



DEEP DIVE: SOCIAL MEDIA AND BRANDS: COMMERCE, CONNECTIONS AND CUSTOMER SERVICE

DEBORAH WEINSWIG

MANAGING DIRECTOR,
FUNG GLOBAL RETAIL & TECHNOLOGY
DEBORAHWEINSWIG@FUNG1937.COM
US: 646.839.7017
HK: 852.6119.1779
CN: 86.186.1420.3016

In previous reports, we have discussed how social selling and “buy” buttons on social media platforms are disrupting traditional retail and the consumer’s purchasing journey. In this report, we analyze the changing role of social media for brands and retailers and how it is used in various ways by businesses.

- 1) Facebook is the dominant social media platform in terms of number of active users and the one most commonly used by marketers.
- 2) Instagram and Snapchat are becoming more attractive marketing channels as their user bases grow. Advertising revenues for LinkedIn and Twitter might not continue to grow as rapidly as they have in years past, and both companies have been developing different niche features in order to remain relevant.
- 3) Increased exposure and traffic are the key benefits of social media marketing, according to Social Media Examiner, but activity and engagement on social media sites also serve to boost brand loyalty.
- 4) Social media is changing how users communicate directly with companies; younger audiences, in particular, prefer to use the channel if they have to contact customer service at a company.
- 5) Reaching younger people on social media is often more effective than reaching them via traditional media, which is why Facebook and Snapchat are becoming increasingly important for political campaigning.



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EXECUTIVE SUMMARY

In 2016, 2.34 billion people around the world are expected to use social media, up from 970 million in 2010.

Worldwide, social network ad spending is expected to increase by 217% between 2014 and 2017.

The number of social media users worldwide is expected to hit 2.34 billion this year, up from 970 million in 2010, and people are spending more time than ever on social media networks: adults spent an average of 109 minutes per day on social media sites in 2015.

Increasingly, companies are using social media to promote their brands or products. Social network ad spending worldwide is expected to increase by 217% between 2014 and 2017. And social media's share of total ad spending worldwide is expected to increase from 3.6% in 2014 to 6.3% in 2017.

Facebook, Twitter and LinkedIn are the established names in social media, but Instagram and Snapchat have become particularly popular and have witnessed significant growth in use by marketers. All of the main social media networks have evolved over the years by adding different functions, from "buy" buttons to live-streamed video, and many companies are now using social media as a customer service tool.

One of the key takeaways from our research is that being active on social media is essential for companies, which must embrace the opportunities that come with it. The channel continues to change consumers' everyday lives and companies have the potential to reach hundreds of millions of people with just one Snap on Snapchat or a single campaign on Facebook.



Source: Shutterstock



INTRODUCTION

More than 2 billion consumers around the world are now connecting with each other—and with brands—on social media. At first, users mainly used these sites to communicate and engage with peers or selected people in their networks. But as social media, particularly Facebook and Twitter, rapidly grew in popularity, businesses soon realized the channel's massive potential in terms of reaching a wide audience and targeting specific demographics. Today, social media plays a significant part in many people's lives, and its role has greatly evolved.

Retailers commonly use social media to increase exposure of a brand or product, engage with consumers and tell the story of a brand. Increasingly, companies are using the channel for other purposes, too, and it is disrupting industries ranging from traditional commerce to TV, where it is competing for audience share with live-streamed content.

In the increasingly crowded world of social media, marketers must know how to approach their target audience appropriately. Until recently, Facebook, Twitter and LinkedIn were the three big names in social media. But newer players such as Instagram and Snapchat are growing fast and serving niche markets. In this report, we analyze how the role of social media is changing, particularly for brands and retailers, focusing on the following themes:

- **Facebook is still the dominant social media channel:** While other successful social media platforms have emerged, Facebook remains the leader. The company has also acquired other popular platforms, and it continues to develop them to serve purposes other than just communicating.
- **Return on investment (ROI) is increasingly measurable on social media:** Until recently, many businesses were unsure of the impact of their marketing campaigns on different social media platforms. As the technology has evolved, however, ROI has become easier to measure, and marketers are identifying growth in social media marketing ROI.
- **Social media is being used for different purposes to benefit users and companies:** Retailers and brands are increasingly using social media for purposes other than marketing. Facebook and Twitter, in particular, are becoming more business friendly, and they have developed business tools such as customer service functionality.

INCREASING USER NUMBERS AND TIME SPENT ON SOCIAL MEDIA

In 2015, the average adult spent 109 minutes per day on social media sites.

The number of people actively using various social media platforms is growing. Market research company eMarketer expects the number of social network users worldwide to reach 2.34 billion in 2016, up from 970 million in 2010. The firm projects that 2.82 billion people around the world will use at least one social media platform by 2020.

It is not just that user numbers are growing; existing users are also becoming more engaged. In our March 2016 report *Social Selling*, we discussed how time spent on social media has increased in recent years. According to a



GlobalWebIndex survey of 50,000 Internet users around the world, the average adult spent 109 minutes per day on social media sites in 2015—up 9% from 100 minutes in 2014. The same study found that the average Internet user actively participates in 3.5 social networks.

As users spend more time on social media, the marketing and engagement opportunities increase for brands and retailers. eMarketer estimates that the value of worldwide social commerce—physical products sold through social media (excluding services)—was \$30 billion in 2015, up 50% from an estimated \$20 billion in 2014. Measuring social media's actual impact on consumers' buying decisions can be challenging, but the channel undoubtedly has a great influence on the consumer purchasing journey.

A 2016 survey by PwC found that the buying decisions of 45% of digital shoppers worldwide are influenced by reviews, comments and feedback that they read on social media sites. Some 16% of the survey respondents said that they had purchased products directly via a social media platform. We expect that share to grow significantly in the coming years, as many social media companies are developing user-friendly commerce functions on their platforms.

