THE BUY BUTTON ON INSTAGRAM

RESEARCH REPORT

Name: Maaike Alieke Spiakhout
Student Number: 500693420
Study: International Fashion & Management
Amsterdam Fashion Institute
Coaches: Jos Geurts & Constantin von Maltzahn
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1. This report, as part of the graduation project aimed at attaining the BA title from the Amsterdam University of Applied Sciences, has been written and/or compiled solely by me.

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Date: 25th of January 2018
Place: Amsterdam
Name: Maaike Alieke Spiakhout

Signature
## Abstract

### 1.0 Introduction

1.1 Rationale
1.2 Goal
1.3 Research Question
1.4 Methodology

### 2.0 Buy Button on Instagram

2.1 About Instagram
2.2 Market Capitalisation
2.3 About the Buy Button
2.4 Drivers of the Buy Button
2.4.1 Mobile
2.4.2 Opportunity
2.4.3 Other Social Media Channels
2.5 Sub-conclusion

### 3.0 Users of the Buy Button

3.1 Instagram Users
3.2 Current Adoption of the Buy Button
3.3 Sub-conclusion

### 4.0 Brands

4.1 Active Brands on Instagram
4.2 Advertising Strategy
4.3 Sub-conclusion
5.0 Complicating Factors

5.1 Mobile Shopping
5.1.1 Poorly functioning website
5.1.2 Mobile Payment
5.2 Targeting the Right User
5.3 Measuring the Return on Investment
5.4 Banner Blindness
5.4.1 Awareness
5.4.2 Intrusiveness
5.4.3 Standing out
5.5 Sub-conclusion

Conclusion

References
The aim of this research report is to get a clear picture of which factors are complicating the adoption of the buy button on Instagram. Increasing global mobile use drives the growth of social media which leads to a new type of commerce, called social commerce. Here, online retailers are using social media to drive their e-commerce sales. Instagram is a suitable platform for selling merchandise since its users consider themselves fashion-conscious. Therefore, they often turn to the platform for inspiration and show high interaction with brands.

Instagram introduced the buy button on the platform in the fall of 2015, following the footsteps of its competing social media channels. The buy button on Instagram is the clickable part of a sponsored message which directs the user from the app to the retailer’s website where the user can purchase the advertised product.

The current adoption of the buy button is 2.4 times higher than it was a year and a half ago. However, the awareness of the button on Instagram remains low as many users have never seen it. Instagram is often part of the customer journey as users use the platform as a discovery channel and purchase the merchandise on other medium. For example, offline in a physical store.

Brands who have integrated the buy button successfully into their social media strategy, use retargeting. These brands have managed to turn their Instagram account into a sales channel in addition to the traditional marketing channel. However, there are many brands on Instagram have not found success with the buy button or do not know how to use it. In this research report multiple possibilities for this came to light. First, brands do not know how to advertise on Instagram. Secondly, brands who do advertise on social media chose to solely focus on Facebook advertising. This, while running an ad on Instagram is relatively simple to do next to Facebook as both channels are closely connected. Lastly, brands who are active on Instagram merely use Instagram influencers to boost their sales.

This lack of knowledge about Instagram advertising from marketing managers reflects on the factors that complicate the further adoption of the buy button. These main factors are:

1. Poorly functioning mobile websites, for which the Instagram user has little to no tolerance.
2. Security with mobile payment continues to play a role in potential customers abandoning the customer journey before completing the purchase.
3. Marketing managers have inadequate knowledge of the mechanics of social commerce.
4. Lack of knowledge on how to target possible warm leads or how to retarget.
5. Return of investment is often held responsible for hesitant marketing managers.
6. Banner blindness continues to be a hindering factor with online advertising as many Instagram users are unaware of the existence of the buy button. For this continuously testing of various ads is needed to find the right tone-of-voice with the target group in order to stand out among the competitors and to not be considered intrusive with the target group.

To conclude, if marketing managers were to optimize their websites, increase their knowledge on their own target group, familiarize themselves with setting up these ads and finding the right tone of voice for the ad to prevent it from going unnoticed, the results that marketers achieve with the buy button on Instagram would improve.
“Fashion and Instagram are so intrinsically linked right now.”
I don’t know that one can exist without the other these days.”

- Eva Chen | Head of Fashion Partnerships | Instagram
1.0 INTRODUCTION

1.1 Rationale

The growth of e-commerce combined with the growing popularity of social media is clearing the path for a new type of commerce: social commerce. Social commerce combines the functionalities from e-commerce to the social media platforms. This leads to social media users purchasing goods from places to which they are already connected. This offers consumers a social, interactive and collaborative online experience (Lia & Ku, 2017).

For retailers, this new place of purchasing implicates a shift in their social media strategies as social media changes from a communication or promotional tool to a channel which they can present merchandise for sale. This puts social media next in line to more traditional purchasing locations such as brick-and-mortar or existing company websites.

In this research report, the focus is on Instagram as a sales channel since Instagram is identified as one of the most popular social networks for selling merchandise (Lindsey-Mullikin & Borin, 2017). Their young users show the most interaction with brands than on any other social network (Mandell, 2017). In addition, they have been the fastest growing social media platform worldwide for years (Global Web Index, 2016). Lastly, users often turn to the visually appealing platform for inspiration. This results in Instagram converting into a discovery channel where its users find new products and brands regularly (Instagram, 2017).

