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SHOPPING



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On March 19th, Instagram released a new feature – ‘Checkout with Instagram’ – allowing users to seamlessly buy products directly within an ad unit. This update, giving users the ability to shop and checkout in the same experience, furthers Instagram one step commerce vision but it will come at a price for sellers.

Instagram Allows Consumers To Scroll and Buy – How it Works

If a customer who is browsing on Instagram would like to buy a product, they can now tap the ‘checkout’ button to be taken through the steps to purchase. After one purchase, their payment information is stored, making it easier for repeat buying.

Checkout buttons will appear in multiple placements across the platform – i.e., in feed, in stories and on Instagram’s Explore tab. When a user taps the product to reveal product tags, the button that once said “View website” and took you off Instagram to a seller’s site has been replaced with the checkout button.

The process doesn’t stop there. After a user purchases a product, their information and status of the order will be housed within Instagram, allowing a user to get all fulfillment information within the app. There will be an opt-in for a consumer to share their email address and other CRM data directly with the merchant.

While fulfillment will still be owned by the seller, merchants must pay a fee to Instagram for hosting the checkout process. This fee structure hasn’t been rolled out, however, once it does it will be interesting to see how it impacts small versus larger brands.

What Marketers Should Know

There are 130 million people tapping on current product ads today on Instagram, making this a tremendous opportunity. Facebook’s suite of products has been making a big push towards making social commerce more seamless for its user base, though they are perhaps still behind other apps in global markets that offer more robust e-commerce platforms.

There are currently 23 brands in the initial beta feature including GroupM client Adidas. It’s important to note that the initial rollout of ‘check out’ is only open to organic posts and is not eligible via sponsored posts. There is also no sponsored feature currently, checkout allows a consumer to scroll through only brands they follow. It remains to be seen what the importance of brands to follow Instagram handles will be before Instagram adds a sponsored element. As best practice, Instagram does not encourage brands to promote their handles for new followers, as you can reach users with your message via paid media.

Impact to Media Conversion Based on Changes

For brands already taking advantage of driving e-commerce through paid social ads, this is a good next step to test once it opens to more advertisers. We believe that this new function will produce better return on investment with fewer steps towards purchase for a consumer.

We can also expect more returned customers, when a user's credit card information is stored in Instagram and it's not required to add or recall more information. Abandoned shopping carts is a problem amongst many merchants, one key reason for abandoned carts is frustrated users leaving once prompted to re-enter additional information on a different platform. Saving information could be a key value offered here by Facebook. We see this starting to be adapted by merchants hosted on Shopify and similar platforms.

As with any new usability feature, data integration and data sharing should be key. The beauty of the Direct to Consumer model is the ability to own and understand all the data around your consumer. If Instagram is now passing on orders, there should be a clear partnership around understanding that consumer data.

Future Forward Thinking

While this test and rollout is small to begin with, Wavemaker would anticipate that if successful, the rollout to sponsored ads will be fast to follow. If this is the case, marketers should be thinking about how media budgets will shift between paid search and Instagram.

This new user experience has the potential to drive higher ROAS by cutting down the path to purchase via a more seamless experience. As such, this will change the way other signals impact allocation for media channel spends, such as how search has the ability to match conversions with search behavior on site. If Instagram "click to purchase" starts to grow, how will this impact a marketers' budget strategy?

Something to Ponder

How to continue to drive impulse online is a big conversation these days as the front of store layouts are changing and aisles are shrinking. Amazon, to date, has not offered any solution that really answers this question. Where does Impulse go?

As Instagram gets smarter this capability has the potential to drive "impulse" purchase categories, like a soda, food storage, detergent and many others. If Instagram can hear and know where the consumers are, serving ads that drive them to purchase could be huge -- but we are not there yet. Instagram would need to eventually broaden their scope and partner with bigger retailers in the space before we see vast impact to the ecommerce landscape.



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