Figure 1. Global Digital Shoppers' Responses to "Which of the Following Aspects of Social Media Influence Your Online Shopping Behavior?"



Source: PwC, Total Retail Survey 2016

With more than 1.7 billion monthly active users worldwide, Facebook is by far the largest social media platform.

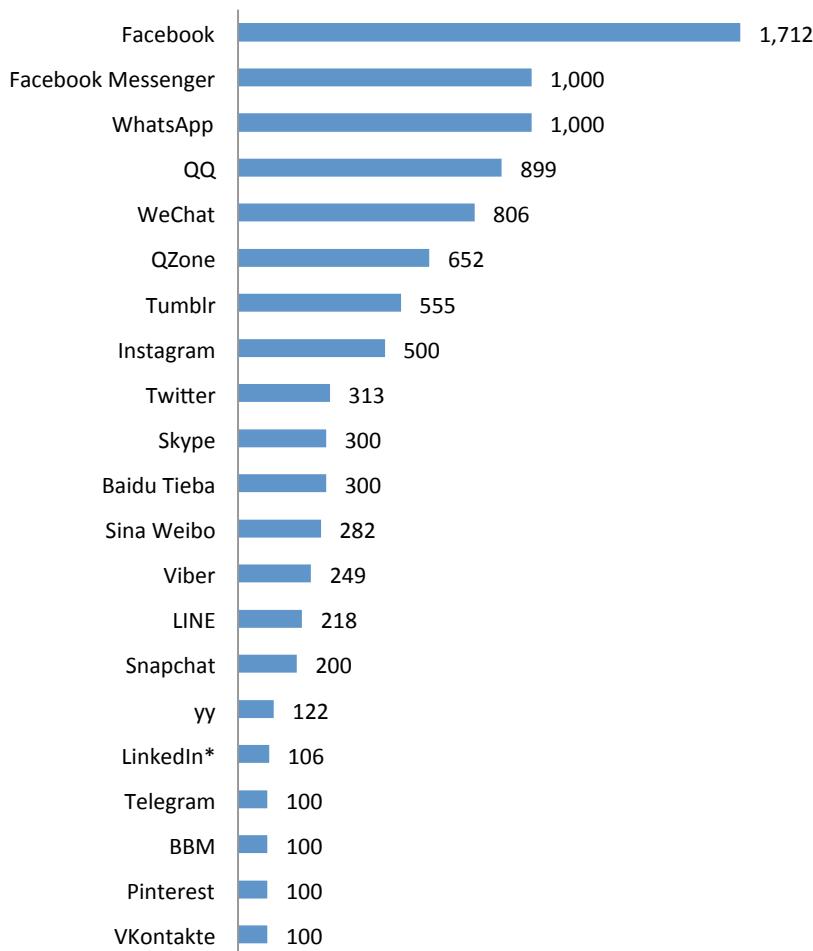
FACEBOOK REMAINS THE DOMINANT SOCIAL MEDIA PLATFORM

Facebook continues to dominate the social media channel with more than 1.7 billion monthly active users worldwide. The company also owns other popular social platforms, including Facebook Messenger, WhatsApp and Instagram. Some social media companies are rather secretive about publishing their



exact user numbers. Others, such as Snapchat, share daily active user numbers rather than monthly active user numbers, but the two metrics are not directly comparable. Below, we chart the leading social media networks' monthly active user numbers based on the most recent data available.

Figure 2. Global: Social Networks, by Number of Monthly Active Users (September 2016; Mil.)



*Unique visitor numbers, not total members.

Source: Company reports/We Are Social

While Facebook is the dominant social media platform for marketers, Instagram and Snapchat saw the most significant growth in terms of use by marketers between 2015 and 2016.

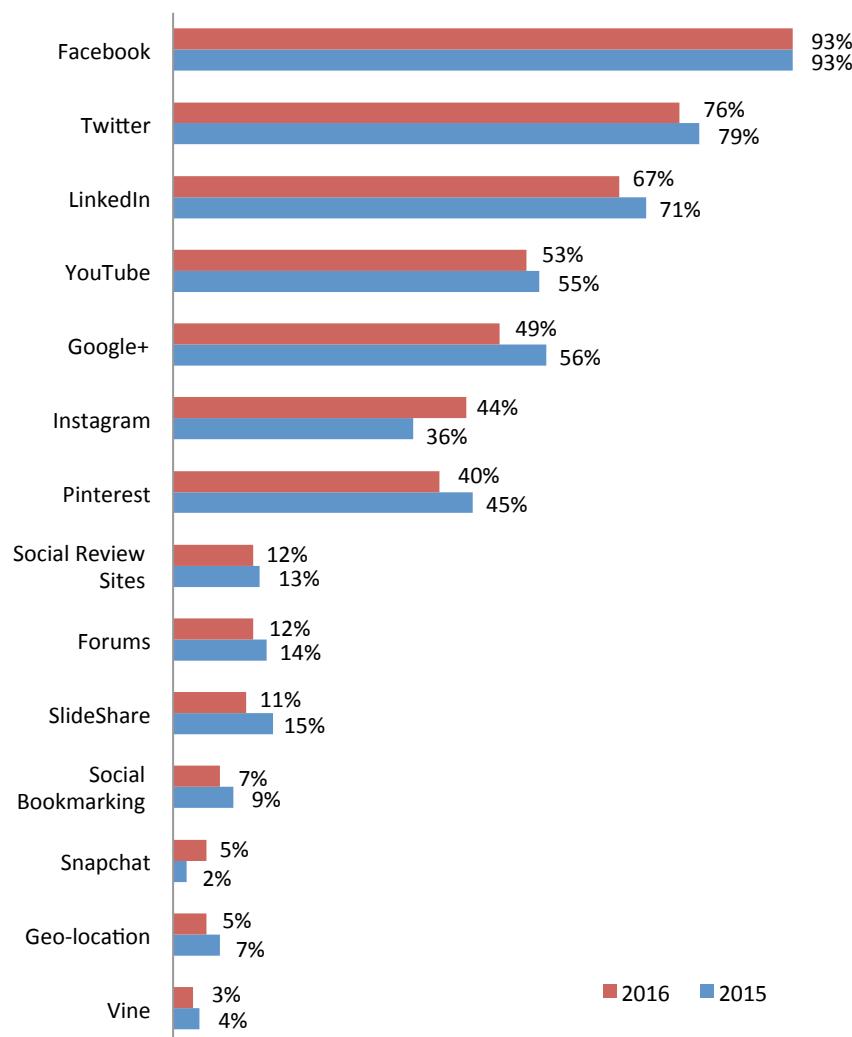
Unsurprisingly, Facebook is also the dominant social media platform in terms of marketing. According to 2015 and 2016 surveys by marketing research company Social Media Examiner, 93% of marketers worldwide said that they commonly use Facebook as a marketing channel.

