![GSMA logo]

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

Mobile Money

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Executive summary

Social commerce, a relatively new subset of e-commerce, is blurring the line between social interaction and online shopping. Not only does it offer a convenient online experience and better bargaining power for underserved customers, but it provides small businesses and micro-entrepreneurs with a simple way to formalise aspects of their businesses and streamline their purchase processes.

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.[1] In doing so, it is becoming an important element of the digital economy: by 2020, global social commerce sales are expected to triple to $720 billion.[2]

To better understand the social commerce business models and the potential opportunities for mobile money providers, the GSMA recently commissioned a global landscape analysis of twenty social commerce players. Key findings from this analysis include:

- **Social commerce positively benefits underserved merchants and customers.** Social commerce enables small merchants and entrepreneurs to build an online presence at minimal cost and complexity; and for those just starting, it can provide an easy way to set up a business and acquire an initial customer base. Low-income, rural and price-sensitive customers can benefit from lower prices and better bargaining power through features such as group buying.

- **Successful platforms integrate common best practices into their offerings.** These include providing personalised and seamless customer journeys; creating online user communities that align with the shopping behaviours of the target demographic; establishing user trust through social interactions and aftersales support; empowering users to share and influence; and using influencers to endorse products and increase customer bases.

- **Social commerce acts as either an e-commerce 'intermediary' or a 'super app' to varying degrees.** Six platform types were identified depending on a player's core focus on either social media or e-commerce. Intermediaries generally serve as a bridge between users and e-commerce or social media. These include international social media platforms, group buying platforms, and social reselling platforms. Super apps integrate several social and e-commerce features—such as buying, selling and chatting—on a single platform or interface. These include product review platforms, social commerce support platforms and e-commerce players from large groups.

- **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. Players with a social focus are more likely to rely on marketing fees as a primary revenue source, while players with an e-commerce focus are more likely to leverage sales commissions. Some players also charge account fees or payment and logistic fees.

- **Mobile money providers can play several roles in social commerce and help formalise the sector.** In most markets, social commerce is not yet designed end-to-end, requiring support for logistics, delivery, and payments, and leading to frictions in the online journey between merchants and customers. Mobile money providers can either leverage their existing assets to address these frictions or offer new features and tools built in-house or through partnerships with third-party providers but must ensure they fully understand the market dynamics. Providers should develop one social commerce feature and over time integrate other features and tools. Similarly, providers should prioritise features based on their ease of implementation and the potential user impact in their market. Where feasible, providers can partner with third parties to quickly test and launch these solutions.

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1 ILO (2018). More than 60 per cent of the world's employed population are in the informal economy.
2 Analysis by Roland Berger. Data from Statista, Social Media Today, eMarketer, China Daily.

Understanding social commerce

The global spread of social media coupled with the rapid growth of e-commerce is giving rise to a new trend where content sharing, messaging and payments converge. Social commerce—the use of social interactions combined with the transactional nature of e-commerce—has led to new forms of shopping in collaborative online environments.

| Social media | + | E-commerce | = | Social commerce |

Social interactions **Transactions** **'Intelligent shopping'**

There's no sign of slowdown for either social media or e-commerce growth. In 2019, social media reached a global penetration rate of 45 per cent.[3] By 2020, global e-commerce sales are expected to surpass four trillion dollars—with particularly rapid growth in emerging markets, such as the Middle East and Africa.[4] In 2018, social commerce was just five per cent of total e-commerce sales, but by 2020, it is expected to more than triple to 17 per cent—equating to $720 billion in sales.[5]

Social commerce is providing new opportunities for micro, small and medium enterprises (MSMEs) and entrepreneurs, who leverage social media to increase influence and sell products and services. This can include activities that expand their existing customer base beyond the borders of their community (and even country) to establishing a 'side hustle' to earn extra income.

Here, social commerce is formalising these behaviours, in addition to offering small merchants and entrepreneurs the tools and services to better manage and expand their businesses online. In emerging markets, formal MSMEs contribute up to 40 per cent of national income (GDP) and up to 60 per cent of total employment.[6] These figures are significantly higher if informal MSMEs are considered,[7] and social commerce has the potential to improve economic livelihoods for a large amount of the population.

Mobile money providers are increasingly recognising the opportunity of catering to the needs of MSMEs and the new customers coming online. 26% of respondents to our 2018 annual Global Adoption Survey highlighted building enterprise solutions as one of their top three strategic priorities. Also, in 2018, e-commerce transactions facilitated by mobile money grew 79 per cent in value.[8] In parallel, social commerce

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3   Statista (2019). Social media – Statistics & Facts. See: https://www.statista.com/topics/1164/social-networks/.
4   Analysis by Roland Berger. Data from: GSMA, Accenture, Worldometer, Statista, eMarketer, International Trade centre
5   Analysis by Roland Berger. Data from Statista, Social Media Today, eMarketer, China Daily.
6   The World Bank (2019). Small and Medium Enterprises Finance. See: https://www.worldbank.org/en/topic/smefinance.
7   Ibid.
8   GSMA (2018). State of the Industry Report on Mobile Money 2018.

is becoming widespread across many mobile money markets. More and more customers prefer not to leave a social environment for an external site to complete a purchase. For instance, one survey in Cameroon found that 88% of respondents had purchased items through WhatsApp, while 68% had purchased through Facebook.[9] However, most of these channels are not yet designed end-to-end, requiring support for logistics, delivery, and payments, and leading to frictions in the online journey between merchants and customers. Mobile money providers can capitalise on this untapped opportunity and help unlock the social commerce potential across emerging markets.

