

TOMORROW, TODAY 4: THE SOCIAL SHOPPING REVOLUTION

VIDEO TRANSCRIPT

Oli Barrett: The Social Commerce phenomenon is predicted to be a \$1.2 trillion industry by 2025. So how can UK businesses, platforms and consumers make the most of the opportunity? And what are the challenges? I'm here with Accenture's Laura McCracken and Oliver Wright, to find out.

Welcome back to Tomorrow, Today.

Laura, Oliver, thank you for joining us.

Laura McCracken: Thank you for having us.

Oliver Wright: Thanks for having us.

Oli Barrett: Oliver, let me start with you. Social Commerce, help us to define it.

Oliver Wright: So Social Commerce is where if you're using a social media site, so think Instagram, think TikTok, it's the ability to make a transaction end-to-end through the app itself. You're not being sent out somewhere else. You keep it all within the app.

Oli Barrett: So, this is different to traditional e-commerce Laura. Is it the same, is online advertising within that or different beasts?

Laura McCracken: It's different. Online advertising, you click on the ad and it redirects you to a website. Social Commerce happens in the app.

Oli Barrett: Right. So let's just get a sort of big picture sense of it Oliver, from you. We're not gazing into the future here, this is with us. Just give us a bit more of a flavour and then we'll draw in global examples.

Oliver Wright: Yeah, I mean, the size of this globally is enormous. And we're predicting that by the middle of the decade, it's going to be about 1.2 trillion in total. And just to give you a sense of how big it is in places like China, in Singles' Day last year, Li Jiaqi who is one of the big beauty advisors, beauty influencers, sold in an afternoon, \$1.7 billion worth of cosmetics.

Oli Barrett: And this is one individual?

Oliver Wright: One individual in a single afternoon.

Oli Barrett: So, Laura, in the China example and this individual known as I think, Mr Makeup and so on. What is driving the huge take up of Social Commerce in China?



Laura McCracken: Partly it's because in China, they almost leapfrogged us in the West in that they went straight from marketplaces into Social Commerce. Whereas we developed e-commerce websites. We had a very mature infrastructure in terms of payments. They didn't. They went straight to mobile commerce and big super apps like WeChat and Alipay.

Oli Barrett: And a super app, you've got sort of a big front door, but inside that sits every other different service, could be a taxi.

Laura McCracken: A million apps. WeChat has a million light apps within the app.

Oli Barrett: In other words, you're only putting in your payment details the once and then it's sort of through into everything else.

Laura McCracken: One user sign on, one payment method, but lots of experiences.

Oli Barrett: We don't really have that, do we?

Laura McCracken: No, we don't have it yet. But everyone's vying for it. There's a huge race right now for it to become a super app. Everybody wants to be one, but no one's got it yet in the West.

Oli Barrett: Absolutely. So, I'm getting the sense, I don't want to put words in your mouth here Oliver, that the UK is lagging behind on Social Commerce. Is it? And if so, why?

Oliver Wright: Yeah, and just to build on what Laura is saying, it is lagging behind today and that's partly because we've got consumers who are conditioned to buy through other mechanisms. There's a big tradition of people going to stores physically, people migrated towards e-commerce. And obviously that has created a level of path dependency.

So as the infrastructure gets set up to do more Social Commerce based tools, because a lot of this doesn't necessarily, the technology hasn't necessarily been fully put in place, we do see that it will drift in that direction.

But you've still got to wean consumers away from things that frankly are quite efficient today.

Oli Barrett: Just help me understand though. There is a school of thought that would say, no weaning is required. We're so at home on these social platforms. We should be taking to it like a duck to water. So I'm just pushing back on that theory because it doesn't quite explain it. Is there anything else that's holding us back? Laura, feel free to come in.

Laura McCracken: Well, I say we're lacking some of the capabilities again here. So if you look at the, we're all spending a lot of time on social media sites like TikTok and Facebook and Instagram, but there are not real clear payment mechanisms. Most people don't have the payment mechanisms coupled with that site.

Oli Barrett: It's a good point. So for example, on one of Meta's sites, Facebook, my understanding is even the marketplace function is still reliant on cash in hand.

Laura McCracken: Oftentimes. In the US they've now got payments ready, but in the UK we're not there yet.

Oli Barrett: Before we talk a bit more about what's in it for these platforms, just bring it to life with a few more examples of Social Commerce. What are we seeing? Just give us a bit of light.

Oliver Wright: Yeah, I mean, this is everything from people doing beauty advice to people giving guidance on cars. Basically, it's a topic area which they have a lot of insight about. That drives an audience, the audience then wants to actually be able to transact on the product and then you provide the link and so on.

So, it is basically creating a high level of engagement, fundamentally building trust and then translating that trust into a transaction.



Now, it varies because you've obviously got large scale influencers of the type we were talking about together, people like Li Jiaqi and Viya, but you've also got a big burgeoning group of local and friends and family type influencers. And if you look at a lot of the growth in places like China, a huge amount of this has gotten from those people organising to be able to create wealth creation or income vehicles for themselves.

Oli Barrett: Right and Laura you have worked and continue to work with some of the biggest platforms. What's in it for them?

Laura McCracken: Well engagement, in short. So a lot of people talk about additional revenue stream and that's true, that's important. But engagement is the key thing. You want to get the customer who's engaged in this social experience to actually stay there and continue to complete the transactions and share with their friends and family and creators and influencers without leaving the app.

Oli Barrett: So I'm trying to get my head into whether that places the platform as a new competitor to the retailer, or are they new partners? Help me get into it.

