



# **Social commerce in emerging markets: Understanding the landscape and opportunities for mobile money**





## GSMA

The GSMA represents the interests of mobile operators worldwide, uniting more than 750 operators with over 350 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and internet companies, as well as organisations in adjacent industry sectors. The GSMA also produces the industry leading MWC events held annually in Barcelona, Los Angeles and Shanghai, as well as the Mobile 360 Series of regional conferences.

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## GSMA Mobile Money

The GSMA's Mobile Money programme works to accelerate the development of the mobile money ecosystem for the underserved.

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# A. Executive summary





# Executive summary (1/2)

- Social commerce is the use of social networking for e-commerce
- In emerging markets, social commerce has the potential to improve economic livelihoods for a large amount of the population—particularly within the informal sector, where most people make their living
- To better understand the social commerce business models and the potential opportunities for mobile money providers, the GSMA recently commissioned a global landscape analysis
- **Insight 1:** Social commerce positively benefits underserved merchants and customers.
  - **Indeed, low-income buyers** benefit from **higher bargaining power vis-à-vis large brands**, through practices such as **group buying** and the ability to have **a conversation with sellers** before making a purchase
  - **Merchants—particularly small business owners and entrepreneurs—mainly benefit** from simple way of building online presence and streamlining purchase processes
- **Insight 2:** Successful platforms integrate common best practices into their offerings
  - **Several features** form the basis of social commerce: community shopping, group buying, shopping integrated into social media, consumer-to-consumer (C2C) trusted sales platforms, recommendations, and user-curated shopping
- **Insight 3:** Social commerce acts as either an e-commerce ‘intermediary’ or a ‘super app’ to varying degrees
  - Both e-commerce and social media players are converging towards social commerce, with different combination of features and business models, leading to the emergence of **six distinct "platform types"**



## Executive summary (2/2)

- **Insight 4:** Marketing fees and sales commissions are the most common revenue sources
  - While there are **four main revenue sources**, most social commerce players leverage **at least two**.
  - Some players offer **delivery** and **logistics** through partnerships with third-party logistics providers, while others leave end-to-end fulfillment to merchant
  - **Main monetisation levers** of social commerce players are **marketing** fees and **sales commissions** (some players charge account fees or take share of third-party transaction and logistics fees)
- **Insight 5:** Mobile money providers can play several roles in social commerce and help formalise the sector
  - In most markets, social commerce platforms are **not yet designed end-to-end** (requiring support for logistics, delivery, and payments) – both merchants and customers try to eliminate existing **frictions** in their journey
  - Mobile money providers could play several roles in social commerce. They can either **leverage their existing assets or offer new features and tools built in-house or through partnerships with third-party providers**
  - But first need to ensure full **understanding of market dynamics**
  - Providers should offer one key social commerce feature at a time and from there, layer on other features and tools
  - Providers should **prioritize solutions** and where feasible, **partner with third party providers** to quickly test and launch solutions in the market



## B. Social commerce definition and use



# There are three main types of commerce in today's world

## Types of commerce

1  Electronic Commerce

2  Social Commerce

3  In-Person Commerce

## Characteristics

- Sale of **product** occurs **online** with **no interaction** between merchant and customer
- Remains **nascent** in specific countries due to high **barriers** in **costs**, technology and customer **trust**

- Sale of **product** occurs **online** or by **phone** with **direct interaction** between merchant and customer

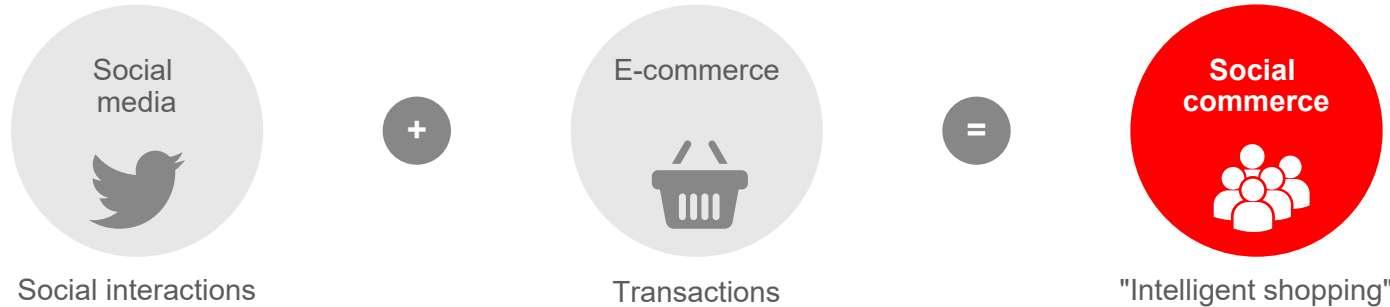
*Our focus*

- Sale of **product** occurs **physically** in store with **direct interaction** between merchant and customer