Currently, Instagram is trying to turn this inspiration into transactions by offering advertising space to business profiles who wish to connect with their target audience. More specifically, they have supplemented their advertisements with call-to-action buttons including the ‘shop now’ feature, known across various social media channels as ‘buy buttons’.

However, advertising products on Instagram which consumers can purchase instantly brings obstacles along with it. The buy button has not found commercial success as the sales, generated through the button, remain low.

1.2 Goal

The objective of this research report is to detect which factors are complicating the adoption of the buy button on Instagram. This information is required to give an indication of possible improvements brands advertising on Instagram can make. Leading way to brands increasing the user activity related to the buy button such as the number of clicks or purchases.

The indication of improvements that brands advertising on Instagram can make to increase their results surrounding the buy button will lead to the product. This product will be aimed at marketing managers of fashion brands who do not have knowledge on Instagram advertising. Therefore, the product will consist of a guidebook on advertising on Instagram which will provide these marketing managers with the tools to start creating their own ads and move their potential customers down the sales funnel.
1.3 Research Question

With the factors mentioned above in mind, the intend of this research paper is to find an answer to the following question:

What is complicating the implementation of the buy button on Instagram?

To answer the main question, the following sub-questions are formulated:

1. What is the buy button on Instagram?
2. What is the current adoption of the buy button by users on Instagram?
3. How are brands successfully using the buy button in their Instagram sales?
4. Which factors complicate implementation of the buy button on Instagram?

1.4 Methodology

This report contains exploratory research. The findings of this report are based on qualitative research and have been conducted by using the following methods:

1. Primary data was collected through various informal qualitative interviews with fashion professionals and digital marketers.
   a. Three interviews with marketing managers at various (small) fashion brands. These brands have had an average turnover of 1 to 4 million euros in the past year.
   b. Two interviews with growth hackers, specialised in data-driven marketing, based on rapid experimentation.

2. Secondary data, which was retrieved online. This data is a mixture of:
   a. Literature. Several published, peer-reviewed articles were used. However, as advertising on Instagram is a relatively new phenomenon, the literature on the buy button is limited. Therefore, online articles were used to complement the secondary data.
   b. Industry reports.

To answer each sub-question, which will lead to answering the main research question, the following information was needed:

1. What is the buy button on Instagram?

To answer this question, it is crucial to first understand the basics of Instagram, what the platform does and how it is currently holding its place as one of the most popular social media platforms. This information was retrieved by using online articles. This is followed by an explanation of the buy button. This information was collected by analysing Instagram and its sponsored content after which the drivers of the buy button are explained. These where found in literature and market research reports.

2. What is the current adoption of the buy button by users on Instagram?

To understand the current adoption of the buy button, an overview must be created of the Instagram users. This is important to gain a clear understanding of the type of people who regularly come across the buy button. The user is identified by using data from internal surveys from Instagram, literature and market research reports. The current adoption of the buy button was determined by secondary research. Benchmark’s reports on Instagram advertising were used, in addition to Instagram’s internal data and market research reports.
3. How are brands successfully using the buy button in their Instagram sales?

This question was answered by using internal data from Instagram, literature found in the HvA database and in-depth interviews with marketing managers from Fabienne Chapot, O My Bag and Etoile Luxury Vintage about their Instagram strategies. In addition, two case studies were used of fashion brands using the buy button in their social commerce to gain an understanding of which strategy they used. Lastly, an interview with a growth hacker was necessary to understand the basics of successful advertising on social media.

4. Which factors complicate implementation of the buy button on Instagram?

For the final sub-question, a mixture of primary and secondary data was used. The secondary research was found on the databases Warc, SienceDirect and Gartner. In addition, industry reports based on market research from Business Insider, Euromonitor and Global Web Index were used. Primary data consisted of a conclusion of the hurdles, which are formulated in the previous paragraph. These were based on the interviews with the marketing managers at Fabienne Chapot, O My Bag and Etoile Luxury Vintage. Lastly, the interviews with the growth hackers were used to formulate the final hindering factors.
“We don’t want Instagram to be another photo-sharing service, we want to make big leaps into the Web.”

- Kevin Systrom | CEO & Founder | Instagram
2.0 BUY BUTTON ON INSTAGRAM

The second paragraph focuses on explaining the basics of Instagram first. This is followed by a closer look into Instagram’s financials and how the free app manages to generate revenue. Hereafter, the buy button is explained in depth. This is followed examining the multiple trends driving this innovation. The section finishes with the answer to the first question: What is the buy button on Instagram?

2.1 About Instagram

Instagram is a photo-sharing application which was founded in 2010 by Kevin Systrom and Mike Krieger. At first, the application was only available as an app exclusively for the iOS operating system. A couple years after the initial launch, a version for Android devices and desktop came out.

The app started out with basic functions: users could upload photos, like, comment and follow other users (Markowitz, 2012). Currently, Instagram is more advanced. There is an ‘Explore’ tap that enables users to explore new accounts, ‘Direct’ allows users to privately message each other and there are many additional features. Further, users can connect their Instagram account to their other social media platforms - Facebook, Twitter and Tumblr – where they can automatically share their content on their as well.

2.2 Market Capitalisation

Instagram was taken over by Facebook in 2012 for 1 billion dollars (Markowitz, 2012). Facebook is listed on the New York Stock Exchange, where it has a market capitalisation of 518.77 billion dollars as of December 7th, 2017 (YCharts, 2017). At the time, Facebook received a lot of critique since Instagram was not generating revenue. Fast forward to 2017, Facebook has made Instagram profitable. They have achieved this by using a similar strategy as Facebook; turning the channel into the product. Currently, Instagram is making money via advertising just like their mother company. However, Facebook does not disclose Instagram’s financials to the public.