To better understand the social commerce opportunity and how mobile money providers might play a role, the GSMA recently commissioned a landscape analysis. Twenty social commerce players from seven countries were assessed to highlight their key features, value propositions for users (including customers and merchants), revenue sources and best practices. This research paid particular attention to China, where social commerce focuses on underserved segments and has seen impressive growth and success in recent years (see text box below). Nine Chinese social commerce providers were included—see the appendix for a full list of social commerce players assessed during this exercise.[10]

Box 1

China—Leading the way in social commerce

Like the explosion of e-commerce in China—which accounted for the majority[11] of the $1.44 billion regional e-commerce market in 2017—social commerce is also set to soar in the country.[12] By 2020, social commerce is expected to amount to almost a third of China's e-commerce market, with forecasted sales of $500 billion.[13] Perhaps the most known platforms outside of China are WeChat or Taobao, though newer platforms, like Pinduoduo and Douyin (TikTok), are also gaining wide-reaching international recognition.

Social commerce builds off the popularity of social media in China, where one survey found that Chinese consumers spend more than 40 per cent of their time on social media apps.[14] Between 2017 and 2019, respondents reported a significant increase in the influence of social media on their online shopping behaviours. This included a

35 per cent increase in using social media to gain awareness of products; an 85 per cent increase in using social media to evaluate products; and a staggering 257 per cent increase in using social media to make purchases.[15]

Social commerce is also targeting underserved user segments in the country. While not officially recognised by the government, China's city tier system is a method of classifying cities by income level, population, and consumer behaviour, among other characteristics. Interestingly, the landscape analysis found that most of the nine Chinese players target third-tier cities, which are primarily non-agricultural cities with populations below one million. These people are more likely to have lower incomes, and a medium ability to consume.[16]

9   DINA Surveys (2019). Le marché du E-Commerce au Cameroun. See: http://www.dinasurveys.com/marche-e-commerce-cameroun/.
10   These were: Douyin, Haoyiku, Kuaishou, Pinduoduo, Songshu Pinpin, Taobao, WeChat, Xiaohongshu, and Yunji.
11   84 per cent.
12   Analysis by Roland Berger. Data from: GSMA, Accenture, Worldometer, Statista, eMarketer, International Trade centre.
13   China Daily (2018). China's Social e-Commerce to Reach $170b in 2018.
14   Bu, L., Wang, J., Wang, KW., Zipser, D.McKinsey (2019). China Digital Consumer Trends. McKinsey Digital.
15   Ibid.
16   Analysis by Roland Berger.

Key features of social commerce

One noteworthy component of social commerce is the direct interaction between merchants and customers, which is missing from traditional e-commerce transactions. These social interactions can mimic buying behaviours that occur in traditional in-person commerce, such as bargaining for better prices. These interactions can occur at any point during the online customer journey—providing users (both merchants and customers) with opportunities to chat, rate, share and advise with each other.

While social commerce broadly encompasses any online shopping activity where e-commerce merges with social interaction, there are six common features which platforms enable for users (usually two to three features per platform): community shopping, group buying, user-curated shopping, shopping integrated into social media; consumer-to-consumer (C2C) trusted sales platforms; and recommendations (see Figure 1)

Figure 1

Six main common features enabling social commerce

Community shopping	Group buying	Shopping integrated into social media
Users can chat with other users or the merchant on messaging platforms to get advice and share thoughts.	Users can buy products at lower prices when more users (friends or strangers) make the purchase together.	Users can shop on social media sites, often via 'buy now' tags, from either merchants or other users.
C2C trusted sales platform	Recommendations	User-curated shopping
Users can sell products to other users and communicate with each other on C2C platforms.	Users can share comments, rate and recommend products.	Users can create lists of favourite items that other users, mostly friends, can shop from.

Source: Roland Berge

Community shopping

Community shopping enables customers to message with each other or with merchants within a digital platform (could be social media or e-commerce platform) to seek advice, information and share thoughts. This simulates the social aspect of offline shopping and removes the need to switch between messaging and e-commerce platforms. Examples include WeChat, Flipkart and Taobao. Our analysis revealed that community shopping tends to be the most commonly offered feature.

Group buying

Highly appealing to price-sensitive and low-income individuals, group buying allows users to partner with other users (either friends or strangers) to buy products or services at lower prices. To achieve this, the platform makes a bulk purchase deal with a merchant, and as group buying increases, prices can be lowered. Platforms with group buying features include Groupon, Pingduoduo and Songshu Pinpin.

Box 2

Targeting low-income populations through group buying—A look at Pinduoduo

Launched in 2015, Pinduoduo is the main group buying platform in China, offering community shopping and group buying features. The platform sells low-cost household items, groceries, fashion apparel, beauty and electronics to mostly lower-income females from third-tier cities and below (see text box 1). By June 2019, the platform had more than 366 million average monthly active users, with an annual gross merchandise volume of more than $103 billion in the previous 12-month period.[17]

Users access Pinduoduo's platform via the app or through WeChat where they join an existing 'team' or invite their friends to form a new team. Teams make group purchases and members pay separately through WeChat Pay or Alipay. Once the purchase is complete, the merchant delivers the product. In addition to group buying, Pinduoduo also offers users other perks, such as free products for successful sign-up referrals, lotteries, discounts, and leaderboard points.

Merchants provide Pinduoduo with their inventory and products are presented as Stock Keeping Units (SKUs) instead of being grouped by brand. Merchants tend to be factories focusing on one or two SKUs, or smaller merchants who receive lower traffic on other e-commerce platforms.

For both customers and merchants, the value proposition is clear: customers enjoy extremely low prices in a fun shopping experience while merchants see decreasing costs from bulk ordering. Pinduoduo leverages both marketing fees and sales commissions as revenue sources.

Shopping integrated into social media

Here, social media sites enable users to easily shop, usually through 'buy now' tags from other users or merchants. Using advertisements or separate shopping sections, these sites can either provide a direct link for a user to make their purchase or redirect users to e-commerce sites. Examples include Facebook, Instagram and Douyin (internationally branded as TikTok). This feature was the second most commonly offered by social commerce players in our analysis.

User-curated shopping

Building on the belief that users trust the opinions of their peers—and given the growing supply of products—user-curated shopping creates a personalised shopping experience based on past purchase history and/or the preferences of other users. Users can create lists of favourite products that other users (mostly family or friends) can shop from. Examples include Fancy and Pinterest.

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17   Pinduoduo Inc. (2019). Pinduoduo Announces Second Quarter 2019 Unaudited Financial Results and Appoints New Independent Director.