While that rate has remained stable for Facebook, Twitter and LinkedIn are among the social media platforms that have become less attractive in the eyes of marketers since 2015. However, the year-over-year declines shown in the



graph below do not necessarily reflect these companies' success, as many of them offer services other than those used by marketers. Instagram and Snapchat saw the most significant growth in terms of use by marketers between 2015 and 2016.

Figure 3. Global: Marketers' Use of Common Social Media Platforms, 2016 vs. 2015 (%)



Based on January 2016 survey of 5,086 marketers worldwide.

Source: Social Media Examiner

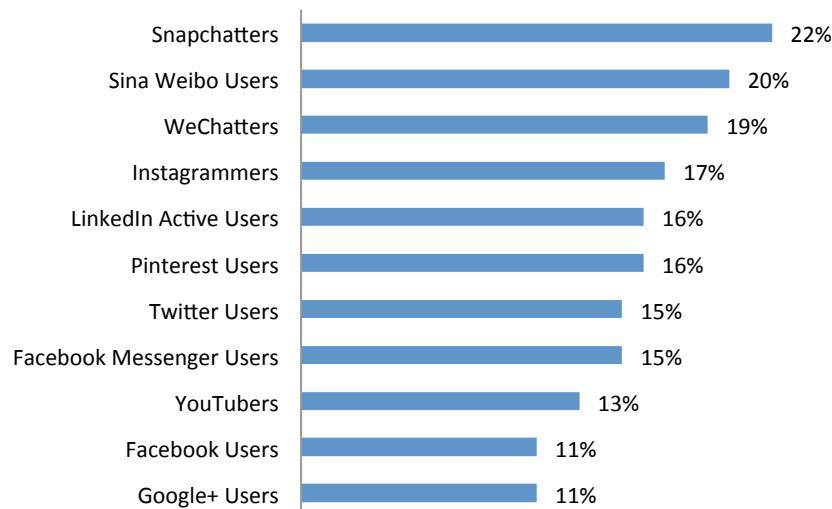
Snapchat users show the greatest interest in using buy buttons on social media.

While Facebook is undeniably the leading social media platform globally, Facebook users are not as enthusiastic about buying directly through the platform as users of other social media platforms are, according to a 2015 survey by GlobalWebIndex. Among those surveyed, Snapchat users showed the greatest interest in using buy buttons on social media. The survey highlighted that Facebook has the broadest age profile, however. And since it



has the biggest global audience, Facebook has the largest number of potential social commerce engagers.

Figure 4. Global Social Media Users Who Said a Buy Button Would Motivate Them to Purchase, 2Q15 (%)



Base: Active users of these platforms aged 16–64.

Source: GlobalWebIndex

Social commerce, video marketing and social shopping are the three core social media themes for retailers.

EVOLVING FUNCTIONALITIES OF SOCIAL MEDIA CHANNELS

As technology and different social media platforms evolve, brands and retailers gain new opportunities to reach their target audiences. E-commerce agency Tryzens notes that there are three current core social media themes for retailers:

- Social commerce is essential for growing businesses, and retailers should have “shoppable” content on their social media pages.
- Video marketing will become increasingly important, as video is expected to account for half of all mobile content consumed in 2016.
- Social shopping is the new local shopping—on social media, retailers can directly communicate with their customers.