Nonetheless, this does not keep analysts from speculating. In 2016, it was estimated that Instagram made 3.2 billion dollars (Statista, 2015). This was over 10% of Facebook’s total revenue. In 2017, it is expected to be around 4 billion dollars in global advertising revenue which is expected to grow even further in the upcoming years with 9.5 billion dollars in 2021 (Statista, 2015).

Together with Google, Facebook - and its affiliate companies including Instagram - dominates the sales of online advertisements. About 80% of all the money spent on ads goes to these monopolies (Duivestein, 2017).

Back around the time of the acquisition, Instagram released a statement which said the following about their earning model: “We believe that the core of our product will always be free. However, we plan to experiment with different models as we grow and learn what special value we can provide to the community to make their collective experience more engaging, exciting and useful” (Carter & Markowitz, 2012). According to this quote, Instagram does not wish to make money by letting consumers pay for using the app but would rather use advertising to generate revenue.

What this means for the consumer is best explained by the following quote: “If you’re not paying for it, you’re not the consumer; you’re the product being sold” (Duivestein, 2017). This means that user has the ability to use Instagram without paying any money but the user’s data are being sold by Instagram to the businesses who wish to find these potential buyers and reach out to them via their data.
moundies Up for Anything Men's Boxer 10-Pack - Free Shipping!
2.3 About the Buy Button

Buy buttons are clickable parts attached to a sponsored message. The purpose of the button is to provide an easy, streamlined, virtual checkout for the consumer (WARC, 2017). Their locations and aesthetics differ across the social media platforms. This report focusses on the buy button on Instagram, therefore the explanation will be about the layout of the button on Instagram only.

On Instagram, the button is located underneath the sponsored messages that pop up in the feed as the user scrolls down. The buy button is part of the call-to-action button which was first introduced on the ads on Instagram in fall 2015.

Image 1 is an example of an Instagram ad, including the buy button. The various elements relating to the ad have been given numbers, the meaning of these elements are explained down below.

1. Brand name.
2. Tag ‘Sponsored’ tells users that this is a paid post and is not part of their usual feed.
3. The content which the brand is advertising. This can consist of a single image, multiple images or a video.
4. Call-to-action button. According to Instagram, the call-to-action button is focused on driving better visibility and interaction for the community while driving better performance for the advertisers (Cohen, 2015). To stimulate users to take action even more, the button will change colour (from white to blue) when users show interest on or around an ad—like resting on the ad for four seconds or tapping on the profile name. This ‘call-to-action’ can differ between ‘Learn More’, ‘Sign Up Now’, ‘Shop Now’ and many more. A click on ‘Shop Now’ will direct the consumer from Instagram to the landing page of the specific product that was featured after which the consumer can decide to purchase the item within the company’s website.

Similar to the content Instagram users are accustomed to see on their feed, sponsored messages include the symbols to:

5. Like the sponsored post
6. Comment underneath the post. The brand advertising can respond to these messages.
7. Share the post with friends via direct messages.
8. Save the sponsored post.
9. Caption. This is the brand message underneath the sponsored post. Here the brand can leave additional information to persuade the viewer to take action.

These symbols are located right underneath the call-to-action button. If it were not for the tag ‘sponsored’ or the call-to-action button, the content would not differ from the content Instagram users choose to see from their family and friends or aspiring brands and influencers.

10. Lastly, Instagram has included the option for hiding ads by simply clicking the three dots in the right-hand corner of the ad. When users choose this option they have the opportunity to provide Instagram with feedback on why they do not wish to see the ads in the first place. This gives Instagram the opportunity to improve the ads.

2.4 Drivers of the Buy Button

There are multiple developments driving the sudden rise of the buy button on various social media channels. There are three drivers identified. These are: the rise in mobile shopping, the opportunity of a visual channel and the developments of various competitors.
2.4.1 Mobile
For years, the mobile use worldwide has been increasing. In 2017, 71% of internet browsing happens on mobile phones (Chen, 2017). This results in an increase of online advertisements on the mobile. In 2017, the digital formats will generate 84 billion dollars in advertising revenues, which is an increase of 20% from the previous year (Magna Global, 2017). This growth will continue in the upcoming period, making the mobile advertising industry expected to be worth over 215 billion dollars by 2021 (Chen, 2017). Social media is one of the fastest growing formats for digital ad sales, making the social media ad market currently worth 22 billion dollars (Magna Global, 2017).

According to marketing intelligence firm WARC, businesses are exploring how to turn this increase in mobile internet browsing into actual mobile commerce (Whiteside, 2015). The digital marketing blog Econsultancy believes that the main driver of the buy button is the rise in mobile shopping (Gilliland, 2017).

The co-founders of Stripe, a digital payment company, agree that the main driver of the buy button is the increase in global mobile use. More specifically, they believe that the layout of mobile plays a role as mobiles are dominated by apps instead of websites like on a desktop computer. This complicates multitasking on mobiles as it often requires leaving apps to open a new one. In addition, the screen is smaller than that of a computer and multitasking between different apps takes more time than switching through multiple tab pages. This drives apps to try to include everything the user could possibly need when browsing, including the possibility of making a purchase (Stripe, 2015).

