

Instagram pivots away from social commerce to sharpen its focus on advertising

Article

The news: Instagram reportedly plans to refocus its social commerce efforts on initiatives that drive advertising revenues, shuttering its Shopping page in favor of a simpler, less

personalized, version per The Information.

- The move comes a little more than a month after Instagram parent company **Meta** posted its first year-over-year (YoY) quarterly revenue decline.
- The company's average price per ad in Q2 decreased 14% YoY after decreasing 8% in Q1.

The development represents a significant shift in strategy for Meta, which spent much of the past two years focused on making ecommerce a priority. The company was looking to offset revenue losses caused by Apple's **AppTrackingTransparency (ATT)** privacy changes, which will cost it \$10 billion in 2022.

- Meta's efforts to find a suitable replacement for IDFA haven't instilled much confidence. Last year, the company announced that a glitch in its ad system had resulted in months of incorrectly reported mobile advertising data.
- Those issues were compounded by Facebook and Instagram's worsening reputation for misinformation and harmful content. Meta has tried to offer olive branches to brands by giving them greater control over ad placement, but rising competitors like Apple and **TikTok** are stealing its thunder.

Social Platforms Used by Adults in Select Countries to Purchase a Product, Q2 2022

% of respondents in each group

	Facebook	Snapchat	YouTube	Instagram	TikTok	Pinterest	Other
US	60%	43%	40%	30%	19%	21%	3%
Denmark	60%	33%	43%	22%	12%	21%	6%
Norway	52%	29%	42%	23%	10%	20%	6%
Belgium	51%	29%	43%	25%	9%	12%	5%
Sweden	50%	31%	44%	26%	9%	14%	5%
Australia	47%	30%	49%	28%	11%	13%	2%
Finland	47%	30%	42%	21%	11%	12%	4%
France	46%	32%	47%	33%	10%	21%	4%
Netherlands	45%	32%	46%	28%	10%	17%	5%
UK	41%	26%	42%	35%	8%	13%	2%
Austria	41%	23%	41%	18%	10%	4%	12%
Ireland	41%	23%	52%	25%	6%	8%	3%
Germany	39%	33%	47%	22%	15%	9%	12%

Note: ages 18-76

Source: Klarna, "Shopping Pulse," Aug 8, 2022

277506

eMarketer | InsiderIntelligence.com

A sharper focus: The pivot comes amid a challenging time for Meta, as the company faces an economic slowdown that has significantly deterred advertising spending, Apple's ATT

changes that have hindered its ad targeting capabilities, and TikTok's growing [strength](#) as a competing marketing channel.

- After a [challenging quarter](#), the company aims to get back to its core strength, advertising, as it develops a comprehensive strategy to drive sales off its platforms' massive user bases.
- In addition to this move, the company also recently announced plans to phase out Facebook's [live shopping feature](#) by October as the platform shifts focus to short-form video.
- It also scrapped plans for a smartwatch, [closed](#) its podcasting service, and postponed the launch of augmented reality glasses.

Fish where the fish are: Direct sales are a fairly small portion of total social commerce sales for any individual platform—including Instagram—and for the overall market.

- Instagram will continue to offer direct shopping capabilities and iterate on them to collect customer data that it can use to boost engagement on the platform and serve users relevant ads. But it is increasingly focused on doing so in its short-form video feature, Reels.
- Seeing the success of TikTok, which will triple its ad revenues this year to [surpass Twitter and Snapchat](#) combined, Meta has aggressively pushed Reels, first on Instagram and now in the Facebook feed as well.

But those changes have been costly for the reputation of its apps. Users and celebrities [decried](#) the platform's pivot to video, cluttered user interface, and deluge of sponsored posts in July, causing Meta to [halt](#) controversial tests.

- As a result of those changes, Instagram's hold on young demographics is weakening compared to key short-form video competitors, per [our April forecast](#).
- The number of US teens who use **YouTube** once per month will grow from 89.4% this year to 89.9% in 2023. TikTok's share will grow even more from 67.5% to 70.3% by 2023. Meanwhile, Instagram's share will hover at 58.1% for the next year, and will grow meagerly beyond that.

The big takeaway: Amid a challenging environment that saw its Q2 revenues decline, Meta is getting back to basics. That means homing in on initiatives that can deliver clear results and cutting those that don't.

- **Rather than seek to drive incremental revenues via direct social commerce sales, it is focusing on how social commerce can bolster its ad business.** That's a sound strategy for a

company looking to turn its fortunes around.

This article originally appeared in Insider Intelligence's Marketing & Advertising and Retail & Ecommerce Briefings—daily recaps of top stories reshaping the advertising and retail industries. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.

- *Are you a client? [Click here to subscribe.](#)*
- *Want to learn more about how you can benefit from our expert analysis? [Click here.](#)*