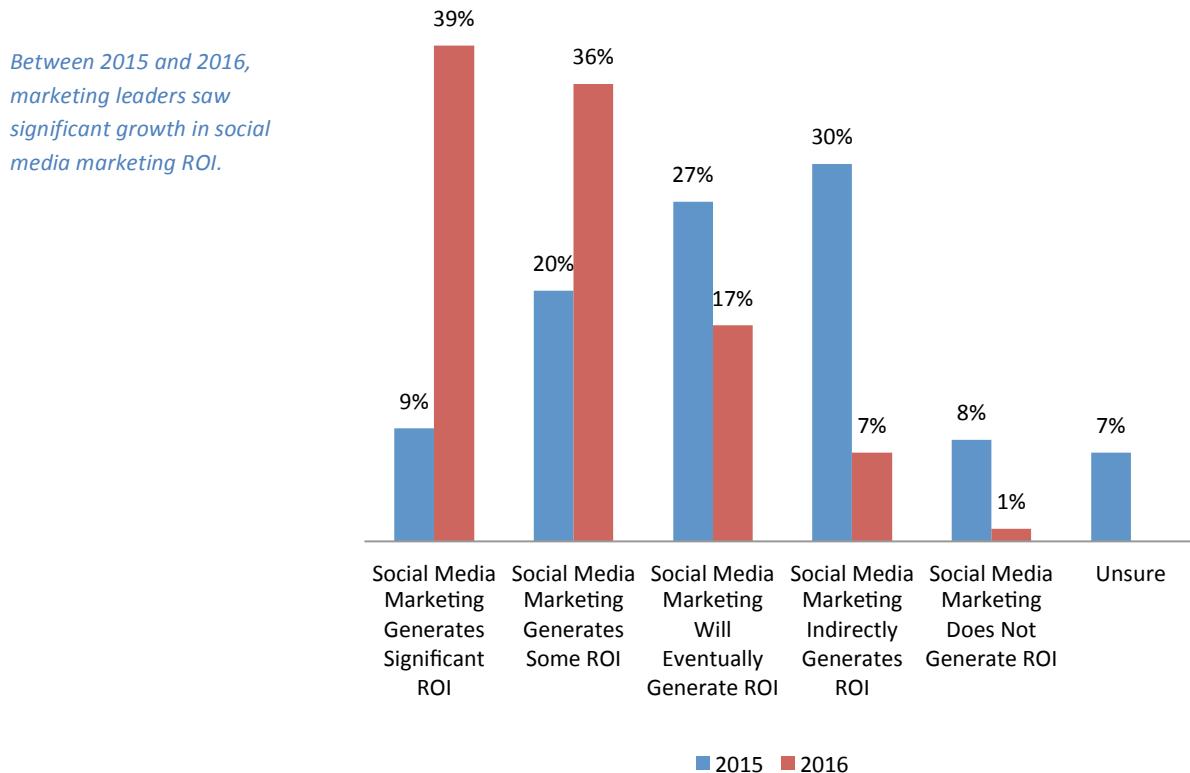
INCREASINGLY MEASURABLE ROI AND SUCCESS ON SOCIAL MEDIA

One of the main challenges companies previously had with investing in social media marketing was that it was difficult to measure the ROI of campaigns. However, Salesforce Research discovered through its annual survey that marketing leaders saw significant growth in social media marketing ROI between 2015 and 2016. Salesforce noted that top marketers are the ones



that understand the need for quick response and engagement on social media.

Figure 5. Salesforce Research Survey of Marketing Leaders: % Who Agree with Each Statement About Social Media Marketing, 2015 and 2016



The 2016 survey was conducted on 3,975 full-time marketing leaders in the US, Canada, Brazil, the UK, France, Germany, the Netherlands, the Nordic countries, Japan and Australia. The 2015 survey was conducted on 5,053 marketers in the same regions.

"Unsure" was not an answer option in the 2016 survey.

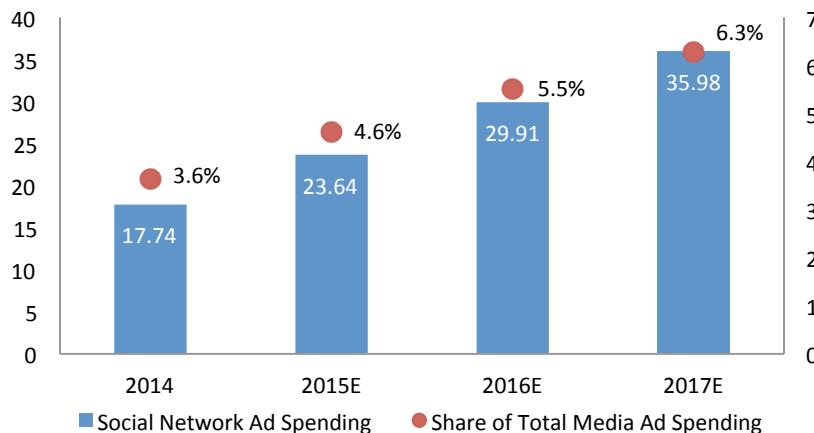
Source: Salesforce Research

Social media's share of all advertising spending is growing, reflecting marketers' growing interest in the channel. eMarketer expects worldwide social network ad spending to more than double between 2014 and 2017, growing from just under \$18 billion to about \$36 billion. While platforms such as Facebook and Twitter are expected to represent only 6.3% of all ad spending in 2017, that figure is still a significant achievement, considering the social media marketing channel was practically nonexistent just a decade ago.



Figure 6. Global Social Network Ad Spending (USD Bil., Left Axis) and Share of Total Ad Spending (% , Right Axis), 2014–2017E

Social media's share of total ad spending worldwide is expected to increase from 3.6% in 2014 to 6.3% in 2017.



Source: eMarketer/Fung Global Retail & Technology

SOCIAL MEDIA INCREASES LOYALTY

Increased exposure and web traffic are the main social media benefits for marketers, but, increasingly, social media can also be used to boost consumers' brand loyalty.

Increased exposure and web traffic are the main social media benefits for marketers, according to Social Media Examiner. But, increasingly, social media can also be used to boost consumers' brand loyalty.

A survey conducted by consumer research company Influence Central found that 86% of women shoppers are more likely to buy a brand they have never purchased when they begin to interact with that brand on social media. The survey also found that 87% of women are more likely to buy a brand more regularly if they check in or engage with it on social media.

Figure 7. Survey of Global Marketers on the Benefits of Social Media Marketing, 2016

Shoppers' interactions with a brand on social media can result in them having more respect for the brand.



*Survey conducted on 5,086 marketers worldwide in January 2016
Source: Social Media Examiner*



PwC has also noted that shoppers generally come away with a positive impression after interacting with a brand on social media: 43% of its survey respondents said that an interaction with a favorite brand on social media resulted in them having more respect for the brand.

SOCIAL MEDIA AS A CUSTOMER SERVICE TOOL

Many of us have experienced a long wait for a response from a company's customer service department, whether on the phone or in response to an email inquiry. But thanks largely to advances in smartphones, social media is becoming more instantaneous in nature. Meanwhile, people's attention spans overall are becoming shorter and shorter. According to research conducted by Microsoft in Canada, the average human attention span in 2013 was eight seconds, down from 12 seconds in 2000. Technology adoption and social media usage are two of the fundamental reasons our attention spans are shrinking.

Among consumers under the age of 25, social media is the preferred method for contacting a company.