Box 3

Using influence to uniquely engage with customers through social reselling
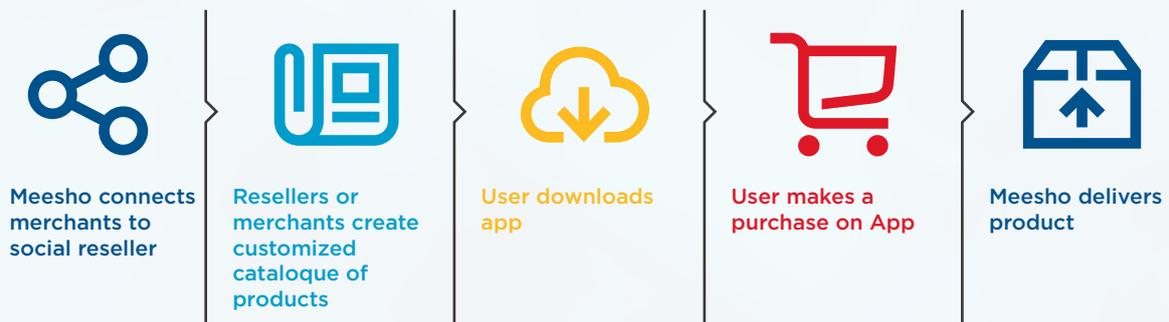
Social commerce has given rise to a new type of user, known as a social reseller or an 'influencer'. These social resellers use their peer influence within their online communities, and with friends and family, to recommend and sell products. Social resellers do not sell their own products or services, but instead curate lists and recommend products from existing brands and merchants. Some merchants are not active on social reselling platforms and rely on influencers to market their products. This keeps marketing costs low while increasing the potential customer base. For resellers, there's no initial inventory investment required and in addition to the potential of earned commission, platforms may offer training and relevant tools.

One example of a social reselling platform is Meesho in India, which integrates user-curated shopping, community shopping and recommendations as features. Launched in 2015, Meesho has almost two million registered social resellers across 700 towns in India and has raised more than $215 million in financing as of 2019.[18] Meesho merchants tend to offer arts and crafts, fashion apparel, as well as houseware items and kitchen products.

Meesho's social reselling operational model

Meesho connects merchants to social reseller	Resellers or merchants create customized cataloque of products	User downloads app	User makes a purchase on App	Meesho delivers product

Meesho connects merchants with social resellers so that social resellers can add products to their customised online catalogues and share these products through their social channels. Resellers receive a commission on the sales of products purchased from their catalogues. The majority of Meesho's social resellers are small business owners and boutiques, students and homemakers. Eighty per cent of Meesho's user base is female, although an increasing number of male resellers are diversifying the platform.[18] Meesho's app is available in more than eight local languages—with 40 per cent of its daily usage coming from non-English speaking customers.[20]

18   Singh, M. (2019). India's Meesho Raises $125M to Expand Its Social Commerce Business. *TechCrunch Blog*.
19   Biswas, D., Muthanaa, S. (2019). [Up Close] From Housewives to Entrepreneurs: Vidit Aatrey of Meesho on Creating an Alternative Distribution Channel. *YourStory Blog*.
20   Ibid.

Consumer-to-consumer (C2C) trusted sales platforms

C2C platforms enable users to communicate with and sell products to other users. In C2C sales, consumer trust can be an issue, so an intermediary platform supervises these sales, creating a trusted environment for users. Examples include eBay, Taobao and Facebook.

Recommendations

Recommendations allow users to help others decide which products to purchase by offering comments, ratings and reviews. Similar to the user-curated shopping feature, recommendations enable users to make 'thoughtful' purchases based on the opinions of other users. Examples include Amazon, Yunji and Page365.

Elements impacting business models

Platform types

In recent years, both traditional e-commerce and social media platforms have converged towards social commerce. Depending on their core focus, this has led to key differences in services.

Six differences emerged from the landscape analysis (see Figure 2), and to varying degrees,

social commerce players act as either e-commerce 'intermediaries' or a 'super apps' (see Figure 3). An intermediary generally serves as a bridge between users and third-party e-commerce or social media platforms. Alternatively, a super app integrates several social and e-commerce features—such as buying, selling and chatting—on a single platform or interface.

Figure 2

Key differences in social commerce platforms

International social media platform	Product review platform	Large group platforms
Social media platforms are considered social commerce if e-commerce features have been integrated	Offer product reviews created by users with tags to buy the product	Integrate several e-commerce and social features and services on a single platform or interface
Facebook, Instagram, Pinterest	Xiaohongshu 小红书	Taobao.com 淘宝网, WeChat
Social commerce support platform	**Social reselling platform**	**Group buying platform**
Offer supporting tools to merchants selling on social media	Allow users to sign up as a reseller and market products, provided by merchants, among friends	Allow users to form (or join) a group, thereby buying higher quantities for low prices
page365	meesho, 云集 YUNJI	松鼠拼拼 SONGSHU PINPIN, Pinduoduo 拼多多