# Social commerce is the use of social networks for e-commerce and is expected to grow rapidly



*Social commerce is a broad term encompassing several forms of e-commerce merging with social interaction  
It includes any shopping activity in a collaborative online environment*

**Social commerce sales was estimated at USD 150bn in 2018  
(representing 5% of e-commerce sales), expected to grow up to USD  
720bn by 2020 (expected to represent 17% of e-commerce sales)**

# There are six common features enabling social commerce

Non-exhaustive

## Social commerce features

## Description



Community shopping

*Customers can chat with other users or the merchant on a messaging platform<sup>1</sup> to get advice and share thoughts*



Group buying

*Customers can buy products at lower prices when more users (friends or strangers) make the purchase together*



Shopping integrated into social media

*Customers can shop on social media sites, often via 'buy now' tags, from either merchants or other customers*



Consumer-to-consumer (C2C) trusted sales platforms

*Customers can sell products to other users and communicate with each other on C2C platforms*



Recommendations

*Customers can share comments, rate and recommend products*



User-curated shopping

*Customers can create lists of favourite items that other users, mostly friends, can shop from*



# Community shopping: Customers can chat with each other or the merchant on a messaging platform to get advice and share thoughts

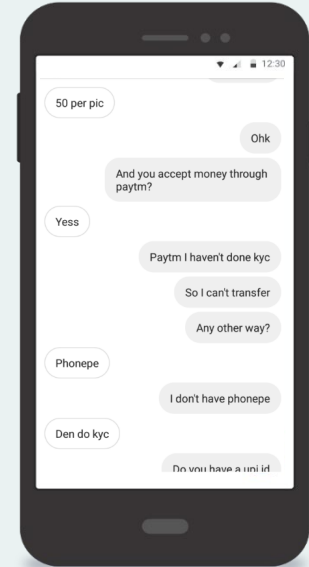
## What it is

Chat options within an e-commerce platform, allowing users to ask friends and family or the merchant for advice on products to:

- Simulate the social aspect of offline shopping
- Remove the need to switch between messaging and e-commerce platforms

Example: 

Customer wants some advice or additional information before buying product



*Note: Examples were chosen simply to explain social commerce feature – Please see further slides for selection of players for landscaping report*



# Group buying: Users can buy products at lower prices when more users (friends or strangers) make purchase together

## What it is

As group buying increases quantity, prices can be lowered, i.e.:

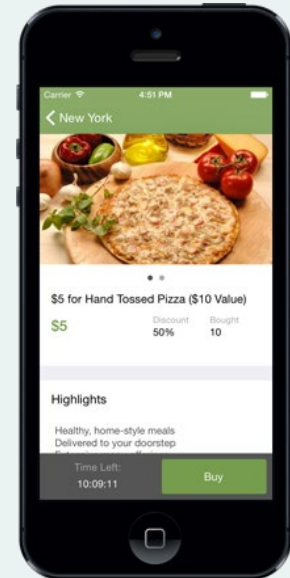
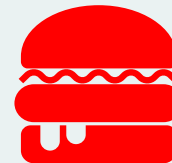
- Users can partner with strangers (in case of Groupon) or with friends/family
- Highly attractive for price-conscious customers

## Example: **GROUPON**

Platform makes bulk purchase deal with merchant



Customers can buy products or services for lower prices



*Note: Examples were chosen simply to explain social commerce feature – Please see further slides for selection of players for landscaping report*

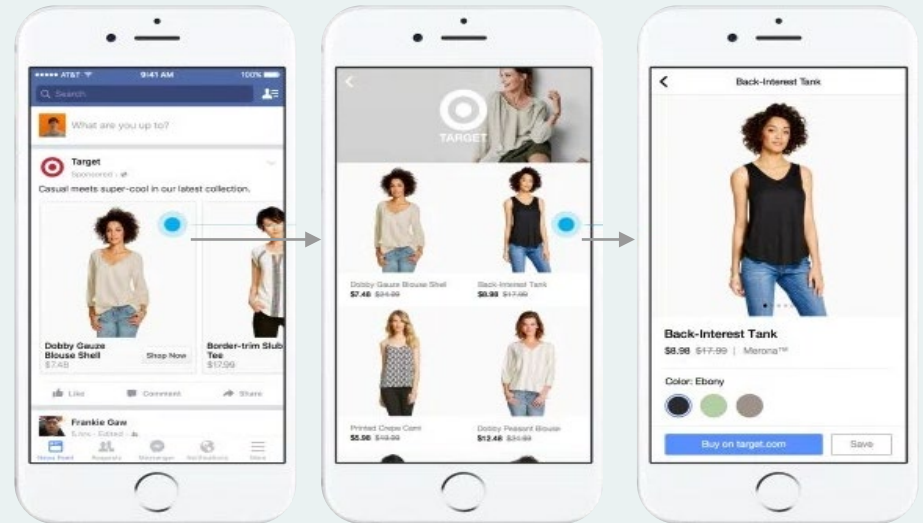
# Shopping integrated into social media: Social media sites enable shopping, often via 'buy now' tags from either merchants or users