Because consumers today quickly lose interest, retailers must take steps to keep impatient customers who need to contact them from jumping ship. At the same time, companies must use the customer service process as a source of good PR for the company.

Many consumers today, especially younger ones, expect to be able to contact a company's customer service department via social media. According to information technology company Dimension Data, social media is the preferred method for those under age 25 to contact a company. Older millennials (ages 25–34) prefer email when contacting a company, while all other age groups are most likely to contact a company by telephone. Dimension Data highlights that, even though older generations still prefer to communicate with customer service by telephone, companies should be prepared to include social media options in their customer service strategy.

Twitter and Facebook have been proactive in developing tools for businesses to manage communications on their platforms.

Figure 8. Preferred Channels for Contacting a Company, by Age Group (2016)

| Channel | Under 25 | 25–34 | 35–54 | 55–70 | 70+ |
|--------------|----------|-------|-------|-------|-----|
| Social Media | 1 | 5 | 5 | 6 | 5 |
| Mobile | 2 | 2 | 3 | 5 | 4 |
| Email | 3 | 1 | 2 | 2 | 3 |
| Telephone | 4 | 3 | 1 | 1 | 1 |
| Web Chat | 5 | 4 | 4 | 4 | 6 |
| Other | 6 | 6 | 6 | 3 | 2 |

Base: 787 people worldwide

Source: Dimension Data

Several social media companies, including Twitter and Facebook, have identified the demand for customer service functions on their platforms. Twitter has developed two platforms, called Fabric and Gnip, for businesses to add customer service support on their Twitter pages. The company says that 80% of customer service requests on social media happen on its platform. Twitter also says that the cost per resolution via tweet is one-sixth that of call centers.



Source: Shutterstock

Facebook has developed tools for businesses to manage communications on their Facebook pages. In December 2015, the company announced that the number of messages sent to businesses on Facebook had doubled year over year, reaching 2.5 billion comments every month. Business page administrators can choose among settings to indicate the average time in which the company will reply to messages: "within minutes," "within an hour," "within hours" or "within a day." Facebook encourages businesses to reply quickly by adding a "Very responsive to messages" indicator to business pages of companies that reply to 90% of messages within five minutes.

USER CASES

In this section, we look at some of the more interesting and notable examples of brands and retailers engaging with consumers on social media.



Burberry was the first fashion brand to live-stream its fashion shows on various social media sites.

Burberry

British fashion brand Burberry has been a forerunner in using social media to communicate with its customers and fans in real time. The company's Runway Made To Order service launched in 2013, allowing customers to purchase fashions featured on the runway immediately after the show. Burberry was also the first brand to live-stream one of its fashion shows online on its website and on various social media sites.

Burberry has partnered with Twitter on numerous occasions. During Burberry's autumn/winter 2015 fashion show, Twitter users had a chance to capture pictures of the show, live from the runway. At its spring/summer 2015

show, Burberry became the first brand to sell beauty products to consumers in the US via Twitter's "Buy Now" functionality.

On Snapchat, Burberry became the first brand to shoot its advertising campaign live, in October 2015. And in February 2016, when Brooklyn Beckham photographed the company's campaign for the Brit fragrance, photos from the shoot were published live throughout the day on Instagram.

When Burberry opened its new flagship store in Los Angeles, the company invited social media followers to be part of the "London in Los Angeles" event, which featured the first-ever live fashion show on Periscope.



Source: Burberry

MICHAEL KORS

Michael Kors

In its 2016 annual report, Michael Kors highlighted how it is planning to increase its advertising spending on social media, as well as use the channel to interact with customers and enhance their shopping experience.

Instagram does not allow active links in captions, so brands cannot add a link to an Instagram post that would lead users directly to their website, where they could buy the product shown. In response, Michael Kors developed the #InstaKors service, which enables Instagram users to easily shop products they have seen on the site. Here is how it works:

- 1) The user signs up for #InstaKors online by entering their first name, last name, email address and Instagram handle.
- 2) To get further information and potentially buy a Michael Kors product that they have seen on Instagram, they just have to "like" the picture.
- 3) The user then receives an email with links to shop the product.

Michael Kors also provides its Instagram community with exclusive offers, and some products are available for #InstaKors users before they are launched on other online platforms.

*The Michael Kors
#NationalSunglassesDay Snap
reached 100 million views and
increased consumers'
intention to purchase the
company's products.*



michaelkors

Follow

47.9k likes

3d

michaelkors Falling for fall: take 20% off wear-now favorites when you shop with #InstaKors!

Click the link in bio to learn how.

view all 100 comments

antonelabertz Trooop beau j'adore

♥♥♥

saidova952 ☺☺☺☺

vanesasalan Mk

meliserbsl ☺♥

lisabusstra Lovely

bash_the_flash24 Is this the smaller bag you wanted to buy? ☺ @_a_xzy

toniath9 @katiwanna

blackpoolblog Love this bag

gonzalezg24 ☺☺☺☺

mubinasiddique Price?

Source: Michael Kors/Instagram

Michael Kors is active on other social media platforms, too, including Snapchat. According to *Fashionmag*, the brand's #NationalSunglassesDay Snap reached 100 million views and increased consumers' intention to purchase its products.



DOLLAR SHAVE CLUB
SHAVE TIME.SHAVE MONEY.

Dollar Shave Club

California-based startup Dollar Shave Club started selling razor blades in March 2012 via a subscription model through which it offers home-delivered blades for as little as \$3 a month, including shipping. On the day the company started selling blades, it released a humorous YouTube video starring one of the company's founders, Michael Dubin, who demonstrated the business model and why consumers should not pay for expensive, branded blades. According to Bloomberg, the video went viral and was so popular that the company's website crashed and the blades sold out in six hours. Today, the video has been viewed more than 23 million times.

