Ecommerce isn't the saving grace Meta needs

The news: Meta's latest ecommerce initiative has shed at least five senior executives in the past six months, per The Wall Street Journal.

- Two years into the initiative, the effort remains a work in progress as it continues to lack basic functions, including the ability to display products in different colors and sizes if they aren't sold directly through Facebook or Instagram, and limits on where merchants can ship items.
- Still, the massive user bases of Meta's social networks are seen as an ecommerce advantage.
More on this: The company, then known as Facebook, began its latest ecommerce push when it launched Facebook and Instagram Shops in May 2020.

- The feature enables retailers to post their catalogs directly on the social networks. They can choose to route customers to their websites or sell directly on the platform.

A missed opportunity: The shopping rollout should have been ideal since ecommerce was surging in 2020 due to COVID-19 lockdowns.

- It was also a month before Apple would announce its iOS ad-tracking modifications that rolled out in April 2021, which limited Meta’s ability to gauge the effectiveness of its ads.
- Building out its ecommerce capabilities within its ecosystem enables Meta to reclaim some of the data it lost access to in wake of Apple’s changes.

Meta’s advertising issues: The ecommerce stumble comes as Meta’s many attempts to develop post-privacy update ad tracking solutions have failed to stick the landing and eroded advertiser trust, as well as the company’s market value.

- One year after Apple’s privacy update, Meta was still reeling from the changes. Dave Wehner said during a Q4 earnings call that they could cost the company $10 billion in ad revenues this year.
Since that statement, Meta’s shares have dropped over 34% and the company has lost over $300 billion in market value. Its Q1 ad sales growth was the slowest in a decade.

Attempts to find new ad solutions that meet the needs of the changing privacy landscape haven’t been successful. Repeated scandals have also caused consumer mistrust and brand safety concerns.

Meta has tried to rebuild those bridges via more transparent privacy rules and tools that let advertisers avoid being displayed alongside sensitive subjects, but there’s still a long way to go; in a March survey from Cheetah Digital, 63% of respondents said they’d like to buy from brands that don’t advertise on Facebook.

The big takeaway: Facebook and Instagram Shops continue to have tremendous potential, but can’t recoup Meta’s ad losses on their own.

They already deliver strong results for some retailers, but 97% of Meta’s revenues stem from advertising. For ecommerce to account for a larger share of revenues, the company will need to address the basic blocking and tackling. While that seems straightforward, its inability to do so two years into its latest push suggests there may well be behind-the-scenes challenges.