## What it is

Social media platforms can either provide a direct link for a user to make their purchase or redirect users to e-commerce sites, through:

- Advertisements
- Separate shopping sections

## Example: facebook.



*Note: Examples were chosen simply to explain social commerce feature – Please see further slides for selection of players for landscaping report*

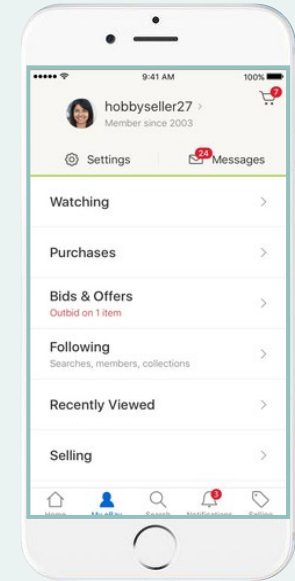
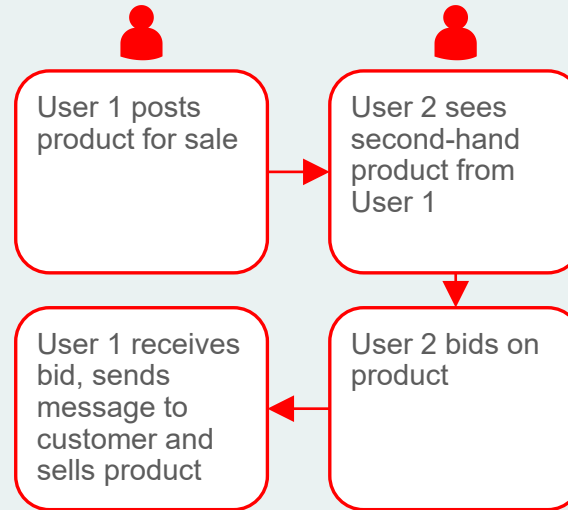
# C2C trusted sales platforms: Users can sell products to other users and communicate with each other

## What it is

Users can communicate with and sell products to each other:

- In peer-to-peer sales, trust could be seen a major issue
- An intermediary platform supervises these sales and creates a trusted environment

Example: **ebay**



*Note: Examples were chosen simply to explain social commerce feature – Please see further slides for selection of players for landscaping report*

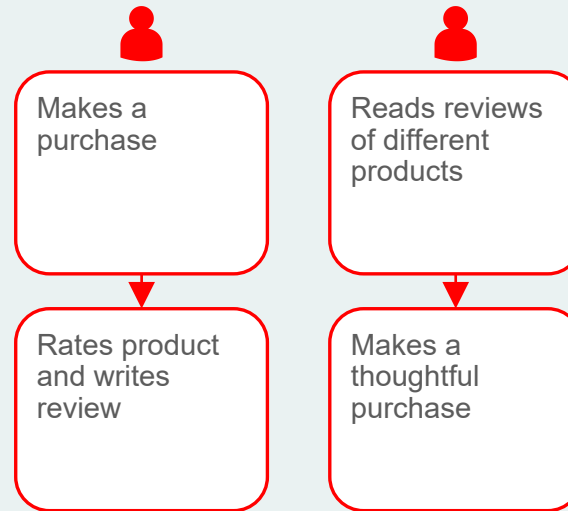
# Recommendations: Customers can share comments, rate and recommend products

## What it is

Users can help other customers decide which products to buy, by sharing opinions and reviews.

- With the growing supply of products, it gets difficult to find the "best" product
- At the same time, customers trust opinions of other users

## Example:



*Note: Examples were chosen simply to explain social commerce feature – Please see further slides for selection of players for landscaping report*

# User-curated shopping: Users can create lists of favourite items that other users, mostly friends, can shop from

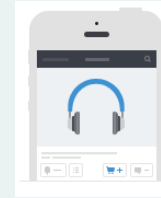
## What it is

User-curated shopping creates a personalized shopping experience that relies on the past purchases and/or preferences of other users.

