11: Trust in Social Networks and Brands

Questions 8 through 11 deal with levels of trust in social media platforms and brands seen in consumers across all age categories, including Gen Z.

	ALL RESPONDENTS	GEN Z
Don’t trust social platforms with personal data	67%	61%
Don’t trust social platforms with credit card information	62%	57%
Don’t trust brands with personal data	49%	49%
Don’t trust brands with credit card information	44%	44%

As we can see from the above table, customers have low levels of trust in both social platforms and brands, however, they are more trusting of brands with their data. This clearly reflects the aforementioned preference for shoppers to buy directly from the brand as opposed to from the social platform.

As we can see in the above table, Gen Z have a slightly higher trust level in social media platforms, and the same level of trust in brands, although the differences are not significant. What this does show us is that the lack of trust in social platforms and brands is a trend that holds true across all age groups, indicating that it is a pattern that is likely to persist into the future.

There are a number of things that brands can do to address the problem of a lack of trust in shoppers. First, they should focus on giving customers what they want — namely a smooth and frictionless transition to the brand site to complete their shopping journey. Brands themselves cannot increase the levels of trust consumers have in social media platforms but they can make it easier not to have to buy from social if customers don’t want to.

Second, brands should make a concerted effort to engage openly and authentically with their customers across all of their online channels. By providing their audience with relevant, engaging content on social, brands can look to acquire not only new customers but new fans.

Customers are increasingly aware of scams and looking to buy from brands that share similar values to themselves. By openly communicating brand values and attitudes, brands can use social media to build an audience of like-minded individuals who go beyond just customers. Through the development of a loyal fanbase, brands can acquire and retain new customers not just now but into the future.

On the point of openness, the third thing that brands can do to address the lack of trust is to be transparent and clear with every step of the customer journey. Ensure that your returns and refund policies and processes are clearly laid out; that if you are collecting customer data, you are explicit about what data is being collected and why; that all promotions and discounts are mirrored across all online channels so customers do not feel like they are missing out if they buy on social.

In other words, there are concrete steps that brands can take to build trust with their customers — steps that not only benefit the brand but the customer also.

QUESTION 12: If you needed to return a product purchased on a social media platform, would you know how to secure a refund?

The answer to this question is that a staggering **77%** of consumers are unsure of who to approach or would mistakenly contact the brand to secure a refund on a product purchased on social media, as can be seen in the graph below.

Do consumers know how to return a product on social?

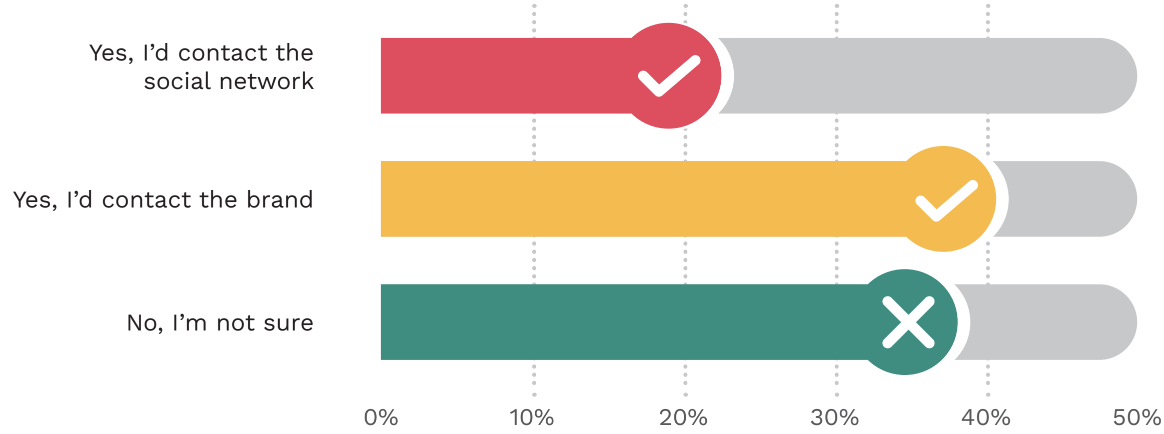


Figure 8: A graph to show how consumers believe they should return a product that they purchased through social media, averaged across four quarters.