Source: Roland Berger

Figure 3

Role as social commerce platform
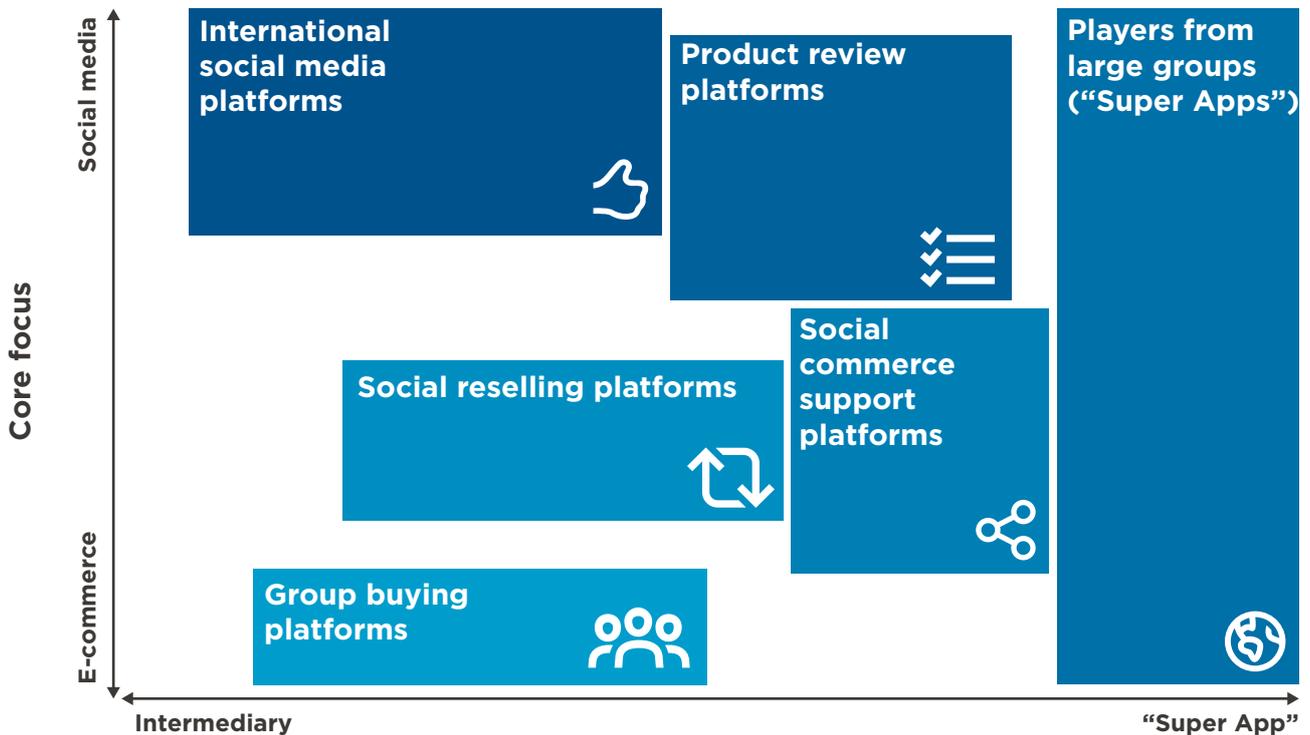
Source: Roland Berger

Social commerce players that act as intermediaries include international social media platforms, group buying platforms, and social reselling platforms. International social media platforms—such as Instagram, Pinterest and Facebook—are considered social commerce if e-commerce features have been integrated into them. Group buying platforms, such as Pinduoduo and Songshu Pinpin, allow users to form and join groups to buy greater product quantities for lower prices. Social reselling platforms, such as Meesho and Haoyiko, connect merchants with social resellers and influencers to market and sell products to people in their social networks.

Platforms that act as super apps include product review platforms, social commerce support platforms and e-commerce players from large groups. Product review platforms—such as Xiaohongshu—enable users to tag products, comment on posts and save posts to personal boards. Social commerce support platforms, like Page365, offer customer support and shipping services to merchants and recommendations to users. Finally, platforms from large groups, such as WeChat and Taobao, integrate several features on a single platform. For instance, WeChat's Mini Programs[21] have created a closed-loop ecosystem for e-commerce.

Value propositions for customers and merchants

Social commerce offers many advantages to both customers and merchants. For customers, social commerce provides a streamlined purchase journey, an easy way to pay, lower prices and discounts. Platforms offer a variety of products and services depending on their target demographic. For example, daily necessities are commonly offered by group buying platforms and super apps for purchase by low-income and rural populations; in contrast, luxury items are usually offered by product review platforms and purchased by young (mostly female) high-income and urban populations. Users also benefit from the ability to follow, save and share items they are interested in, as well as receive advice through recommendations and messaging—interactions that increase their trust in both products and merchants.

For merchants, the value proposition of social commerce is equally as appealing—it offers solutions to address the major needs of digitising small businesses (see Figure 4). For example, social commerce enables merchants to build an online presence at minimal cost and complexity; and for
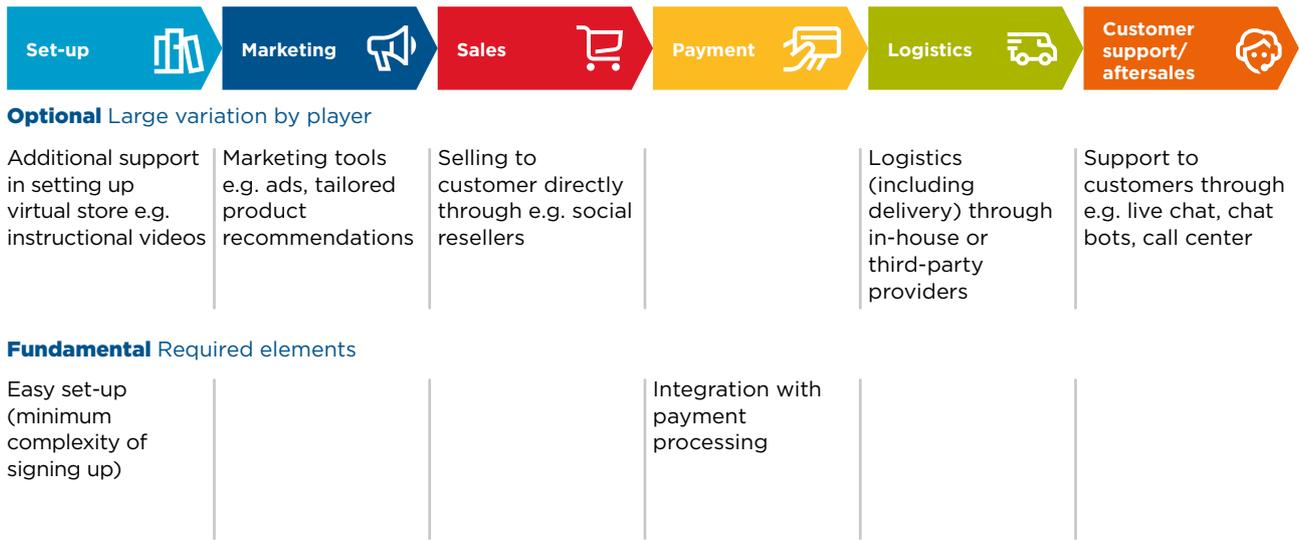
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21   WeChat Mini Programs are essentially sub-applications with the WeChat app which allow merchants to integrate a virtual store into WeChat's main interface.

those just starting out, it can provide an easy way to set up a business and acquire an initial customer base before establishing a physical presence. Social commerce also offers streamlined purchasing processes by reducing steps in the purchase journey and it reduces customer acquisition costs through endorsement by social resellers and by leveraging different channels. Finally, social commerce also enables merchants to leverage their networks of family and friends in addition to the "network effect" to expand their reach across many geographies.