Dollar Shave Club has continued engaging with users on social media. On Instagram, for example, members who post a picture of their monthly subscription box can get a free shirt if Dollar Shave Club reposts the photo.



dollarshaveclub

Follow

301 likes

3d

dollarshaveclub Member Suzy K rocks a centerpiece in her #UnboxDSC. She gets a free shirt. If we repost yours, you get a free shirt too.

oldguy28 Still no shaving soap

jenna_wooten_ @auston2 this is what you get when u first sign up then u just get the cartridge sent to u either once a month or every other month.

Source: Dollar Shave Club/Instagram



In July 2016, Unilever announced that it had signed a deal to acquire Dollar Shave Club for \$1 billion. The shaving brand has more than 3.2 million members and turnover is expected to exceed \$200 million in 2016, up from \$152 million in 2015.



Target

US retailer Target actively engages with its followers on different social media sites. According to *Adweek*, Target was among the first retailers to run shoppable ads on Snapchat; users are able to make purchases directly when they see a Target ad within the app by “swiping up” for more information.

The retailer has also run a series of campaigns on other social media sites. It has teamed up with Facebook, for example, to enable users to send friends gift balances on reusable gift cards.

Target was among the first retailers to run shoppable ads on Snapchat; users are able to make purchases directly when they see a Target ad within the app by “swiping up” for more information.



Source: Target

MAJOR SOCIAL NETWORKS EMBRACE COMMERCE—BUT ADVERTISING REMAINS THE PRINCIPAL COMMERCIAL ACTIVITY

Below, we detail what different social media sites are used for and how they have evolved to serve different purposes. Many of the major sites have added tools that help companies engage with consumers and drive purchases. However, more straightforward display advertising appears to be the central plank of these platforms’ offering to companies.



Facebook

Facebook is the world’s most popular social media site. Advertising revenues, the majority of which come from business-to-consumer ads, accounted for 97% of Facebook’s \$6.4 billion in revenues in the second quarter of 2016, with mobile representing 84% of the total.



Worldwide, there are more than 60 million active business pages on Facebook.

Facebook started as a desktop/laptop website, but has responded effectively to the growing popularity of smartphones. According to the company, more than one-third of US small and medium-sized businesses do not have a website, and may not have the resources to create a mobile presence, either. Setting up a company Facebook page is free, however, and there are already more than 60 million active business pages on the site worldwide.

Companies have to pay only if they wish to advertise on the platform, and they can target advertising based on location. For example, brands can target users within a 50-mile radius, users in a certain age group or users who have "liked" certain pages. And users can click the "Buy" button in Facebook ads to purchase a product directly from a business, without having to leave the site.

While Facebook is still by far the most important social media platform for marketers, growth in traffic from Facebook to companies' websites may have slowed recently. According to Social Media Examiner, more than half (51%) of marketers are not sure if their marketing is effective on Facebook, and 62% are either unsure if traffic had declined or had seen an actual decline in Facebook traffic to their website in the year ended January 2016.

Despite Facebook potentially losing some of its attractiveness as a marketing channel, particularly in terms of targeting younger audiences, many brands and retailers are still expected to use it for a variety of purposes, including as a customer service tool.



Twitter

Twitter became famous for allowing its users to express themselves in a tweet of just 140 characters. It was the first social media platform to use hashtags, which can be searched on the site, and Twitter constantly ranks the top hashtags that are trending.

In the second quarter of 2016, Twitter's revenues were \$602 million, with advertising revenues representing 88% of the total. Similar to Facebook, mobile advertising accounts for the majority of Twitter's ad revenues, at 89%.

In May 2016, Twitter announced changes to the 140-character rule with @names and media attachments not counting toward the character limit. It also introduced decorative tools for photo sharing, such as Instagram-style filters and emojis. The company had previously added new tools that allow users to tweet GIFs and carry out polls.

In response to the popularity of live-streamed video content, in March 2015, Twitter launched Periscope, a live-video-streaming platform. Users have to download the Periscope app on their smartphone, and it will then automatically connect to their Twitter account. When a user takes live video, viewers can instantly comment or "like" the video. Twitter has partnered with CBS, Bloomberg TV and the National Hockey League in broadcasting live videos, and Periscope was named the Apple Store's "App of the Year 2015" for the iPhone. Twitter already offered looped videos through the Vine app.

Although Twitter is still one of the most popular social media platforms, it has not managed to grow its user base to rival those of Facebook and Instagram. But, as with Facebook, many brands are expected to remain active on it for purposes such as customer service.

Twitter's Periscope, a live-video-streaming platform, was named the Apple Store's "App of the Year 2015."



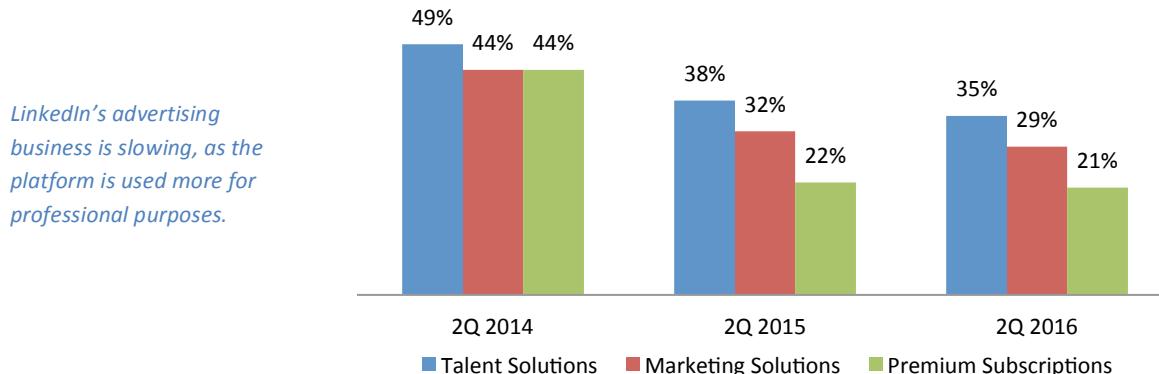
LinkedIn

LinkedIn is the world's largest online professional network, operating in more than 200 countries. In the second quarter of 2016, 64% of the company's total revenues (\$933 million) came from its Talent Solutions segment, which is split into Hiring, representing 57.3% of total revenues, and Learning & Development, accounting for 6.6% of total revenues. The majority of LinkedIn's revenues come from recruiters trying to find job candidates among the network's more than 450 million members globally. In 2015, LinkedIn acquired Lynda.com, an online learning platform with programs tailored for individuals, corporations, and academic and governmental institutions.