Moreover, the buy button shortens the phases between discovery and purchase by allowing people to directly buy products from their current digital location rather than moving to another platform (Whiteside, 2015).

2.4.2 Opportunity
Instagram shows a lot of potential as a sales channel. First, visual platforms are great for stimulating consumers to make a purchase since images drive action (Smilansky, 2015). Secondly, according to a study about Instagram advertising by a digital intelligence firm L2, posting an Instagram photo next to an item for sale boosts conversions by a factor of seven (Zaryouni, 2014). Next to this, analytic and marketing platform Curalate states that: “The users interact with brands on Instagram 58 times more often than on Facebook and 120 times more often than on Twitter” (O’Conner, 2014). This makes Instagram one of the social media platforms most suitable for selling merchandise.

The influence of Instagram on shopping behaviour of its users is further examined in a recent survey by Dana Rebecca Designs. Here, 2000 Instagram users were questioned about the influence of the platform on their style and fashion decisions. 85% Reported to follow brands that are style, fashion or lifestyle-focused. About 50% of the respondents stated that Instagram influenced their shopping habits the most compared to other social media channels. While Facebook and Pinterest both influence the shopping habits with 20% of the respondents. Twitter and Snapchat influenced their users the least in their shopping habits (Dana Rebecca, 2017).

The data explained above shows the potential Instagram has as a sales channel. This opportunity might have lead Instagram to include the buy button as part of their platform.

2.4.3 Other Social Media Channels
Besides Instagram, various other social media channels are exploring or have explored the buy button. Researchers Joan Lindsey-Mullikin and Norm Borin identify Facebook, Instagram, Pinterest and Twitter as the most popular social networks for selling merchandise (Lindsey-Mullikin & Borin, 2017). Therefore, this section will only focus on those channels. However, there are many more online (social) platforms on which merchandise is sold. Call-to-action buttons can be found on dating app Happn and on Google Shopping. Youtube is also a popular sales platform. However, on Youtube the items are sold via Adlinks instead of buy buttons.
Together with Pinterest, Instagram was later with the introduction of the buy button in 2015 compared to the early launches of the buy button on Facebook and Twitter in 2014. The success of the buy button differs across the different channels:

### Twitter

Twitter has seen the least success with the buy button of the four social media channels. The buy button was launched in September 2014 but never really took off with either brands or consumers (Adams, 2017). In 2015, only 12% of social media users worldwide were interested in the buy button on this channel (Emarketer, 2015). The results were so disappointing that it was rolled back in the beginning of 2017 (Sussin, 2017).

### Facebook

The buy button on Facebook is a predecessor to the buy button on Instagram. In figure 2 the original buy button on Facebook from the launch in 2014 is shown. Facebook has launched this buy button in collaboration with e-commerce service Shopify. An addition to their buy button is that it allows users to finish the transaction within Facebook. Unlike Instagram, where users are directed to the retailer’s website to complete the sale. Stephen Whiteside, a reporter at Warc, states that this step is required as consumers are less likely to complete the transaction if they are being directed to another online destination (Whiteside, 2015)

### Pinterest

Pinterest uses ‘Buyable Pins’ which enable users to purchase things they see on Pinterest without ever even leaving Pinterest. An additional function Pinterest’s ‘Buyable Pins’ have is that it informs users when the price of the pinned item has dropped. According to Brent Leary, cofounder of CRM Essentials, Pinterest seems to be e-commerce ready as: “On Pinterest, people are looking to make a buy decision” (Smilansky, 2015).

Michael Yamartino, Pinterest’s head of commerce states that a part of the challenge with the adaption of the buyable pin is the lack of knowledge. “Awareness is a big part of it. This is a new thing,” Yamartino said. “Most people haven’t bought from a platform that’s not a ¬retailer” (Halzack, 2016)

### 2.5 Sub-conclusion

Instagram is a photo sharing platform which was acquired by Facebook in 2012. Before the acquisition, Instagram was growing in users but not in revenue. Now, with the introduction of advertisement, Instagram has become profitable while keeping the platform free for its users.

This paragraph the answer was found to the sub question: What is the buy button on Instagram? The buy button on Instagram is the clickable part on a sponsored messaged which directs the user out of the app to the retailer’s website where the user can purchase the product being advertised. It was first introduced on the platform in 2015 after competing social networks introduced it as well. Next to this, the introduction of the buy button was driven by the advantages of a visual platform. The visual aspect of Instagram makes the platform attractive for brands and potentially for selling merchandise and lastly it was driven by the global increase in mobile usage.
“If you’re not paying for it, you’re not the consumer; you’re the product being sold”

- Unknown
3.0 USERS OF THE BUY BUTTON

In this paragraph, the focus is on identifying the Instagram user and determine the current adoption of the buy button on Instagram. This information is required to answer to the research question: What is the current adoption of the buy button by users on Instagram?

3.1 Instagram Users

Two months after the initial launch in 2010, Instagram already had a million users (Markowitz, 2012). Currently, seven years after the initial launch, the app counts 800 million users of which 500 million use the app daily (Instagram, 2017). A report by the Global Web Index on the latest trends in social networking shows that Instagram has proven to be the fastest growing network overall for numerous years (Global Web Index, 2016).