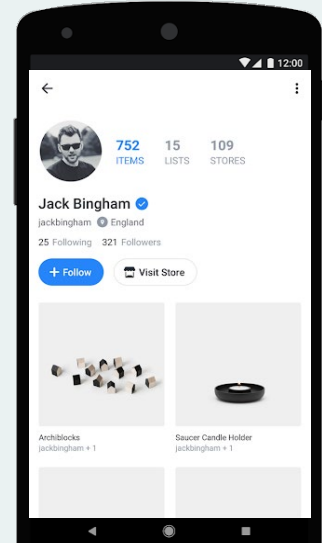
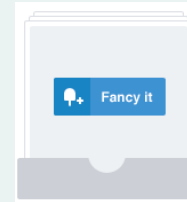
- With the growing supply of products, customers are looking for a personalized shopping experience
- At the same time, customers trust the opinions of their peers

## Example: FANCY

Find millions of products in the app, from thousands of stores



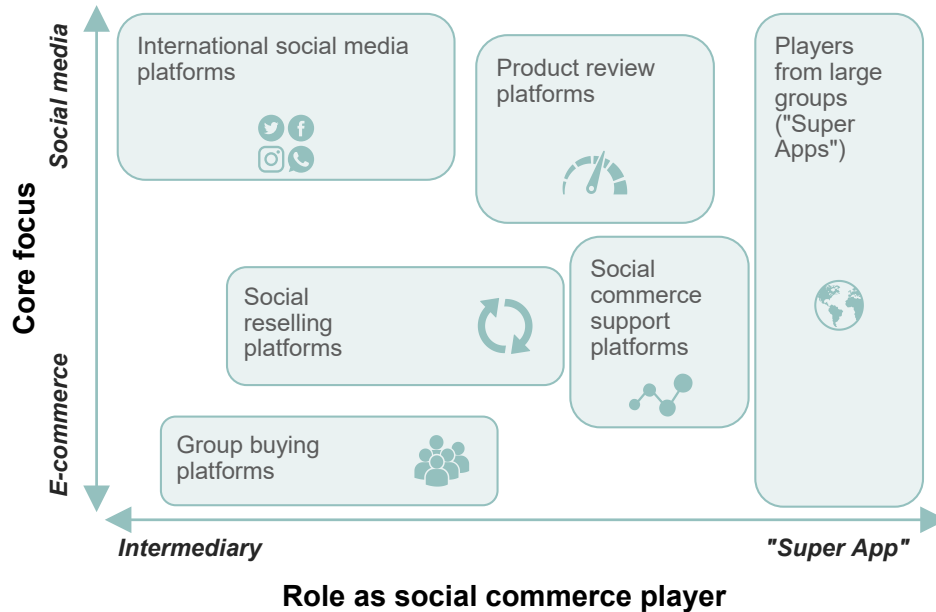
"Fancy" your favorite items, and earn credit for sharing with your friends



*Note: Examples were chosen simply to explain social commerce feature – Please see further slides for selection of players for landscaping report*



# E-commerce and social media players are converging towards social commerce, with key differences in business models



## Core focus

- Some players **largely focus on e-commerce**, with basic social features
- Other players acting **mainly as social media platforms**, with basic links to online retail
- Degree of focus varies**, with some players having effectively developed both social and commerce offerings

## Role as social commerce player

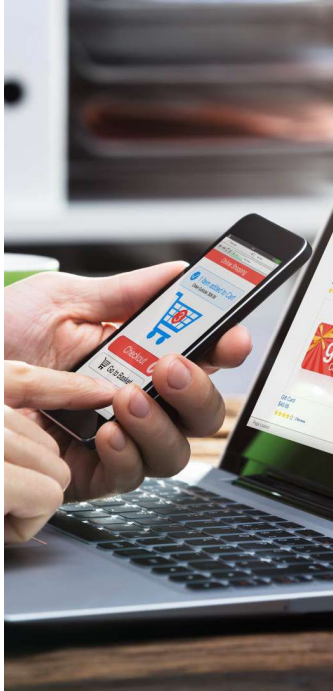
- "Super Apps"** integrate several features and services (i.e. buying, selling, and chatting) on a single platform or interface
- Intermediaries** serve as a bridge between customer and third-party e-commerce and/or social media platforms



# C. Social commerce landscape



# Structure of the section



- 1 Type of social commerce platform

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- 2 Customer value proposition

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- 3 Merchant value proposition

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- 4 Business model and monetization levers

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- 5 Key success factors, challenges and risks



# Social commerce players can be grouped into six main platform types...

Type of platform	Description	Examples from benchmark
 <b>International social media platform</b>	Social media platforms can be considered social commerce if e-commerce features have been integrated	   Instagram      Pinterest
 <b>Product review platform</b>	Offer product reviews created by users with tags to buy the product	 Xiaohongshu
 <b>Platform from large groups: "Super Apps"</b>	Integrate several features and services on a single platform or interface	  WeChat      Taobao
 <b>Social reselling platform</b>	Allow users to sign up as reseller and market products, provided by merchants, among friends	  meesho      Yunji
 <b>Social commerce support platform</b>	Offer supporting tools to merchants selling on social media	 page365
 <b>Group buying platform</b>	Allow users to form (or join) a group, thereby buying higher quantities for low prices	  Pinduoduo      Shongshu Pinpin