Oliver Wright: Yeah it's going to be a bit of a mix because I think that there will be, this creates an opportunity for retail outlets also to have another mechanism to engage with consumers. But fundamentally, if you think about where the transaction takes place, clearly this is a revenue opportunity for a social media site to be able to drive and own that transaction end-to-end.

And that will, to some degree, take some of the e-commerce growth overall that we're seeing away from traditional sites like Amazon and towards mechanisms like this. So we'll see a proliferation of the range of channels over the next few years.

Oli Barrett: And just briefly on that because of course, Amazon bought Twitch as one example.

But to the untrained eye, Amazon doesn't look like a hugely social site, or am I seeing it from the wrong angle?

Laura McCracken: No, but they have launched a new influencer platform. So even those older e-commerce companies, the legacy platforms like Amazon, I hope none of my Amazon friends are listening, are developing social elements.

Oli Barrett: Right. So how then, Oliver, are the brands rising to this challenge? And maybe give a category example or something that you really think starts to epitomise where this is going?

Oliver Wright: Yeah, if we think about the range of products that you buy. You've got everything from tissue and toilet paper, which you're not going to spend a lot of time understanding, all the way through to things like what do you want to do, what sort of things you might give to your pet, or what you might use from a beauty perspective.

So high engagement categories. Those that are towards the top end of that spectrum, you're seeing an increasingly large number of influencers who are setting up shop to give advice in those areas. If you look at Instagram as an example, one in 20 Instagram posts is beauty related.

Oli Barrett: Interesting, that's huge. And then this actually forms part of the income for a very large number of people now, presumably. Can you give us any handle on that?

Oliver Wright: Yeah I mean if you just look in the US alone, we've now got about 2 million Americans who are making over \$100,000 a year doing this. So this is no longer just a side hustle. For many people, it's now the main hustle.

Oli Barrett: Right. Well, I know what I'm going to be looking into after this Laura. So, How about the creator economy? It's a phrase we hear bandied around. Interchangeable with influencers, we've been talking about those, or something a bit different?

Laura McCracken: It's different. Influencers kind of became popular on Instagram. They used to say 'Instagramable', it's about having influence and having a large population of people following you. Creators are actually creating something that's unique and new. I think it's being a creator, like, you could be a yoga teacher or showing someone how to apply makeup.

Oli Barrett: Yeah. And I'm always interested in who's doing what. Who are the wall flowers, who are the creators? Who are the sharers? Any sense of that in the UK or globally?

Laura McCracken: Well globally, I would say Gen Z is definitely taking this up. I think that right now, if you ask young people, they're going to say that their chosen profession when they grow up is to become a creator. And you know, there's a big difference in participation between the US and UK and the West. If you look at China, 30% of people are actually creators.

Oli Barrett: Wow.

Laura McCracken: So, the level of participation is huge. And then success breeds success. And so more and more people try and take that up. Whereas here we're in day one, it's 1% in the UK.

Oliver Wright: And just with what Laura's saying, one of the things that covid accelerated was the degree to which consumers around the world are looking at alternative ways of making a long-term living. And we run these large global surveys, 18 different countries, 60,000 people. And one of the things that we found that really emerged through covid was that there were about 40% of consumers who were saying, we want to actively consider a different way of making a living going forward, than we have done historically.

And this obviously represents a very clear outlet for people to fulfil those sorts of passions and interests.

Oli Barrett: In a way that more traditional retail would have required a huge commitment. This could be, you know, the cliché would be the side hustle, but this is the side hustle on steroids. Practical tips, then. Laura what will you put out there, particularly for platforms? And by the way, do we now accept that the platforms will be a relatively small number of multibillion dollar, often US companies, or is there room for more?

Laura McCracken: I think there's room for more. I think you're going to see more niche platforms evolving. Right now you've got huge platforms, but you might see like a travel platform or an entertainment platform, a music platform. So different types of niche platforms evolving, even little niche super apps.

Oli Barrett: Right. So very strong sense of being in the foothills. Oliver, a final thought for the brand out there thinking we cannot get left behind on this Social Commerce thing. Where to start?

Oliver Wright: I think that the key thing for brands is recognising this is a growing channel, recognising that it's growing three times as much, three times as fast as traditional e-commerce. So, got to be a focus there. The second thing is that there has got to be this link with influencers and really making sure that they can engage with influencers and creators in an authentic way that provides value added to those influencers so they can so they can then be successful in engaging with their end consumers. So a lot of focus on how do you engage successfully with that community to basically incent them and educate them to be as successful as possible.

Oli Barrett: Right because to me Laura, that bit sounds like gold dust.



The building of that relationship, the building of trust. How have you seen that in practical terms play out? Any final thoughts?

Laura McCracken: Yeah, absolutely. It's all about authenticity and I think the biggest thing is it used to be about big influencers, the Kim Kardashians of the world that had millions of followers. But in order to make it really successful and to really democratise commerce, you want to have smaller micro influencers, you want to have more people participating in this Social Commerce thing, because you're more likely to buy from your friends, your family, smaller influencers, you have a closer connection with.

Oliver Wright: Well, I think the key thing here is that we're driving an opportunity here for empowerment of individuals. Because if we think about our history as the UK is that we have been on a trajectory up until the last few years, of being dominated by bigger brands, bigger organisations and so on.

Things like Social Commerce offered the ability to reverse that trend, to allow people, an individual to make a very clear and in some cases, highly profitable living, on doing something that they care about with products they may be creating themselves with a stronger local affinity and so on. It offers, in the UK, a huge opportunity for the further democratisation of where income is coming from.

Oli Barrett: Interesting. Well, I'm really sorry we've reached the end of this conversation. But for now Oliver, Laura, thank you very much.

Laura McCracken: Thank you.

Oliver Wright: Thank you so much.