With the large number of users who are spread across the globe, it is almost impossible to pin them down. However, listed below are some key facts about the users. It is a heavily female dominated app, with 68% of its users registered as female (Aslam, 2017). Globally speaking, the majority of users active on the social network are young. Out of the 800 million, 41% is under 24 years old (Statista, 2017). Instagram is slightly more popular in urban areas than it is in suburban or rural areas. In the United States, 17% of the adult residents who live in urban areas use Instagram while only 11% in suburban or rural areas uses the photo sharing platform (Business Insider, 2014).

Lastly, 63% of the respondents on a survey about Instagram users stated that they consider themselves fashion forward (Dana Rebecca, 2017). Instagram finds similar results. Of the Instagram accounts analysed in the United Kingdom, France, Italy, Spain and Germany, 45% follow a fashion brand or influencer to get inspiration on what to wear and what to buy (Instagram, 2017).

In regard to income, Global Web Index found that it is the lower income groups who devote the most time to networking on social media (Global Web Index, 2016). To specify, a report by Business Insider states that 15% of US Internet users who make less than $30,000 per year use Instagram, while 14% of those making $30,000 to $50,000, and 12% of the users make more than $50,000 per year (Business Insider, 2014). However, it is still possible that they have a high spendable income in comparison to older generations. This makes it difficult to form a real statement about the income of the Instagram users.

3.2 Current Adoption of the Buy Button

The adoption of the buy button is best measured by the click-through-rate (CTR) as it shows the output on percentage of clicks in relation to the number of impressions. This means the number of users who clicked on the button compared to the number of users who saw the ad with the button.

The buy button was first launched in Q3 of 2015. Its CTR in Q2 of 2016 was 0.4% (Nanigans, 2017). Meaning that 4 people out of every 1000 impressions clicked on the button. In Q3 of 2017 the CTR rate was a lot higher, with 0.99% (Prater, 2017). This indicates that there has been an increase in the adoption of the buy button by a factor of 2.5 in just over a year.

Nevertheless, The CTR does not show the actual purchases make through the buy button. An internal survey by Instagram states that 75% of its users take action after being inspired by a post (Instagram, 2017).
Still, the type of action these users take is unclear. It could be as complex as purchasing an item, but it could also be as small as following the page the user is inspired by. Instagram also claims that 60% of its users learn about a product or service on the social network (Deagon, 2016). This is a large reach, considering there are two million monthly advertisers reaching across a network of 800 million users.

Sprout Social, a social media analytics software, has found tangible data about the shopping behaviour on Instagram. They state that at least 30% of Instagram users have purchased merchandise they first discovered on Instagram (Osman, 2017).

Unfortunately, this still does not tell if the purchase was made directly via Instagram or for instance in store or on the website. However, it does mean that 50% of the items discovered are purchased later on in the customer journey. Instagram users can also purchase the item they discovered on the platform offline. 1 in 3 Instagram users state to have used Instagram to help them make a buying decision in store (Dana Rebecca, 2017).

Instagram users do not necessarily use the buy button to make these purchases, 82% state to have never used it (Dana Rebecca, 2017). MEC Consumer Pulse also found that there is still room for the buy button to gain popularity in their recent survey about shoppable media. They found out that only 34% of social media users have come across a shoppable ad. Unsurprisingly, almost half of these users are Millennials and three quarters of the users saw this ad on their mobile phones. However, these shoppable ads are most frequently, 81%, spotted on Facebook and only 50% saw these ads on Instagram (MEC Consumer Pulse, 2017).

While Instagram might not be most known for its shoppable ads, it does show the most interaction between user and brand from all the popular social networks. Website visitors whom are directed from Instagram stay on the site the longest compared to redirections from other social media channels. The traffic from Instagram users is the most engaged compared to its competitors as the average time spend on a website is 192 seconds while Facebook visitors only spend 105 seconds on a website (Mandell, 2017).

3.3 Sub-conclusion

To answer the question: What is the current adoption of the buy button by users on Instagram? The Instagram user was determined first. As the social network is used globally by a large amount of users, it is almost impossible to put the user into one category. However, based on the data collected in section 3.1, the average Instagram user is part of the Millennial generation and generation Z, female and considers herself fashion conscious.

It is difficult to make a statement about the current adoption of the buy button on Instagram as the adoption remains low on Instagram but also across its competing channels (see section 2.4.3). Further dive into the competing channels would provide more detailed information on the adoption by comparison.

When we look at Instagram as a standalone channel, the adoption of the buy button by Instagram users is increasing from a 0.4% CTR in 2016 to a 0.99% CTR in 2017. However, the purchases made via Instagram are often not made by using the buy button but on other mediums such as directly on the online store or in the physical store. This indicates that Instagram users appear to use the channel as a discovery channel rather than a sales channel.
4.0 BRANDS

The fourth paragraph focuses on the brands on Instagram in order to find an answer to the question: How are brands successfully using the buy button in their Instagram sales? First the active brands on Instagram are identified after which the strategy of advertising on Instagram is analysed.

4.1 Active Brands on Instagram

In July 2017 there were 15 million business profiles registered on Instagram (Instagram, 2017). In December 2017 Instagram released an updated statement which stated that they now have 25 million business profiles registered (Instagram, 2017). The possibility for businesses to register on Instagram launched mid-2015. This registration is important as it allows brands to keep track of the data surrounding their activity on Instagram and it allows them to create these online advertisements. Before businesses could register themselves, the profiles of brands on Instagram were not any different from regular users. Yet, it is still possible that there are brands on Instagram who are identified by the platform as users as it requires a regularly updated Facebook Page. Of these 25 million profiles, 2 million advertise monthly (Instagram, 2017). The majority of these advertisers and business profiles are small businesses (Osman, 2017).