# ...each with different social commerce features...

Player	Features						Overview	Country
	Community shopping	Group buying	Social media shopping	C2C platform	Recommendations	User-curated shopping		
WeChat	✓	✗	✓	✗	✓	✗	Super App, initially launched as messaging platform, offering e-commerce options through mini programs	
Taobao	✓	✗	✗	✓	✓	✓	Major e-commerce player that has integrated social commerce features and offers easy payment via Alipay	
Yunji	✓	✗	✗	✗	✓	✓	Social reselling platform offering trainings to social sellers and logistics and aftersales service to merchants	
Meesho	✓	✗	✗	✗	✓	✓	Social reselling platform offering inventory management, logistics, IT support and aftersales service	
Pinduoduo	✓	✓	✗	✗	✗	✗	Group buying platform with low-priced products offering users to form a new or join an existing group of buyers	
Songshu Pinpin	✓	✓	✗	✗	✗	✗	Group buying platform offering daily necessities that neighborhood representatives buy for the neighborhood and distribute from a central point in the area	

  Players from large Chinese groups
   Social reselling platforms
   Group buying platforms



# ...for merchants and customers

Player	Community shopping Group buying Social media shopping C2C platform Recommendations User-curated shopping						Overview	Country
Xiaohongshu							Product review platform on which users can tag products, comment on posts and save posts on personal boards, focusing on luxury fashion and cosmetics items	
Page365							Unified social commerce platform offering customer support and shipping services to merchants, while customers can comment on posts and review products	
Facebook							Major social media platform that has integrated 'buy now' buttons and a marketplace within the app	
Instagram							Major photo and video sharing platform offering opportunities to tag products in posts or put links to e-commerce sites on your account	
Pinterest							Social media platform sharing photos that users can pin to specific boards, which integrated 'buy now' buttons and a shopping feed	

Product review platforms
Social commerce support platforms
International social media



# Social commerce provide customers with a streamlined purchase journey

## Key advantages of social commerce for customers



Seamless shopping experience



Easy payment



Low prices and discounts (e.g. group buying, negotiation) vs. marketplace



Variety of products and brands



Capacity to follow, save and share interesting items



Increased trust towards products and merchant



Advice through recommendations and chat

## Other elements to enhance engagement



- Incentives from Pinduoduo (not the merchant) such as coupons, cash, lottery free products
- User-friendly "news feed"-like interface



WeChat

- Mini programs allowing users to open merchant's apps without leaving WeChat
- Loyalty programs



Xiaohongshu

- Customized personal homepage based on historical data from the customer



Page365

- Informal order submission through comment (Page365 technology translates text to order submittal, asking for one-click confirmation)



Taobao

- Option to participate in auctions



# Solutions address the major needs of merchants when digitising their business...

## What?

## How?



### Building online presence

- Creating a social media page is a **simple way to build online presence, at minimum cost and complexity**



### Streamlined purchase process

- Probability of dropped purchase in e-commerce is directly linked to number and complexity of steps
- Social commerce allows consumers to purchase at the point of discovery online, thus limiting steps of purchase journey and allowing for **increases in conversion rate**



### Lower customer acquisition costs

- E-commerce players face significant acquisition costs of acquiring traffic through ads and/or discount promotions
- Through **"built-in endorsements" by social media users** and **ability to leverage different channels**, merchants can save significantly on online marketing



### Expanding reach (customers, geographies)

- Social commerce allows merchants to **leverage the "network effect"**, which is amplified through shares, links, comments, likes, and recommendations
- Merchants have potential to reach **massive audiences across several geographies**



### Ability to leverage network of family and friends

- Small merchants often rely on friends and family to help spread awareness of new business – Social commerce allows merchants to **leverage their own social network** in simple and effective way



### Setting up business ("Online-to-offline")

- Merchants are turning to social media as an easy way to set up their business and **acquire initial customer base, before having the means to set up a physical presence**





# ... by offering fundamental elements, such as payments, and additional features, such as marketing or logistics

**Optional**  
*Large variation by player*

**Fundamental**  
*Required elements*



<p><b>Marketing tools</b></p> <p><b>拼多多 Pinduoduo</b></p> <p><b>Campaigns</b></p> <p><b>Sales promotions</b></p> <p><b>Product recommendation</b></p>	<p><b>Personal approach to sales</b></p> <p><b>微店 Yunji</b></p> <p><b>Chatting with customers directly through "social resellers"</b></p>	<p><b>Payment processing</b></p> <p><b>WeChat</b></p> <p><b>Integration with WeChat Pay</b></p>	<p><b>Delivery and logistics</b></p> <p><b>Meesho</b></p> <p><b>Delivery tracking</b></p>	<p><b>Customer support</b></p> <p><b>淘宝网 Taobao.com</b></p> <p><b>Live chat with customer support</b></p>
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# Four main revenue sources leveraged by social commerce: Most players charge marketing fees or sales commissions

Note: Harvey balls indicate degree of reliance per revenue source:

- No reliance
- Medium reliance
- High reliance

Revenue source	Key lever per platform type <sup>1</sup>	Description
	*Super Apps*    Social reselling    Group buying    Product review    Support    Intl. social media	
<b>1 Marketing fees</b>		<ul style="list-style-type: none"> <li>▪ Fee for advertising on platform</li> <li>▪ Fee for search keywords</li> <li>▪ Fee for additional marketing services (e.g. creating tailored product lists)</li> </ul>
<b>2 Sales commissions</b>		<ul style="list-style-type: none"> <li>▪ Commission on sold products, i.e. share of sales price for transaction made through platform</li> <li>▪ Share of money earned by user on platform (e.g. through livestream)</li> </ul>
<b>3 Account fees</b>		<ul style="list-style-type: none"> <li>▪ Fee for setting up brand account, either through one-time payment or subscription</li> <li>▪ Fee for premium account to access tools / services not available to others</li> </ul>
<b>4 Payments and logistics fees</b>		<ul style="list-style-type: none"> <li>▪ Share of transaction fees charged by payment provider</li> <li>▪ Share of paid-for service offered by logistics provider</li> </ul>

Overlap between revenue sources can be seen in multiple players (e.g. logistics fees covered by sales commission)

<sup>1</sup> Based purely on benchmarks – This does not suggest that other revenues sources cannot be leveraged by players within same platform type



# Most social commerce players charge marketing fees...

## Description

- **Traditional paid marketing:** Merchant charged for display ads, search keywords, or use of marketing tools
  - Tools include creation of tailored product lists, push notifications, and development of branded content e.g. campaigns
  - Charged to merchant either through fixed fee or "pay-per-click" model
- **Paid influencer marketing:** Merchant charged for use of influencer
  - Social commerce player acts as link to influencer, charging either fixed fee, success fee, or commission on sale (see following slides)
  - Marketing content mainly developed by merchant, shared with influencer by social commerce player

## Key points

- Revenue source leveraged by almost all players – Most players with social focus (i.e. review platforms) rely on marketing as main revenue source
- Key success factors are in-house marketing capabilities and large existing merchant base



**Douyin (TikTok) –**  
Estimated 80% of revenues from paid marketing

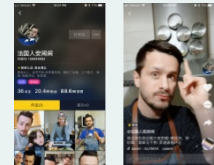
*"Splash ads", Full-screen ad displayed with link to in-app sites.*



*"Newsfeed ads", Ads displayed on user's newsfeed in form of image or automatically played videos.*



*Influencer, Content shared with users through influencers with existing fan base,*





# ...as well as sales commissions

## Description

- **Commission on sold products:** Merchant charged share of sales price
  - Charged mainly as fixed percentage per sold product/service
  - Few players differentiate percentage based on product/service type or quantity sold
  - May include access to value-added services such as payments and logistics (usually in form of higher percentage)
- **Share of money earned (other than sale of product/service):** User charged share of money earned on platform
  - Paid by users earning money through posts or live streams
  - Charged mainly as fixed percentage of "payment" received

## Key points

- Revenue source leveraged by majority of players – Most players with e-commerce focus rely on commissions as main revenue source
- Transparency on commission scheme is critical – Merchants must agree to commission scheme before selling on platform
- Commissions charged directly impact type of merchants joining platform



**Pinduoduo** – 14% of revenues coming from sales commissions<sup>1</sup>

*Commission on sales, at a fixed rate of 0.6% for every purchase made*



1. As of Q3 2018. Pinduoduo Inc., "Pinduoduo Announces Third Quarter 2018 Unaudited Financial Results," November 2018, <http://investor.pinduoduo.com/static-files/2d5c9c04-1ef8-46ba-9304-8b3b1ee85491>

Source: Pinduoduo; Kuaishou; Roland Berger



# Premium account fees are mostly charged by large players

## Description

- **Sign-up fee:** Merchant charged for general use of platform
  - Not commonly used
  - Charged as one-time cost or "subscription fee" for specific time
  - May include value-added services such as merchant dashboard, use of payment gateway, use of logistics partners, customer support
- **Premium account fee:** Merchant/ customer charged for premium account
  - Optional for customers / merchants
  - Includes additional benefits not provided to other merchants/users on platform, such as official verification, use of marketing tools, merchant dashboard
  - Charged mainly as "subscription fee" for specific time

## Key points

- Premium account option provided mainly by large, well-established social commerce players with variety of merchants and users
- Few players charge basic merchant sign-up fee – Free sign-up is becoming core part of social commerce merchant value proposition



**WeChat** – Significant share of revenues from official accounts<sup>1</sup>

**Subscription accounts**, allows users (business and individuals) to send 1 push notification per day.



**Service accounts**, include API integrations, e-commerce functions (payments/vouchers), QR code generation, and CRM.



**Enterprise accounts**, primarily for internal communication and management of companies. Include functions such as internal chat rooms, video conferencing and resource sharing.