LinkedIn's Marketing Solutions division accounted for 19.4% of its total revenues in the second quarter of 2016, including revenues from targeted sponsored content and advertising. The remaining 16.6% of the company's revenues in the quarter came from the Premium Subscriptions segment, which includes subscriptions for enterprises, professional organizations and individuals. Premium members can tailor their profiles with features that are not available to general members. They also have access to premium functions such as unlimited InMail messages and advanced search filters to find other users.

Although LinkedIn's revenues from marketing and subscription features have been increasing at double-digit rates for many years, growth in those areas has been significantly slower than growth in the Talent Solutions business. In short, LinkedIn's advertising business is slowing.

Figure 9. LinkedIn Revenue, by Product Segment (YoY % Change)



Source: LinkedIn

Businesses' activity on LinkedIn differs from activity on other major social media platforms. Many companies are expected to have an up-to-date company profile on LinkedIn in order to attract potential employees and, in some cases, provide information for customers. However, because LinkedIn is primarily a business-to-business network, a company's page on the site may not express its brand story as fully as it is told on other social media sites or on the company's own website. On LinkedIn, companies often encourage their employees to "like" or share content, which could be a simple post or video.



On June 13, 2016, Microsoft announced that it will acquire LinkedIn for \$26.2 billion by the end of 2016, and the two companies are expected to integrate LinkedIn's service into Microsoft's products, including Office and Outlook.

We expect LinkedIn to be less important than competing social media sites for retailers and brands to communicate with customers. However, the platform will continue to grow in terms of professional, or business-to-business, purposes, particularly as a tool for recruiters.



Messenger

Facebook is developing its Messenger app to function as a shopping tool that uses artificial intelligence.

Facebook Messenger

In April 2016, at Facebook's annual F8 developer conference, the company announced that it had been developing its Messenger app to function as a shopping tool that uses artificial intelligence. Facebook said that, in the future, Messenger users would be able to chat with a chatbot—an artificial customer service assistant—on the platform. The company said that the chatbot would know the user's identity and be able to recommend products that were individually curated for the user.

Once the service goes live, users will be able to buy products, book hotel rooms and flights directly on Messenger, and receive receipts and delivery updates on the message thread. This could be a significant opportunity for brands and retailers to enhance engagement with their customers and boost sales—while potentially disrupting the existing e-commerce market.



Unlike on some other social media platforms, such as Facebook, products shown on Instagram are not shoppable with just one click.



Source: Instagram

Instagram

Instagram, which is owned by Facebook, started as a photo-sharing application for smartphones, and has since expanded its functions to include Snapchat-like instant video sharing, through which users can upload images and videos to be viewed by followers for 24 hours.

Instagram is still all about images, which can be improved using the filters and other image-enhancement tools found on the platform. Companies cannot directly sell products from images or video captions on Instagram, however. Unlike on some other social media platforms, such as Facebook, products shown on Instagram are not shoppable with just one click.

Link Big is a company that offers retailers and other businesses a "bio link" that they can insert on their Instagram profile, allowing users to directly buy the item they see without having to search for the product on the brand's home page. In July 2016, we met with Nadav Raviv, the CEO of Link Big. Raviv told us that there is an average 40% drop-off on every click a user makes when trying to buy a product on Instagram because users have to go to the brand's home page to search for the product they have seen on Instagram. Link Big's bio link is designed to help retailers solve the abandonment problem.

Even though Instagram is not as shoppable as some other social media platforms, Raviv highlighted the site's power in turning followers into customers. According to a survey by marketing company Yotpo, 30% of shoppers have purchased a product they discovered on Instagram. Therefore, Instagram has a significantly high shopping referral rate. The site is also one of the fastest-growing social media platforms.



Pinterest

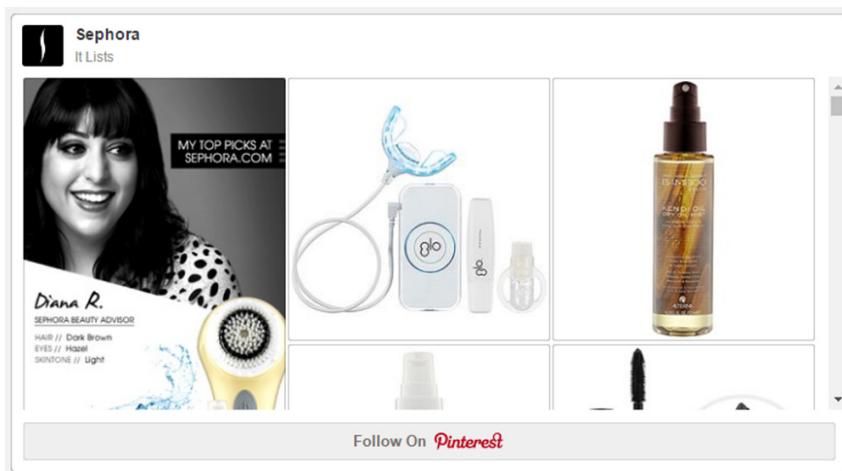
Pinterest

Pinterest enables users to upload, save, sort and manage images (called Pins) or other content in collections called Pin Boards. The site serves as a catalog of images that range from outfits to recipes to home decorations.