There is a common misconception among shoppers that they should contact the brand in question after buying one of their products on social media. This is, however, not the case. Legally, customers should contact the social media platform to start the refund process, as that is where the transaction took place, irrespective of the brand. But, as seen above, only **23%** of shoppers know this.

Although most shoppers have not had to make a return, of those who have, our research found that **66% are reluctant to make a purchase through socials again**. In light of this, there is a real need for brands to address this issue head-on.

Thankfully, there are ways that brands can tackle this deficit in knowledge on the customer side. The first step is to funnel customers to the brand site in order to complete their purchase. Not only is this what customers are looking for, but it also helps address the low trust in socials, and allows all refund and return policies to be clearly communicated, removing any friction from this stage of the customer journey.

Brands should also work to include returns information with any order shipped, regardless of where the purchase was made. By including this information, brands are able to remove one of the pain points of purchasing through social and make the customer experience that much better. In turn, this should go some way to mitigating the loss of repeat sales from customers frustrated and confused by the returns process — frustration and confusion that is often erroneously directed towards the brands themselves.

QUESTION 13: When shopping using social media, which do you prefer?

We have already discussed this issue at length in the preceding questions. However, when talking about pure preference and not actual purchases, **68%** of respondents reported that they would prefer to buy on the brand site. **17%** reported that they have no preference between buying on social media or from the brand.

This means that only **15%** of customers would prefer to buy on social media. This warrants further exploration.

Consumer Preference for Buying Products on Social

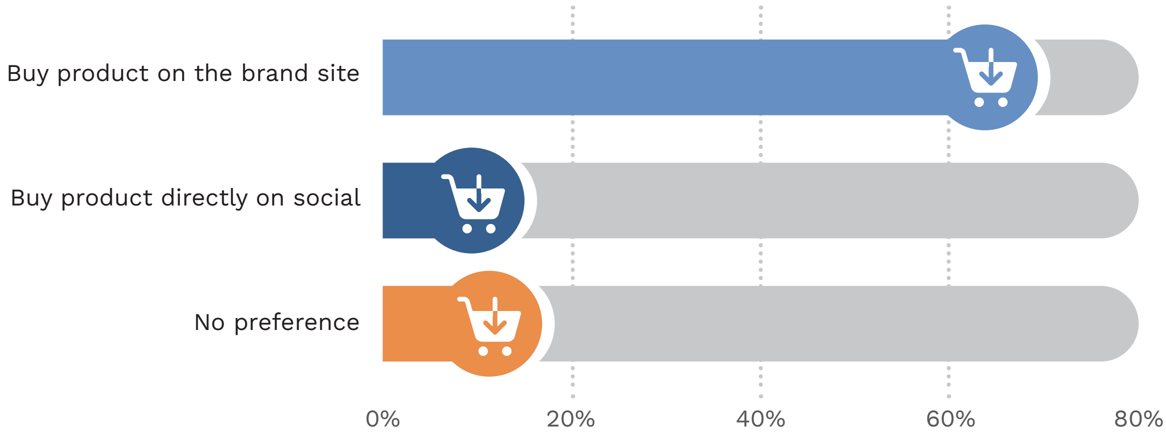


Figure 9: A graph to show consumer preference when buying products on social media, averaged across four quarters.

Some of the reasons for the reluctance seen in shoppers to buy from social media have already been discussed — lack of transparency on returns and refunds, lack of trust in social media platforms, and the preference to use social media as a discovery tool. But there are a couple of other reasons that are worth considering.

One reason that we touched on briefly in the previous section is the fact that promotions are often not mirrored across all online channels. There are few things more frustrating for a customer than purchasing a product from a brand's social media page only to find out they could have gotten it cheaper elsewhere. It is crucial for brands to ensure that if they are running promotions or discounts, they market this across every online platform that they are operating on.

Related to this, inventory issues are another major pain point for customers buying on social. Far too often, customers will make a purchase on social media, then be informed that the brand does not have the item they have paid for in stock. This leads to frustration and anger on the customer end and the need for brands to process a large number of refunds. We will discuss this in more detail in the next section.

There are ways brands can help to facilitate the migration from social media to the brand site so customers can complete their purchases there. The first thing brands should do when launching a social commerce campaign is to upload their product catalog to the social platform. Doing this means that all of your products are easily findable on the social platform, so customers can not only find exactly what they are looking for but also explore your full range of products.