In terms of followers, the most popular fashion brands on Instagram in February 2017 were a mix of sportswear, fast fashion and luxury brands. Nike was top ranked with 70 million followers. Other popular brands to follow are Chanel, Dior, Louis Vuitton, Zara, H&M and Adidas (Osman, 2017).

Having a large following is important for brands as it increases their brand awareness and reach. Brands often grow their following on Instagram by collaborating with popular Instagram influencers.

For example, Etoile Luxury Vintage, a brand who sells vintage luxury. This year, their Instagram following has grown on average 797 followers a month (Does, 2017). In a recent interview with the social media manager Machteld van der Does, she admitted that this is because of their recent collaborations with popular Dutch influencers. They do not advertise on Instagram. The social media manager stated that it had never seemed necessary, they just simply do not see the need. However, after further explanation on the possibility of sponsored content van der Does did seem interested and admitted that they lack the knowledge of publishing sponsored content and would not know where to start if they were to use Instagram advertising.

As a result, Etoile Luxury Vintage does not generate direct sales on Instagram. However, van der Does states that the collaborations with influencers do result in a tremendous increase in website traffic and have led to one website sale in the past (Does, 2017)

4.2 Advertising Strategy

Brands who direct users to their e-commerce website via the buy button on Instagram are experiencing a higher return on Instagram ad spend than they did in 2015 (Nanigans, 2017). One of the ways e-commerce advertisers are finding success with gaining direct results is by retargeting.

According to a growth hacker, retargeting people is a highly effective method for retailers to create high conversions from their online advertisements since it shows that the user is interested in the product (Spiekhout, 2017).
Retargeting entails the following: As soon as users accept Cookies on a website they get a Facebook Pixel placed on them. This is a specific code that tracks their movements within the website. Marketers use this code in targeting their ad so that they can create a precise target audience. This way the advertisement will solely show on Instagram feed of the people who have been to a specific page on the website. Instagram will instantly hit the user with many ads regarding the brand or specific product page seeing as it knows the user shows high potential to become a consumer.

One of the brands that has seen great results with social media advertising is All Saints. They choose to run a campaign on Facebook as they have twice the number of followers on here compared to Instagram. However, the methods used are suitable for both channels. Their goal was to increase sales amongst their core audience in the UK. This is the well-off, urban, music loving Millennials (aged between 18 and 30). They aimed for 300% return on their ad spend. They followed the following steps:

1. Create a Custom Audience in Facebook based on the demographics and interests mentioned above.
2. Create excitement by targeting these consumers with look books, photo albums and behind-the-scenes footage of photoshoots.
3. Retarget people who engaged with these ads by showing them new ads containing product images and drove the consumer to the product page to go from creating awareness to the purchasing phase (Kahn, 2016).

Another example of this is MeUndies, a Los Angeles based underwear brand. They advertised on Instagram this fall. Their goal was to reach new customers by promoting their Black Friday and Cyber Monday discounts. They only used retargeting to gain new customers and managed to get five times return on their ad spend in direct conversions (Instagram, 2017).

Lastly, the sustainable leather bag brand O My Bag is currently running an Instagram ad. In an interview with the digital marketing manager, Claudia Angeli, she stated that with their most recent ad on Instagram they have seen 5 sales come from the call-to-action button. (I am currently waiting for a response on their direct conversions from this ad which will be included as soon as possible). They have targeted their campaign at five different groups: website visitors, lookalike audience from the website visitors, followers, friends of followers and based on interests (Angeli, 2017).

4.3 Sub-conclusion

One of the most important findings in this section is the answer to the question: How are brands successfully using the buy button in their Instagram sales? This is by using retargeting in their advertising strategy. Furthermore, an important finding is that brands do not use the full potential of Instagram to their advantage. They have not made the necessary improvements to their social media strategy to turn their Instagram channel into a sales channel and are using slightly outdated methods, such as using Instagram influencers to boost their sales.
5.0 COMPLICATING FACTORS

In this paragraph the factors which complicate the implementation of the buy button are identified. This is needed to answer the question: Which factors complicate implementation of the buy button on Instagram? The four identified complications surfaced in various articles and interviews conducted with online marketing specialists.

5.1 Mobile Shopping

As mentioned in section 2.4.1, one of the main drivers of the buy button on social media is the increasing mobile use worldwide. While this drove the initial implementation of the buy button, there are also factors involved which hinder further growth of the buy button as a sales tool.

When user clicks on the buy button, Instagram directs them from Instagram to the retailer’s landing page. The customer experience on this landing page is plays a large part in whether the customer journey is completed. The following two hurdles that are part of mobile shopping have been identified.

5.1.1 Poorly Functioning Mobile Websites

First, a factor which complicates shopping via a buy button is when the potential buyer sees the ad on their phone, clicks on it and is re-directed to a website which is not mobile friendly. Travis Johnson, global president of mobile agency Ansible, says that a big hurdle in advertising via social media, which largely happens on mobile phones, is that many companies have not optimized their own mobile assets. “Lots of clients still have bad mobile website or app experience while spending all the money to drive their consumers there, frustrate them and make them leave,” he said (Chen, 2017).

This could be problematic because generation Z, a generation who is growing up with the internet, does not tolerate poor functioning apps. According to a study from ContentSquare, 60% of this generation will not use an app or website unless it is fast or easy to navigate. What this generation experiences on a brand’s mobile website is important as they convert twice as much as other demographics on mobile (Salpini, 2017).