# Social commerce players are generally not involved in inventory management and warehousing, but some provide delivery services

Only for "physical" goods

## Inventory management

- Inventory tracking is usually done by the merchants, but platforms can offer support (e.g. by sending alerts that stocks are low)
- Integrated inventory management in dashboard (Page 365)

## Warehousing

- Some e-commerce players invested in building warehouses to:
  - Ensure quality check
  - Streamline delivery process
    - Some of the players have built or set up their own warehouses, others are planning to invest

## Delivery

### Two main options:

#### Option 1: Hold merchants responsible for delivery process

- Easier for platform as not involved in delivery operations etc.

#### Option 2: Insource delivery process

- Partnering with a logistics player
- Allowing for streamlining delivery process
- Easier for smaller retailers that don't have resources to deliver products to customers



# In that case, separate transaction and logistics fees are charged when payment and logistics services are provided

## Description

- **Share of third-party payments provider fees:** Third-party payments/logistics provider is charged share of transaction fees (fee paid by merchant or customer)
  - Charged as fixed fee per payment made or fixed percentage of total transaction fees
  - Payment provider is free to set transaction fees
- **Share of third-party delivery & logistics provider fees:** Third-party logistics provider is charged share of service fees (fees paid by merchant or customer)
  - Charged as fixed percentage of total service fees or as fixed fee per purchase
  - Logistics provider is free to set service fees

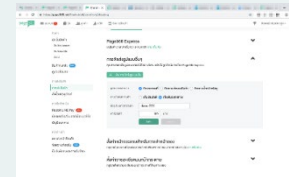
## Key points

- Revenue source leveraged by few players
- Ideal for players targeting small merchants with little-to-no marketing budget, selling small quantities of low-cost items
- Key success factors are long-term partnerships with selected third-party payments and logistics providers

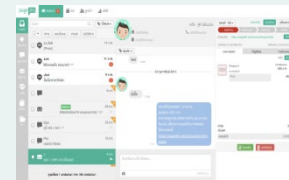
page365

**Page365** – 100% of revenues from transaction and logistics fees

*Share of payment partner's transaction fees, at a rate between 2% - 3% of total fees*



*Share of logistics partners' service fees (percentage share undisclosed)*





# As social commerce platforms are still nascent, they encounter challenges and risks

Non-exhaustive

## Risk / challenge

## Details



**Low-quality and fake products**

- Many social commerce platforms have struggled with merchants offering low-quality or fake products
  - Mostly impacting the low-price platforms
  - Customers cannot return these products due to poor aftersales service



**Content censoring**

- Content posted by users could be banned when inappropriate, platforms can be fined for illegal content
  - Mostly impacting the social media platforms
  - Douyin has been banned in India and Indonesia due to illegal content



**Pyramid schemes**

- Pyramid schemes are illegal business models in which participants get paid to recruit new members
  - Mostly impacting the social reselling platforms



**Merchant's KYC<sup>1</sup> concerns**

- Informal economy players may not wish to become visible through a formal social commerce solution
  - Could be mitigated through offering additional benefits to those who agree to be visible



**Unsuccessful scaling**

- Inventory and order fulfillment scaling can be challenging
  - Customers react negatively to sold out products and delivery issues
- Back-end and customer service need to be able to adapt to a high customer influx



**Changes in legislation**

- Changes in e-commerce legislation are always a risk factor





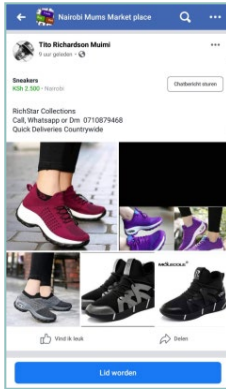
## D. Opportunities for mobile money providers



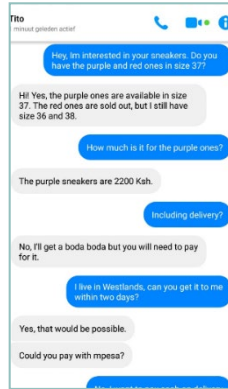
# Platforms are not yet designed end-to-end in most markets: Merchants and customers try to eliminate frictions in journey

## Current use of social media to buy and sell

**Merchant posts products** on social media



**Merchant and customer discuss** and agree on terms



Merchant sends product to customers via **external solution**



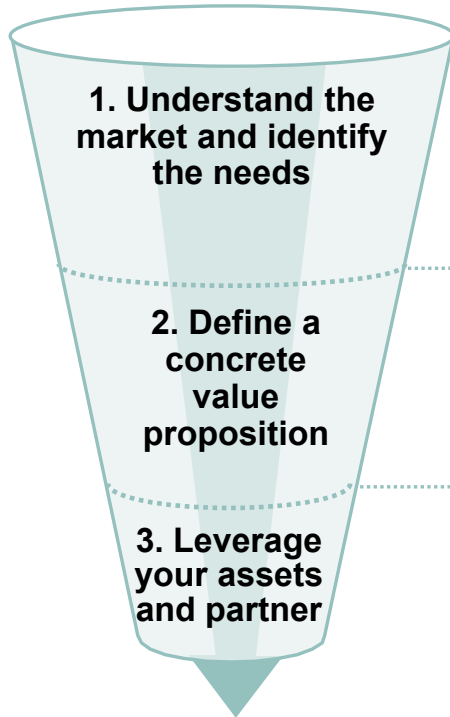
Customer pays through **cash** or **mobile money** or **transfer** or **delivery**