Uploading your product catalog also allows products to be organized into collections and topics, again helping customers to navigate through your full offering of products. Having your product catalog on social media also allows you to tag your products and make your posts shoppable.

By making posts shoppable, customers can view your posts and with one tap be taken to a product detail page. This makes it far easier to migrate customers over to your brand site in order to complete their purchase. Given that many customers use social to find products but may not purchase them until a later date, making it as easy as possible to go from the discovery phase to the purchasing phase should be a priority for brands.

In all of this, it is key that brands ensure that their landing pages are optimized for migrating customers over to the site. We'll take a more in-depth look at this issue in the next section.

QUESTION 14: When clicking through from social media to a brand's website, have you experienced any of these issues?

When asking our survey participants if they had experienced any issues migrating from socials to the brand site, alarmingly **86%** reported that they had encountered problems. These ranged from the link not working (**14%**) to landing pages loading very slowly (**10%**).

Far and away the most common problem reported was with product availability, with **46%** saying that they were unable to purchase the product they were looking at on social media. As mentioned above, this is most often due to brands not keeping track of the sales they are making through socials. This leads to products that are out of stock continuing to be advertised on social media, frustrating customers and making it necessary for brands to process a huge number of refunds.

Consumer experience issues (multiple options available to choose)

	Q1	Q2	Q3	Q4	Average across 4 Q's
The link didn't work	14%	14%	16%	14%	**14.5%**
Not available to buy	46%	46%	45%	47%	**46.0%**
The page was very slow to load	10%	10%	10%	10%	**10.0%**
I got an error message	9%	8%	8%	9%	**8.5%**
There was no link to click	7%	7%	7%	6%	**6.0%**
I got an error message	8%	8%	8%	7%	**8.0%**
It took me to a different product	8%	7%	8%	8%	**8.0%**
No issues experienced	11%	12%	18%	13%	**14%**

86% had experience issues!

Figure 10: A table to show consumer experience issues when clicking through from social to the brand site, averaged across four quarters.

Brands should ensure that they keep a close eye on their social media accounts and keep stock levels updated in line with real-time stock. This is especially important when running promotions where demand can rapidly outstrip supply. Brands need to be conscious of periods of high demand and be ready to pause or cancel promotions where necessary.

Further to this, brands should be looking to make sure that their landing pages are as optimized as possible. In this new age of eCommerce, customers have very little tolerance for friction during the customer journey, and every effort possible should be made to remove any pain points.

In fact, our research has indicated that **14%** of site revenue is currently being lost as traffic bounces off due to poor landing experiences. This is currently the single biggest revenue loss in eCommerce today, accounting for more than $700 billion of lost revenue across the industry.

simplicityDX

SimplicityDX makes social commerce work. Its SimplicityDX Edge Shopping Platform revolutionizes social commerce by bridging the experience gap between 'Social' and 'Commerce.'

The **SimplicityDX Edge Shopping SaaS Platform** enables e-commerce, digital, and marketing managers to proactively manage shoppers' experiences for promotions at the edge, with the rapid creation of edge storefronts.

What is an Edge Storefront?

- Edge storefronts provide a frictionless shopping experience by blending the content from the edge with back-end eCommerce services to make it fully shoppable.
- Edge Storefronts extend your ecommerce system to the edge. Build and deploy edge storefronts in minutes by blending your social and other edge content with your product data to create social commerce experiences that drive revenue.

The Benefits of Edge Storefronts?

Edge Storefronts provide a great shopping experience for customers starting their journeys away from the brand site. In short, they make any content shoppable — anywhere.

Customers are able to continue the journey started on the edge. This enables brands to achieve four key things:

- Drive new revenue streams from the edge.
- Provide customers with highly engaging experiences at the edge (when otherwise they would bounce off the brand site).
- Redirect traffic to the eCommerce store, with full control of the customer experience and ownership of customer data.
- Reduce customer acquisition cost by up to **20%**.

SimplicityDX uniquely optimizes campaign performance by using AI to combine edge creative, product, and campaign data for the first time, enabling brands to fix poor experiences immediately and increase their return on advertising spend (ROAS).

For more product detail about the SimplicityDX Edge Experience Platform, please visit www.SimplicityDX.com or connect on LinkedIn.