5.1.2 Mobile Payment

Next, users who wish to purchase the item show concerns regarding the payment system. In Euromonitor International’s Hyperconnectivity Survey respondents state that one of the main concerns they have when mobile shopping are security and privacy related (Euromonitor, 2016). Similar results are found in the survey from MEC, it concluded that 36% of the participants state that linking to a mobile payment system is of importance. This is because it removes the need to enter credit card information (MEC Consumer Pulse, 2017).

According to Danielle Bailey, research director at L2, the lack of a unified payment system across the different platforms and retailers causes the buy button to potentially fail. The absence of a one-click method prevents social commerce from becoming a completely seamless experience (Whiteside, 2015). This goes against the intend of the buy button, which is meant to flatten the customer journey between discovery and purchase.

Lastly, consumers do not want to deal with the hassle of entering information on small screens. This is because the possibility of making an error is high which leads to consumers growing exasperated and abandoning the purchase or continuing making the purchase on their computer (Whiteside, 2015).
5.2 Targeting the Right User

The real power of the buy buttons will show once they are combined with precise consumer targeting. Before Instagram was acquired by Facebook, their ads could only be targeted by age, gender and country (Kahn, 2016). However, the targeting options provided by Facebook allow advertisers to select their audience based on “a wider range of demographic and interest data, plus target based on information businesses have about their own customers” (Constine & Ha, 2015). Targeting the right user is important because it allows the brand to exert control over their ad. Users do not want to be confronted with what they consider to be a large quantity of ads or with ads they have no interest in seeing (Gatlin, 2015). Brands must understand the basics of customer targeting if they wish to reach the right user.

To start, the intend of the user browsing on Instagram must be identified. It is not often the intend of Instagram users to go shopping when they go on the app. Global Web Index found that the main reason people use social media is to keep up with friends (44%) or to kill time (39%) (Global Web Index, 2016). These users are considered the passive users, who are just going through everyday life. The other users are the active users, whom are looking to make a purchase. These consumers are three times more likely than passive users to make a purchase when exposed to a shoppable ad. Still, brands should not underestimate the passive user when targeting possible consumers. In the passive stage, 70% of consumers state that the shoppable ad helped them become aware of a product (MEC Consumer Pulse, 2017). Once the potential consumer has become aware, brands can start retargeting them in order to create a sale as stated in section 4.2.

Economists Leeflang, Verhoef, Dahlstrom and Freundt stress the importance of efficient tracking of the customer as he or she goes through the steps of the customer’s journey. They state that this is a key requirement to optimize advertising campaigns and budgets. This tracking is best done by using big data as it offers sufficient opportunities to follow customers through the journey, from orientation on a product to purchasing (Leeflang, et al., 2014). As mentioned in section 4.2 Instagram uses the Facebook Pixel to track the movements of potential customers.

5.3 Measuring the Return on Investment

Collecting data from the buy button is not only relevant if a brand wishes to optimize the ad but also to measure growth. Josh Constine, a journalist specialized in deep analysis of social products, believes that the data provided by the buy button will lead to increasingly confident advertisers which will lead to more money spend on ads (Constine, 2015).

Currently, retailers are not overly confident because companies struggle to measure the real impact of social commerce on their business. This is confirmed by Jenny Sussin, research Vice President at Gartner, who estimates that 50% of organizations are failing to measure the business impact of social media (Sussin, 2017). It also shows in data collected by economists Leeflang, Verhoef, Dahlstrom and Freundt. Here, approximately 74% of companies are not or minimally using social media as a sales channel (Leeflang, et al., 2014). Lastly, Business Insider found that of the retailers who have shown faith in the buy button in 2016, 72% have had no sales generated from the button (BI Intelligence, 2016).

The lack of measurable KPI’s leads to a further decrease in confidence in the buy button. Business Insider estimated that there will be a 40% reduction of use of the buy button by retailers in 2017 (BI Intelligence, 2016). According to Caroline Lucas-Garner, strategy director at We Are Social, reducing the buy button is not the answer. She believes that retailers need to increase their faith in the tool and push more products via the buy button. This additional input will result in more output and the repetition of the advertisements will allow consumers to see the items more quickly and this will result in more sales via the button (Heeg, 2016).
However, a lack of knowledge with marketing managers on how they can keep track of their conversions could also play a part. According to the growth hacker mentioned in section 4.2, in-direct conversions on social media advertisements are hard to measure. That the sale did not occur via the buy button does not mean that the sale did not happen at all. What happens often with social media advertising is that the sponsored message made the user aware of the product after which the user spends some time considering the and later typed the product or brand into a search engine to purchase the product on their website (Spiekhout, 2017). It is difficult for the attribution model to determine which channel gets the credit of the sale. However, what matters most to the brand is that the sale was made.

With traditional marketing techniques, such as advertising in a newspaper or magazine, ROI is even harder to track. Unlike the buy button, and advertising on Instagram in general, which shows the advertisers a great amount of data. It shows the online advertisers the visibility, likes, comments and swiping behaviour of the Instagrammers through the photos being advertised. Furthermore, it keeps track of the number of clicks through to their site.