Figure 4

Social commerce value proposition for merchants

Set-up	Marketing	Sales	Payment	Logistics	Customer support/ aftersales

Optional Large variation by player

Additional support in setting up virtual store e.g. instructional videos	Marketing tools e.g. ads, tailored product recommendations	Selling to customer directly through e.g. social resellers		Logistics (including delivery) through in-house or third-party providers	Support to customers through e.g. live chat, chat bots, call center

Fundamental Required elements

Easy set-up (minimum complexity of signing up)			Integration with payment processing		

Source: Roland Berger

Our analysis revealed that most social commerce players provide merchants with a similar fundamental offering but differentiate through additional features. For instance, Pinduoduo offers marketing tools such as campaigns and sales promotions, while Meesho provides instructional training and delivery tracking. Other platforms offer merchants an 'insights dashboard' to track revenues, order status, customer demographics, best-selling products and other useful information.

Box 4

Who are the customers and merchants of social commerce?

As part of the landscape analysis, the GSMA sought to better understand the profiles of the customers and merchants who use social commerce. For customers, two distinct profiles emerged from our analysis:

1 The first is **people from rural areas and small cities**. While there was no specific age range, these customers tend to be low-income and/or unemployed, and mostly housewives and students. Their focus was on purchasing good quality daily necessities at lower costs, such as groceries or clothing.

2 The second is **young (below 35 years old) people living in urban areas.** This group was more likely to be middle or high income and focused on a variety of products and brands, including luxury. Luxury items (such as high-end cosmetics, accessories and clothing) were most likely to be purchased by young, high-income females in urban areas.

Merchant profiles tended to be more varied, and four were identified from the research:

1 **Medium-to-large brands:** These merchants have an existing online presence with a strong brand and customer base. They tend to spend significantly on both online and offline marketing and offer high-value or mass-market products. They use social commerce to target harder-to-reach segments, like rural people.

2 **Small business owners and entrepreneurs:** These merchants tend to have a minimal (or no) online presence with a small customer base. They offer low-value products or handcrafted goods. Social commerce allows them to establish an online presence and increase brand exposure through social media.

3 **Individuals:** These merchants are already active on social media and tend to offer secondhand products. Social commerce enables them to earn a small secondary income, or to use the platforms to build a primary income stream.

4 **Social resellers (influencers):** Like individual merchants, social resellers (also known as influencers) are active on social media, and are often homemakers, students or bloggers. Unlike individual merchants, social resellers do not sell their own products, and instead, sell products from other merchants. Social commerce allows resellers to make a side income while gaining followers and establishing their influence.
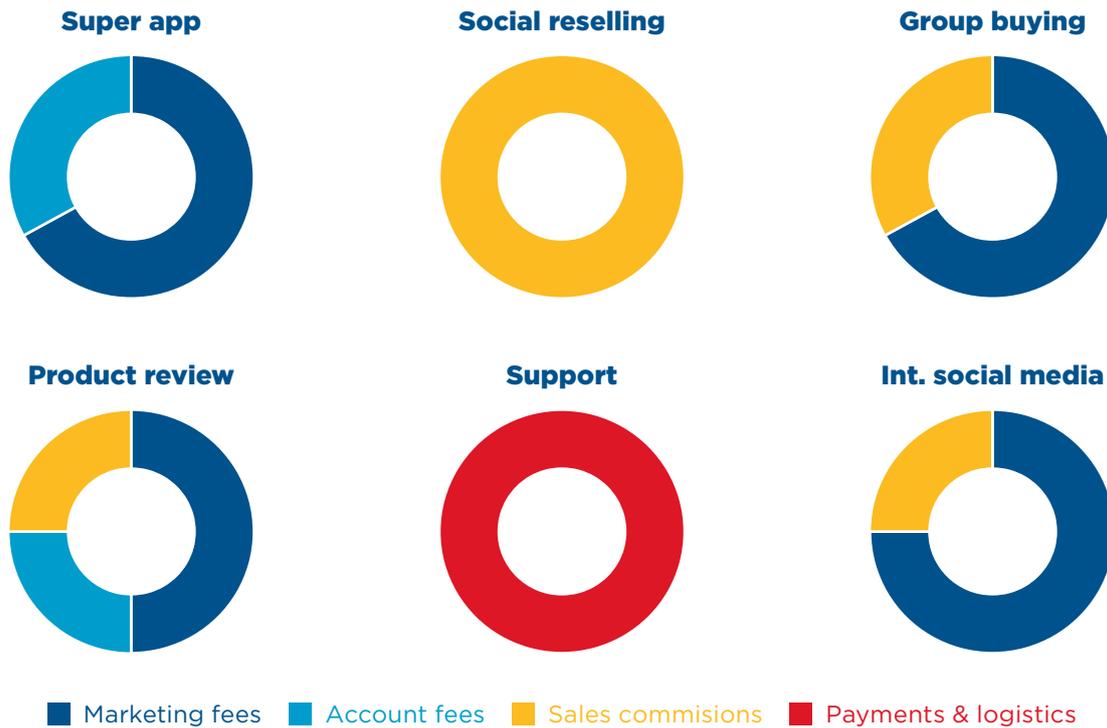
Revenue sources

Alongside the variety of platforms that social commerce players embrace, there are also a few different revenue sources (see Figure 5). Overall, social commerce players rely on four main revenue sources, often in combination: marketing fees, sales commissions, payment and logistic fees and account fees. The most commonly seen from this research is marketing fees, followed by sales commissions.

