

Why Small Businesses Could Benefit from the Launch of Facebook Shops

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With many retail stores temporarily closed during the pandemic, and more consumers buying goods online, major social networks have taken steps to improve their ecommerce offerings.

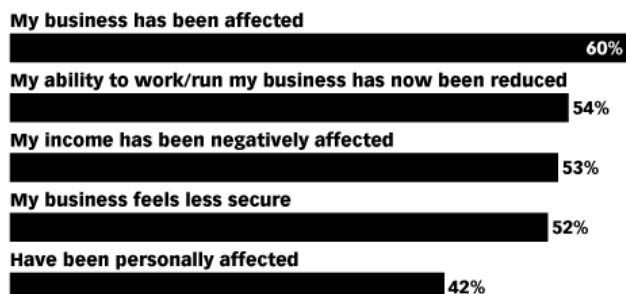
In our recent report, "[Social Media Update Q2 2020](#)," we explore some of the latest developments in the social commerce space, including the May 2020 launch of Facebook Shops.

Facebook Shops allows businesses to set up free online storefronts on Facebook and Instagram. The new service is geared primarily toward small businesses, which have suffered greatly during the pandemic due to their reliance on in-store traffic.

In an April 2020 survey from [McKinsey & Company](#), 54% of US small and medium-sized businesses (SMBs) with annual revenues of under \$500 million said their ability to work or run their business had been reduced due to the pandemic. Fifty-three percent said their income had been "negatively affected."

How US SMBs Have Been Affected by the Coronavirus Pandemic, April 2020

% of respondents



Note: businesses with annual revenue under \$500 million
Source: McKinsey & Company, "US Small and Medium-Size Business Financial Pulse Survey," April 9, 2020

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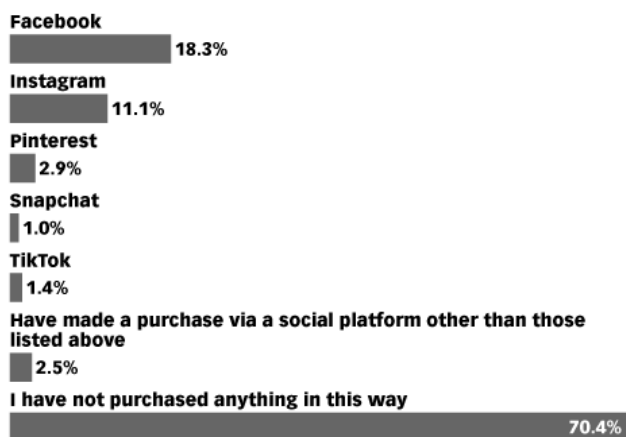
The survival of SMBs is also essential for Facebook's bottom line, as they make up a significant chunk of the platform's advertiser base. In 2017, Facebook COO Sheryl Sandberg said that more than 4 million SMBs advertised on the platform. Earlier this year, the social media giant said its total advertiser base had grown to 8 million, so the number of small businesses is likely much higher.

By helping SMBs survive the pandemic, Facebook is ensuring that those businesses will continue to advertise on the platform once the economics are there. Facebook Shops will also create two new revenue streams for Facebook: Companies will be able to buy Facebook ads to promote their Shops, and when customers use Facebook's checkout option, it will charge them a fee of 5% per shipment or a flat fee of \$0.40 for purchases of \$8 or less.

So far, making a purchase via social has been a relatively niche activity. According to a June 2020 eMarketer survey conducted by [Bizrate Insights](#), 18.3% of US adults had bought something through Facebook in the past year, compared with 11.1% for Instagram. But 70.4% of respondents said they had not made a purchase through any social media platform in that timeframe.

Have US Adults Made a Purchase via Select Social Media Platforms?

% of respondents, June 2020



Note: ages 18+; in the past year

Source: "The eMarketer Facebook Flash Survey" conducted in June 2020 by Bizrate Insights, June 29, 2020

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That's not necessarily a reflection of a lack of interest in the activity; a lack of options for shopping via social could be another reason. On Facebook, for example, shopping and buying was primarily limited to Facebook Marketplace and select Pages before the launch of Shops. Additionally, the introduction of Checkout on Instagram in March 2019 helped streamline the buying process by allowing users to complete the transaction directly in-app, but it's not yet available to all businesses.