5.4 Banner Blindness

20 Years ago, Jan Panero Benway and David M. Lan created the term Banner Blindness. It entails that internet users have subconsciously learned from the excessive time they spend online to automatically overlook advertisements and other items which look like advertisement (Benway & Lane, 1998). Banner Blindness can be a factor complicating for the adoption of the buy button and occurs both consciously and subconsciously. Therefore this section is divided in three parts. The first two focus on the Instagram user: their awareness of Instagram ads and experiencing intrusiveness with Instagram ads. The final section focusses on brands and the difficulty they experience with standing out among the competitors.

5.4.1 Awareness

Instagram users are not clicking on the buy button because they simply do not realize it is there. Based on survey of 1000 US adults in 2016 by SUMO Heavy, a quarter of its participants did not know the technology exists (BI Intelligence, 2016). The awareness of the technology also depends on the age of the users. In the survey from SUMO Heavy only users who are 18+ where questioned. MEC Consumer Pulse shows results of the demographic who uses Instagram most often; Millennials. Here, almost half of Millennials active on social media have seen a shoppable ad (MEC Consumer Pulse, 2017). Yet, the majority of these ads were spotted on Facebook (81%) and only 47% saw them on Instagram.

Instagram has already taken some necessary steps to increase the awareness of the button. They noticed through an eye-tracking study that people did not see the button, which was smaller at the time. As a result, they changed the appearance of the button last year. They state that redesigning the button has led to a 45% increase in performance (Instagram, 2016).

5.4.2 Intrusiveness

A frustration users have with the buy button is seeing sponsored content in their feed. Multiple sources claim that this can feel too intrusive for the consumer who is just having a leisure scroll. Padilla says that the danger of implementing the buy button is the following: “As soon as everything becomes a live infomercial with a direct response button, it goes over the line and becomes too intrusive” (Gatlin, 2015).

Similarly, Lucas-Garner, suggests that users can experience the buy button like they would experience a pushy sales assistant (Gilliland, 2017). Many Instagrammers have even threatened that they would delete their accounts the advertisement would get too out of hand (Gatlin, 2015).
5.4.3 Standing out
With the increase of business profiles advertising on Instagram (see section 4.1), it is becoming harder to stand out with a sponsored content. Lisanne Sanders, Growth Marketer at dating app the Inner Circle, stated in her interview that the Inner Circle is having trouble standing out enough to drive conversions in an Instagram feed filled with beautiful imagery. As a result, they are constantly testing what content leads to the best result; still imagery with or without text and animation or video (Sanders, 2017).

Standing out among the competition advertisers is difficult for brands but also moving past the mental filter internet users have against advertisements is a struggle for creating successful Instagram ads. Advertisers should be aware of this mental filter users create when they have seen something a lot. “They are oversaturated and are now protecting themselves mentally against new ads on this channel” (Spiekhout, 2017).

Therefore, Sanders suggests using an original approach with the content being advertised. She continuous by stating: “It does not have to be a perfectly Photoshopped picture to stand out” (Sanders, 2017).

5.5 Sub-conclusion
In this section factors complicating the adoption of the buy button on Instagram were listed. Brands using the buy button to create online sales are complicating themselves by:

1. Poorly functioning mobile websites.
2. Lack of knowledge on advanced customer targeting
3. Lack of knowledge on measuring the return of investment on their Instagram ads.
4. Not standing out from the crowd of beautiful engaging ads and user generated content resulting in banner blindness.
5. Creating ads which feel intrusive for the user instead of engaging and entertaining.

Lastly, Instagram is complicating the adoption by;

1. Not creating a unified payment system which would gain users trust, increase the user’s convenience and create a seamless user experience.
2. Not increasing the awareness of the buy button with the user.
CONCLUSION

What is complicating the adoption of the buy button on Instagram?

In conclusion of all the data collected, the buy button on Instagram shows great potential to becoming globally adopted as a sales method is hindered by the lack of knowledge about advertising on this medium from the marketing managers and/or brands.

There has been a growth in the adoption of the buy button in the last year. The click-through-rate of the button has increased by a factor of 2.4, comparing the results from 2016 to 2017.

This relates to Instagram's main user, which is the demographic who most often uses their mobile phone to shop online. Additionally, the platform is visually attractive which leads to Instagram being often being used as a discovery channel by its users, where users discover new products and brands regularly which occasionally lead to sales later in the customer journey. Lastly, it is a channel where users show high engagement with brands. Instagram users consider themselves fashion-conscious and often follow the activity of brands to stay up to date with their latest movements.

Yet, brands are not using it to their full advantage simply because they do not know how. The factors complicating further growth are first poorly functioning websites, for which the Instagram user has little to no tolerance. Secondly, security with mobile payment continuous to play a role in potential customers abandoning the customer journey before completing the purchase.

Thirdly, marketing managers have too little knowledge of the mechanics of social commerce. Not having a clear image of the target group leads to being unsure of how to target possible warm leads. Lack of knowledge on retargeting also leads to missed opportunities for sales. Often lack of ROI is held responsible for hesitant marketing managers. However, this is inaccurate as the data related to the buy button shows marketers great insights on the user’s activity which is more measurable than with traditional marketing methods.

Lastly, banner blindness continuous to be a hindering factor with online advertising as many Instagram users are not aware of the existence of the buy button. Continuously testing of various ads is needed to find the right tone-of-voice with the target group in order to stand out among the other Instagram content and to not be considered intrusive with the target group.

To conclude, if marketing managers were to optimize their websites, increase their knowledge on their own target group, familiarize themselves with setting up these ads and finding the right tone of voice of the ad so they would not be overlooked, the results marketers experience with the buy button on Instagram could improve.
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