Figure 5

Revenue sources by type of social commerce

Super app

Social reselling

Group buying

Product review

Support

Int. social media

■ Marketing fees ■ Account fees ■ Sales commisions ■ Payments & logistics

Source: Roland Berger

Marketing fees include both traditional paid digital marketing (where merchants are charged for display ads, search keywords and branded content) as well as paid influencer marketing (where merchants are charged for the use of an influencer). Social commerce players who focus more on social media are more likely to rely on marketing as a principal revenue source.

Sales commissions are most commonly offered by social reselling platforms. This can include commissions on sold products (usually as a fixed percentage per product type or quantity sold). For example, approximately 14 per cent of Pinduoduo's revenue comes from sales commissions.[22] Additionally, this also includes a percentage of money an influencer earns through the platform. For instance, influencers

who earn money through social posts or live streams will pay the platform a fixed percentage. In both instances, transparency on the commission structure is critical—further, these impact the types of merchants who will join the platform.

While not as common, transaction and logistics fees can be charged to third party companies when these services are provided. Here, social commerce players will take a percentage of the fees charged by third parties for payments, logistics and delivery. This is usually a fixed fee per payment/purchase or a fixed percentage of the total transaction/service fees. Page365 derives all its revenue from transaction and logistic fees, receiving between a two and three per cent share of their payment partner's transaction fees.[23]

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22   Pinduoduo Inc. (2018) Pinduoduo Announces Third Quarter 2018 Unaudited Financial Results.
23   Analysis by Roland Berger. Data from Page365, Omise.

Premium account fees can also be charged to merchants and customers, usually by large social commerce players, such as WeChat. Premium accounts are optional and include additional benefits such as a dashboard, official verification, or use of marketing tools. These fees are usually subscription-based. For example, WeChat offers a few different premium account options, including:

- Subscription accounts, allowing users to send one marketing push notification message to followers per day, which are charged annually.

- Service accounts, including API integrations, e-commerce functions; customer relationship management tools, which are charged a one-time verification fee and an annual fee.

- Enterprise accounts, enabling internal communication and management for companies through internal chat rooms, video conferencing, which are charged a one-time verification fee and an annual fee.[24]

Box 5

Social commerce and the informal economy—Unlocking greater value and opportunity

Globally, two billion people work in the informal economy, and most of them do so in emerging markets. In low- and middle-income economies, this level of informality is especially acute for women and rural people who remain persistently underserved.[25] Given the spread of mobile and digital technology in these markets, social commerce has the potential to particularly address the needs of these marginalised populations (as users), in addition to formalising aspects of their businesses (as merchants).

Many players have done just that: the GSMA's analysis revealed that more than a third of social commerce providers either target women, rural or low-income people as their main user base. For example, group buying platform Songshu Pinpin targets rural people in China. Here, a neighbourhood representative collects orders from rural customers. Customers pay the representative directly and Songshu Pinpin delivers products. The representative then distributes the products and assists rural customers. In Kenya, Copia offers e-commerce for underserved rural users by enabling them to buy products through a local Copia agent. Urban users can also buy products online for family and friends in rural areas.[26]

24 Cross Border Digital (2018). The Different Types of WeChat Account. Cross Border Digital. See: https://crossborder.digital/different-types-wechat-account/.
25 ILO (2018). More than 60 per cent of the world's employed population are in the informal economy.
26 Copia Global (2019). Empowering everyday Africans through Mobile Commerce. See: https://copiaglobal.com/corporate/.

Best practices and potential pitfalls

Our review of social commerce has identified several key elements that make a platform successful. While these are not exhaustive, successful players have integrated many of these best practices (though not necessarily all) into their offerings. This includes:

- **Community creation:** Creating an online user community that aligns with the shopping behaviours of the target population;

- **Seamless customer journey:** Providing a seamless customer journey—with personalised feeds and opportunities to discover products—through an integrated platform;

- **User empowerment:** Enabling users to share and influence, in turn increasing their sense of empowerment;

- **User trust:** Increasing user trust through social interactions and aftersales support;

- **Endorsement through influencers:** Using influencers for merchant endorsement and to increase their customer base; and

- **Responding to buying trends:** Reacting to user buying behaviour, such as increased demand for fashionable products.

Likewise, several potential pitfalls and challenges that can hinder the success of social commerce. Poor quality and counterfeit products offered by merchants can negatively impact low-price platforms, especially when coupled with poor quality aftersales support,

leaving customers unable to return these products. Issues with low inventory and inadequate order fulfilment can also be problematic, with customers frustrated by sold-out products or delivery issues.

Inappropriate or illegal content that is posted online can also hurt predominantly social media-based platforms. TikTok was temporarily banned in Indonesia in 2018[27] and earlier this year in India for exposing users to inappropriate content. Certain business models, like social reselling, can also potentially attract predatory business practices, such as pyramid schemes. In 2017, Yunji was fined $1.4 million by a local government for pyramid selling, a practice which is banned in China.[28]

Finally, know-your-customer (KYC) and other regulatory requirements can also pose challenges, both for users and social commerce players. Informal merchants may not have the necessary documentation to meet user registration requirements or might be uncomfortable formalising aspects of their business through social commerce. For providers, e-commerce regulations may create new challenges. For example, a new e-commerce law took effect in China in January 2019 which holds providers jointly liable alongside their merchants for selling counterfeit products on their platforms.[29] Social commerce players will need to sufficiently assess merchants before allowing them on their platforms, and smaller players may find it hard to adapt to this new law.[30]

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27 Reuters (2018) Indonesia Overturns Ban on Chinese Video Tik Tok.
28 Iyengar, R. CNN Business (2019). India's Two-Week Ban Cost TikTok 15 Million Users.
29 Liao, R. (2019) Yunji, a Startup That Enables Social Commerce via WeChat, Files for $200M US IPO. *TechCrunch Blog*.
30 Soo, Z. (2019). How China's New e-Commerce Law Will Affect Consumers, Platform Operators. South China Morning Post.