## Current challenges

- The full journey is split between online and offline interactions
  - *Creates significant friction*
- Everyone can sell online
  - *Are the products of good quality?*
  - *Can I trust this merchant?*
- Processes are informal
  - *How is delivery being arranged?*
  - *How does payment work?*

# There is a potential for mobile money providers, but they must first understand market dynamics

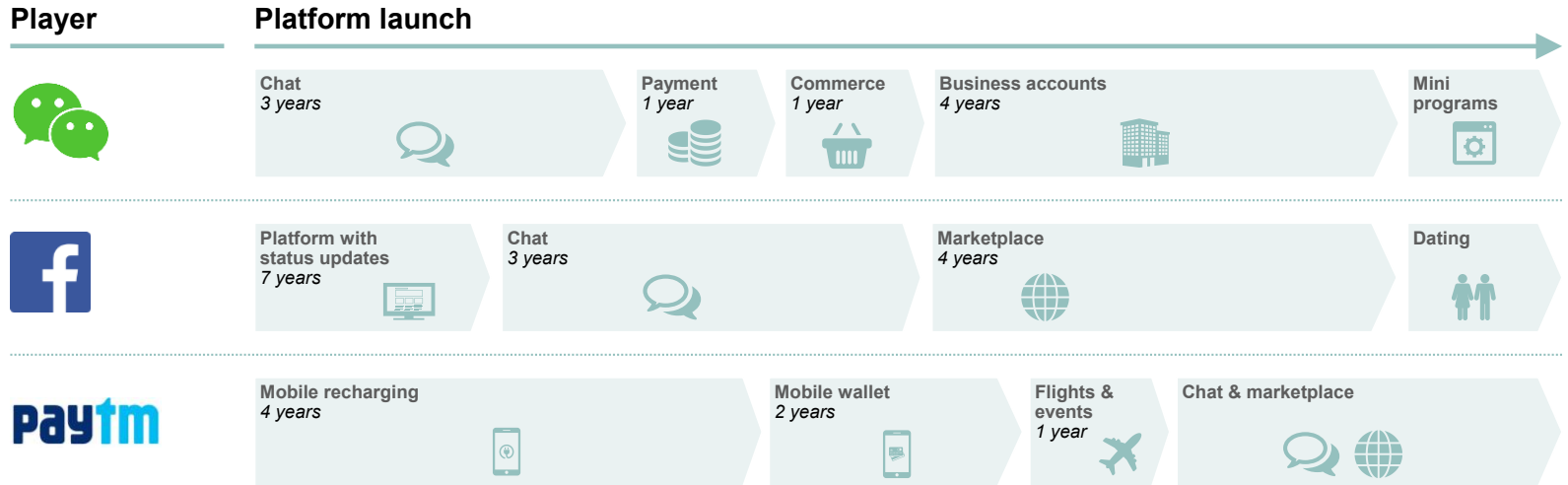


- **Who** could be the **potential target users** (merchants and customers)?
  - What are their **spending/ buying habits**?
  - How are e-commerce and social commerce already developed in the country?
  - What kind of products could be currently sold online?
  - What are the **main challenges/ pain points/ frictions** in an online customer experience?
- 
- **What** pain points/ frictions do I want to resolve?
  - What do I want to offer?
  - **Who** do I want to target?
  - **How** do I create a USP?
  - Which **features/ solutions** do I want to prioritize?
- 
- What is my **operational model**?
  - Which **assets** can I already leverage (e.g. payment with mobile money, marketing through brand, agent network distribution)?
  - Who can I **partner** with to offer missing blocks?



# Providers should offer one key feature first before developing any additional other features or tools

Development of social commerce platforms over time






















**Platforms start offering one specific feature and expand from there**



# Therefore, mobile money providers should prioritize solutions and potentially partner with third party providers to quickly test and launch solutions in the market

## 1. Prioritise features and solutions

## 2. Partner with relevant third parties

	Ease of implementation	Impact	Explanation	Priority	Already in place at MNO?
 <i>Feature 1</i>			■		✓
 <i>Feature 2</i>			■		X Need to partner with xxx
 <i>Feature 3</i>			■		✓
 <i>Feature 4</i>			■		■
 <i>Feature 5</i>			■		■
 <i>Feature 6</i>			■		■