

Meta's latest ecommerce push stumbles

Article

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 some 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 a merchant can ship items.

- Still, some retailers continue to see promise for ecommerce on the company’s social networks given their massive user bases.

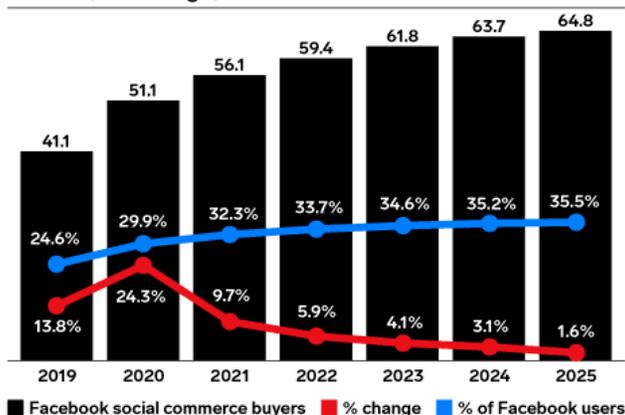
More on this: The company, then known as Facebook, began its latest ecommerce push when it launched **Facebook and Instagram Shops** in May 2020.

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

A missed opportunity: The May 2020 rollout of Facebook and Instagram Shops should have been ideal given that ecommerce was surging in 2020 due to COVID-19 pandemic 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 due to Apple’s changes.
- **Amazon’s burgeoning ad business** demonstrates the significant value of a closed ecommerce ecosystem as the retailer’s ad business grew **23%** in Q1.
- While Meta doesn’t break out ecommerce sales, CEO **Mark Zuckerberg** noted in an earnings call that the company has seen ecommerce sales soften; that news echoes the broader industry-wide trend as even Amazon reported a slowdown with consumers shifting more of their spending offline.

US Facebook Social Commerce Buyers, 2019-2025
millions, % change, and % of Facebook users



Note: ages 14+; social network users who have made at least one purchase via the Facebook platform, including links and transactions on the platform itself, during the calendar year; including online, mobile, and tablet purchases
Source: eMarketer, Oct 2021

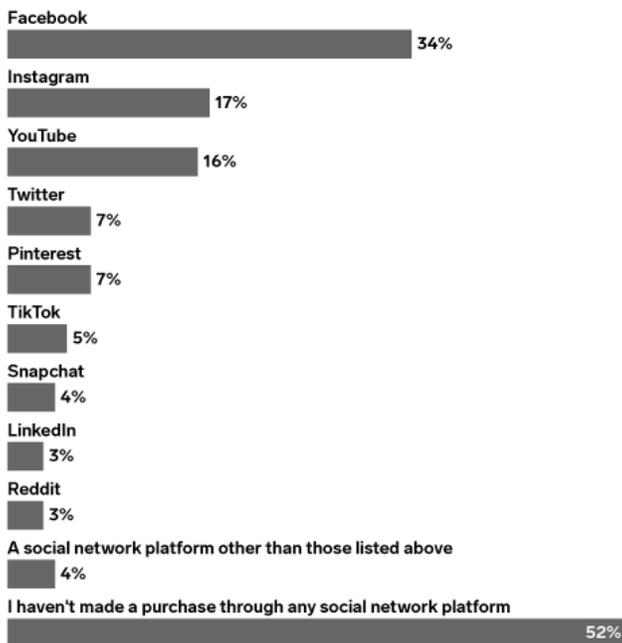
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Not its first rodeo: Meta has long struggled to understand how to effectively leverage Facebook, Instagram, and **Messenger's** massive user bases to drive online sales.

- In 2012, for example, it hired an **eBay** executive to oversee its retail efforts and rolled out several different ecommerce initiatives including Facebook Gifts, which let shoppers buy presents for friends, and Collections, which allowed retailers to present their products to Facebook users. A few years later it rolled out Facebook Marketplace. A few years after that, Instagram launched Instagram Shopping and a host of other ecommerce-related initiatives, already long offering a host of ecommerce-focused ad products.
- While those efforts, along with its broad reach, have helped make Facebook and Instagram the two most used social media platforms for social commerce, there remains a significant opportunity for growth.

Social Media Platforms that US Social Media Users Have Used to Make a Purchase, June 2021

% of respondents



Note: n= 1,730 ages 18-75; in the past 12 months
Source: Insider Intelligence, "US Digital Trust Survey," Q2 2021

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InsiderIntelligence.com

Meta's advertising issues: 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.

- Though it's been **one year** since Apple's privacy update, it was made clear that Meta was still reeling from the changes during the company's Q4 2021 earnings when CFO **Dave Wehner** said the change will 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.
- Attempts to find new ad solutions that meet the needs of the changing privacy landscape haven't been successful, to say the least. In September, Meta revealed that a **bug** had caused it to underreport ad performance on iOS by about 15%. 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. Portable blender retailer **BlendJet's** sales on Meta's commerce features are up about 300%, CEO **Ryan Pamplin** told The Wall Street Journal.
- That said, **97% of Meta's revenues stem from advertising**. For ecommerce to account for a larger share of the company's 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 standing in its way.