Opportunities for mobile money providers

As the 'payments as a platform' approach takes flight,[31] many mobile money providers are seeking new avenues to strengthen their value proposition. Social commerce is an emerging opportunity for providers interested to cater to the evolving needs of individuals and small businesses.

Some providers might consider launching a new social commerce platform as either an 'intermediary' or a 'super app'. Alternatively, some might consider building partnerships with existing social commerce players in the market. The benefits and potential pitfalls of either approach depends on market dynamics, existing assets and capabilities that can be leveraged, the features that need to be developed, and how easily these can be implemented.

Understanding market dynamics

Mobile money providers could play several roles in social commerce, but must first ensure they fully understand market dynamics. This includes assessing how e-commerce and social commerce have developed within their respective market; identifying target user demographics and their buying behaviours; understanding what kinds of products and services are currently (or could be) sold online; and determining the challenges, frictions and pain points in the existing online user journey.

Once this is complete, mobile money providers should then define a concrete value proposition by deciding which frictions or pain points they want to resolve, determining what social commerce features or solutions they want to prioritise, establishing who they want to target, and clarifying their unique selling proposition. Finally, mobile money providers can look to leverage their existing assets based on the operational model of their social commerce offering as well as identify partnerships to help address gaps in their proposed offering.

31   Naghavi, N. (2019). Embracing Payments as a Platform for the Future of Mobile Money. GSMA.

Existing assets and capabilities that can be leveraged for social commerce

While social commerce offers many benefits to both merchants and customers, our landscape analysis revealed that some persistent challenges remain. In most markets, social commerce is not yet designed end-to-end. To address this, both merchants and customers try to eliminate existing frictions in their journey. These frictions lead to purchase journeys split between online and offline interactions or between different apps, informal delivery and payment processes, as well as concerns about trust. For example, research on micro-entrepreneurs in Kenya found that most used a variety of different social media platforms, along with phone calls and face-to-face meetings, to coordinate with customers.[32] Further, research on platform use by MSMEs in Africa found that trust is a "constant variable in online selling"—both a driver and inhibitor of interactions.[33]

There is a clear need for social messaging, commerce and payments seamlessly blending into one another to unlock the social commerce potential. Mobile money providers have several existing assets and capabilities that they can leverage to help address these challenges. For instance, mobile money providers have substantial customer bases—there are 866 million registered mobile money accounts globally, with almost 200 million active on a monthly basis.[34] Coupled with this is the availability of transactional data, which can be used to track customer or merchant's spending patterns. Additionally, providers can use this data to offer a range of financial services in partnership with third parties or banks that are not typically available to the informal sector, such as credit, savings, investments and insurance. This will strengthen the value proposition of social commerce to both merchants and customers. Providers can also use transactional data to identify fraudulent behaviour.

Further, mobile money providers have wide-reaching distribution networks and in 2018, $136 billion was digitised by mobile money agents.[35] Another opportunity for providers is to support social commerce logistics by using their distribution networks to facilitate 'order and pick up' models—offering customers the ability to order, pay, pick up and return products to mobile money agent outlets.[36] For instance, Jumia Kenya has a program, JForce, which allows individuals to earn a commission by helping customers place orders on Jumia's online platform.[37] Mobile money agents can act as digital bridges, helping with on-boarding and educating customers about online products and carrying out transactions. This will also create additional revenue streams for agents and can ultimately reduce their reliance on cash-in and cash-out commissions. Beyond physical distribution networks, providers can also leverage their channels, particularly those that enable access to all mobile users, such as USSD, which is still the dominant channel for accessing mobile money services.

Brand recognition and consumer trust are also valuable assets for mobile money providers; in fact, seven mobile operators were named within the top 100 "Most Admired Brands" in Africa—of which, three appear in the top 20.[38] One opportunity for mobile money providers is to therefore offer an escrow service, which would increase both merchant and customer trust. Within emerging markets, the predominance of cash on delivery and person-to-person transfers for e-commerce payments are largely linked to a lack of trust. However, this method is risky and costly for social commerce players. As with cash on delivery, an escrow service ensures no payment is made until the customer approves the product they've purchased. Further, the availability of customer funds would be verified by the mobile money provider, providing merchants with greater security and reducing fraud for both merchants and customers alike.

Beyond assets, mobile money providers also have two noteworthy capabilities that are valuable for social commerce: excellent local market knowledge and strong partnerships and collaborations with fintechs, banks, governments, and other key stakeholders.

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32   Partnership for Finance in a Digital Africa (2019). Micro-Entrepreneurs in a Platform Era. See: https://mse.financedigitalafrica.org.
33   Gachoka, A., Won, J. (2019). How Small Merchants in Africa Are Using Superplatforms.
34   GSMA (2018). State of the Industry Report on Mobile Money 2018.
35   Ibid.
36   Pasti, F. (2019). 3 Focus Areas for Unlocking Financial Inclusion in Asia | Center for Financial Inclusion. *Center for Financial Inclusion Blog*.
37   Mukunya, F. (2019). JForce - How to Make Money Online. *Jumia Blog Kenya Blog*.
38   Brand Africa (2019). Top 100 Most Admired Brands in Africa. See: http://www.brandafrica.net/Rankings.aspx.

The path to social commerce: one key feature at a time

To successfully integrate social commerce features, our landscape analysis revealed that platforms offer one specific feature at a time and from there, layer on additional features (see Figure 6). For instance, WeChat spent three years focused on their chat feature before integrating payments, while Paytm focused on mobile recharging for four years before adding a mobile wallet. Mobile money providers should begin by integrating one key social commerce feature and over time, add additional features into a more comprehensive offering.