In our *Social Selling* report, we discussed how Pinterest, having introduced buyable Pins in June 2015, is likely the current leader in terms of using buy buttons on social media. Pinterest users can buy millions of products they see on the platform.

Privately owned Pinterest does not publish financial data, including advertising revenues, but many major companies actively promote their products and services on the platform.

Pinterest is likely the current leader in terms of using buy buttons on social media.



Source: Pinterest



Taco Bell sponsored a Snapchat Lens that allowed users to "face swap" their face with a taco—the Lens was viewed 224 million times in one day.

Snapchat

The idea for Snapchat came from one of the founder's personal aspiration to send pictures that would disappear after being viewed. The idea caught on in particular with young audiences and, within five years postlaunch, Snapchat had more than 150 million daily active users.

The social media platform has since expanded its offerings and it can be a powerful platform for advertisers, as we noted above in our case study of Michael Kors. Below, we list how advertisers can make the most of Snapchat.

Snap Ads: Snap Ads are video ads, but differ from ordinary ads in that they can be interactive, allowing viewers to view extended content such as videos, articles, app install ads or mobile websites.

Sponsored Geofilters: Marketers can sponsor filters for Snapchat users to use in specific locations, such as restaurants, shopping malls and events. When users take a Snap in a specific location, they have the option to add a sponsored filter in it.

McDonald's was the first company to partner with Snapchat with sponsored geofilters, allowing customers at restaurants to post pictures or videos with sponsored illustrations such as hamburgers and french fries. The partnership



Source: Snapchat

Increasingly, social media sites are used in politics, particularly to reach millennials. On any given day, Snapchat reaches 41% of 18–34-year-olds in the US, and more millennials watch election debates on Snapchat than do on TV.

was seen as an attempt to attract millennials and Gen Zers to the company's restaurants, which have been experiencing declining revenues.

Sponsored Lenses: Snapchat users can accessorize their selfies and short videos with sponsored Lenses, which can be used to promote new products or services. Examples of sponsored Lenses include funny graphics and animated features that are triggered when the user raises his or her eyebrows.

In May 2016, Taco Bell sponsored a Snapchat Lens that allowed users to "face swap" their face with a taco. According to *Adweek*, the Lens was viewed 224 million times in one day. Taco Bell has run other campaigns on Snapchat as well, including promotions during the Super Bowl.

Although Snapchat is ultimately a place for users to communicate with their friends by sharing instant images and videos that can be viewed for a limited period, it has also become an increasingly important news platform.

SOCIAL MEDIA USED IN ELECTIONS

Finally, away from business, social media sites are also increasingly being used in politics, particularly in the run-up to the 2016 presidential election in the US. Facebook says that the Republican and Democratic delegates have started to use its live video function to engage with social media users from conventions. On election days, Facebook also often reminds users that voting is open and encourages them to share that they voted.

Snapchat has also become an important tool in US elections. According to Bloomberg, the Republican and Democratic delegates have significantly increased their spending on Snapchat, hoping to reach millennials in particular. Both parties have used Snapchat's geographic photo-filter tools at political rallies. Although Snapchat does not publish much data on its users, Nielsen found that, on any given day, Snapchat reaches 41% of 18–34-year-olds in the US, and that more millennials watch election debates on Snapchat than do on TV.

According to media research company Borrell Associates, approximately \$1 billion will be spent on digital advertising, including social media, in US politics in 2016. This represents 9.5% of total political ad spending, and digital political ad spending is expected to increase particularly at the expense of spending on TV and print media.



KEY TAKEAWAYS

The role of social media in consumers' everyday lives has changed rapidly in recent years: people are becoming used to having access to content online immediately, and social media platforms are expected to continue to disrupt industries.

Functionalities for some of the first major social media networks have changed over the years, bringing new opportunities for brands and retailers to engage with consumers:

- **Facebook** is likely to continue its dominance as the most popular social media site. Other social platforms the company owns, such as **Messenger** and **Instagram**, will grow in importance for brands and retailers seeking to engage with, and sell directly to, their customers.
- **LinkedIn** has always stood apart from the other social networks as a professional network; it is also one of the few that has managed to charge some of its users subscription fees. LinkedIn is unlikely to become an attractive venue for companies marketing to consumers, but it looks set to continue to play a significant role for recruiters and in business-to-business communication.
- **Twitter** may be struggling to grow its user numbers at the same pace as newer platforms such as Instagram and Snapchat, but it is expanding its functions, moving beyond its original, 140-character posts to live videos, for example. These innovations appear designed to maintain the platform's relevance among social media users and enhance its attractiveness for marketers.
- **Pinterest**, with its added e-commerce functions, could venture further into retail than other leading social networks.
- The popularity of **Snapchat** has taken some people by surprise, and the company continues to grow in terms of user numbers as well as number of companies marketing on the platform. Geofilters and sponsored Lenses allow marketers to promote their products and services in a very personal way via Snapchat.

With different platforms constantly offering new functionalities, the potential for social media is practically unlimited, and companies should embrace the different opportunities social media sites present.

The potential for social media is practically unlimited. Younger generations especially expect to be able to use social media for a variety of purposes—not only to communicate with their peers, but also to engage with companies and political campaigns. Social media will likely continue to steal share of ad revenues from traditional media. As live-streaming becomes more widely used, many may prefer to watch live-streamed content ranging from sports games to fashion shows to political debates on social media rather than on TV.

Retailers and brands must be willing to come up with innovative ways to engage with customers and followers. Given the potential to reach hundreds of millions of people in one day with one Snap or campaign, being active on social media is no longer an optional element in a company's strategy; it is a must, and companies should embrace the different opportunities social media sites present in terms of engaging with a target audience.



Deborah Weinstig, CPA

Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinstig@fung1937.com

Janne Eho
Research Assistant

HONG KONG:

8th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

LONDON:

242-246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

NEW YORK:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

FungGlobalRetailTech.com