Figure 6

Development of social commerce features over time

Source: Roland Berger

Certain tools and capabilities are essential for addressing some of the existing frictions in social commerce, which may be outside of the core capabilities and assets of mobile money providers. For instance, order tracking and review features will help eliminate frustrations over delivery issues and improve customers' distrust of product quality. To best determine which features to offer first, and whether to build them in-house or offer them via partnerships with relevant third-party providers in the market, mobile money providers should prioritise options based on their ease of implementation and the potential user impact in their market. Partnering with relevant third-party providers to test and launch social commerce features can also help speed up the process.

Conclusion

Despite being relatively new, social commerce has become a valuable segment of e-commerce in many markets. Facebook's June 2019 announcement of its Libra digital currency—with plans to integrate into Messenger and WhatsApp through the Calibra digital wallet in 2020—further reinforces the growing importance of social commerce in the digital economy.[39]

Traditional e-commerce and social media players are converging towards social commerce, and in doing so, are exhibiting different features, platform types and revenue sources, which are highlighted in this publication. Regardless of these differences, these platforms have one goal in common: providing users with a seamless online shopping experience.

In particular, social commerce is positively impacting underserved user segments, including customers and merchants. Low-income, rural and price-sensitive customers can benefit from better bargaining power through features such as group buying. Social reselling platforms enable influencers to earn a side income by promoting and selling products to their social network (and beyond). For small business owners and entrepreneurs, social commerce offers increased online presence, tools and solutions that address the major needs of digitising businesses. Together, these examples illustrate how social commerce can empower the informal sector, where the majority of people in emerging markets make their living.[40]

In emerging markets, MSMEs are marketing and selling their products and services across multiple digital channels and social networks, yet integrated payment mechanisms are the exception and not the rule.[41] Many e-commerce transactions occur as either cash on delivery or person-to-person transfers. The link to payments is an important aspect of social commerce, whether through partnerships with third party providers or by directly linking a merchant's checkout and payment page. Despite this, social commerce is not designed end-to-end in many markets, resulting in frictions between merchants and customers across the online journey. As mobile money evolves into a 'payments as a platform' model, there's a large opportunity for mobile money providers to address these frictions by leveraging their existing assets or by offering new solutions built in-house or in partnership with third party providers. For instance, this could include offering escrow services to increase merchant and customer trust, using their distribution networks to enable 'order and pickup' models or partnering with a logistics company to enable order tracking.

To achieve this, mobile money providers must have a full understanding of the social commerce dynamics in their market as well as a concrete value proposition. Experience from successful social commerce players has shown that prioritising one key feature at a time and expanding from there can lead to success. By providing a seamless experience for merchants and customers, mobile money providers can capitalise on the growing importance of social commerce while unlocking the sector's future growth.

39   Facebook Newsroom (2019). Coming in 2020: Calibra.
40   ILO (2018). More than 60 per cent of the world's employed population are in the informal economy.
41   Partnership for Finance in a Digital Africa (2019). Micro-Entrepreneurs in a Platform Era. See: https://mse.financedigitalafrica.org.

Appendix
Social commerce players in landscape analysis

	Name	Overview	Country	KEY FEATURE						REVENUE SOURCE				
				Community shopping	Group buying	Social media shopping	C2C platform	Recommendations	User-curated shopping	Marketing fees	Sales commissions	Account fees	Transaction fees	Logistics fees
	WeChat	Super App, initially launched as a messaging platform, offering e-commerce options through mini-programs	China	●	●	●				●	●			
	Taobao	Major e-commerce player with integrated social commerce features offering easy payment via Alipay	China	●		●	●	●	●					
	Yunji	Social reselling platform offering training to social sellers and logistics and aftersales service to merchants	China	●				●	●		●			
	Haoyiku	Social reselling platform offering aftersales service, training and data, but no delivery options	China	●				●	●		●			
	Pinduoduo	Group buying platform with low-priced products offering users to form a new or join an existing group of buyers	China	●	●					●	●			
	Songshu Pinpin	Group buying platform offering daily necessities that neighbourhood representatives buy for the neighbourhood and distribute from a central point	China	●	●									
	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	China	●		●		●	●	●				
	Kuaishou	Short video-sharing and live-streaming platform with links to external e-commerce sites, offering handcrafted products	China			●		●		●	●			
	Douyin (TikTok)	Short video-sharing platform offering mostly fashion and fashion-related products, offering merchants the option to pay within Douyin app or merchant website	China			●		●		●		●		

	Name	Overview	Country	Community shopping	Group buying	Social media shopping	C2C platform	Recommendations	User-curated shopping	Marketing fees	Sales commissions	Account fees	Transaction fees	Logistics fees
meesho	Meesho	Social reselling platform offering inventory management, logistics, IT support and aftersales service	India	●				●	●		●			
wooplr	Wooplr	A social reselling platform that works primarily with small merchants, providing them with unique reach to customers	India	●				●	●		●			
Paytm	Paytm	Payment platform that has integrated a mobile wallet, chat services and a marketplace	India	●							●			
Sellsuki LINE	LINE & Sellsuki	A social messaging platform that has introduced business and payments platforms and has acquired social commerce player Sellsuki in December 2018	Japan	●		●					●	●	●	
page365	Page365	Unified platform offering customer support and shipping services to merchants, while customers can comment on posts and review products	Thailand	●		●	●						●	●
z	Zbooni	Chat commerce solution providing service and product-based businesses the opportunity to complete sales over chat-based platforms (e.g. WhatsApp, Facebook)	UAE	●		●							●	●
Botim	Botim	Social messaging platform with subscription-based discount offers from restaurants and service providers (e.g. cleaning service providers)	United States	●							●			
Facebook	Facebook	A major social media platform that has integrated 'buy now' buttons and a marketplace within the app	United States	●		●	●				●			
FANCY	Fancy	Social media platform where merchants set up an account and post content – Users follow accounts, fancy content and add products to wish list or shopping cart	United States	●		●			●		●			
Instagram	Instagram	Major photo and video sharing platform offering opportunities to tag products in posts or put links to e-commerce sites on your account	United States	●		●					●			
Pinterest	Pinterest	Social media platform sharing photos that users can pin to specific boards, which integrated 'buy now' buttons and a shopping feed	United States	●		●		●	●					

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