DIGITAL CLARITY GROUP

Contextual Commerce Is Coming, But Will Consumers Care?

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Introduction

Consumers are spending more time online than ever before.[1] To compete for their attention and wallets, retailers and brands are exploring new opportunities to integrate engaging and unique content into the online shopping experience. Contextual commerce is emerging as one of those opportunities.

What Is Contextual Commerce?

Contextual commerce describes a situation in which a customer buys a product directly while viewing it online, rather than having to go to a separate website, search for the item, place it in the shopping cart, and fill out payment information. Other terms that have been used to describe this type of "in the situation" transaction include conversational commerce and, in the publishing and media world, "shoppable" content.

Figure 1 illustrates a hypothetical example of contextual commerce. You're reading a magazine (to which you subscribe) on your smartphone or tablet and see an article about a famous actor. In the accompanying photo, he's wearing a watch that you admire. You click on the watch, and information about it – what it is made of, size options, etc. – appears in a box overlaid on the page you are reading. Also appearing is the price of the watch and an option to purchase it right there. You click the "buy" button and receive confirmation of the purchase. (Because you subscribe to the magazine, you don't need to enter your payment information – they already have it on file.) You then close the overlay box and continue reading the interview. The next day your new watch arrives at your home.

Proponents of contextual commerce, such as media companies and social media platforms, believe that one key customer frustration with buying online is the "friction" they experience in being several steps removed from the item they want to buy due to

the transaction process. These proponents believe that a potential customer doesn't want to leave that magazine article in order to purchase, since that is an interrupted experience.

Media companies and social media platforms are the main proponents of contextual commerce today, as one of their top priorities as content companies is monetization.

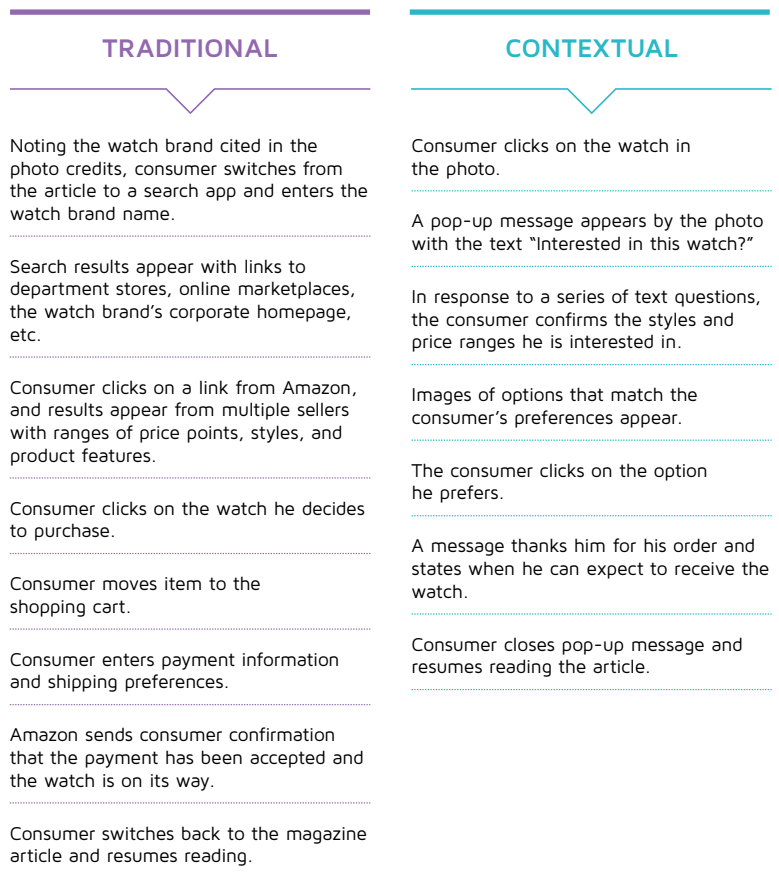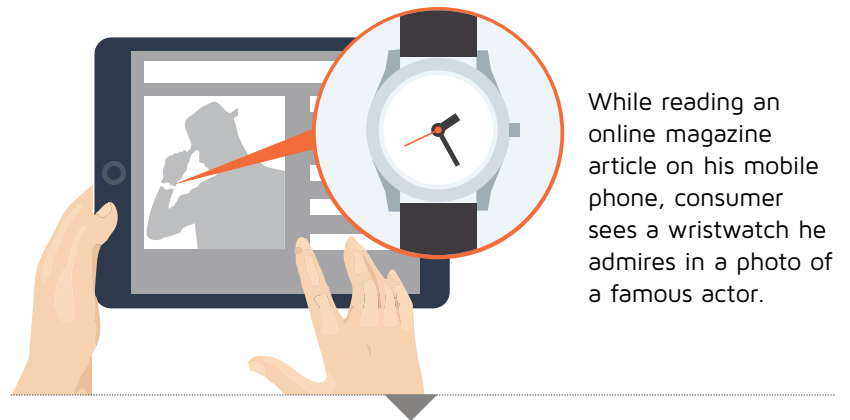## It's All About Monetizing Content

The companies driving developments in contextual commerce today fall into two categories: media companies and social media platforms. Though very different types of companies – the former with roots in the "analog" one-to-many publishing world of print and broadcast, and the latter "born digital" largely within the last decade – they share the common challenge of needing to find new ways to monetize content.

Media companies

Media companies, particularly newspaper and magazine publishers, used to rely on print advertising for revenues. However, print advertising has been declining for years as media consumption has become increasingly online and mobile. And though most publishers now publish online as well as in print, digital advertising supporting online content has not grown sufficiently to make up for the declines in print and subscription revenue.[2]

In addition, even though media companies have

Figure 1
Traditional vs. Contextual Commerce

While reading an online magazine article on his mobile phone, consumer sees a wristwatch he admires in a photo of a famous actor.

TRADITIONAL

Noting the watch brand cited in the photo credits, consumer switches from the article to a search app and enters the watch brand name.

Search results appear with links to department stores, online marketplaces, the watch brand's corporate homepage, etc.

Consumer clicks on a link from Amazon, and results appear from multiple sellers with ranges of price points, styles, and product features.

Consumer clicks on the watch he decides to purchase.

Consumer moves item to the shopping cart.

Consumer enters payment information and shipping preferences.

Amazon sends consumer confirmation that the payment has been accepted and the watch is on its way.

Consumer switches back to the magazine article and resumes reading.

CONTEXTUAL

Consumer clicks on the watch in the photo.

A pop-up message appears by the photo with the text "Interested in this watch?"

In response to a series of text questions, the consumer confirms the styles and price ranges he is interested in.

Images of options that match the consumer's preferences appear.

The consumer clicks on the option he prefers.

A message thanks him for his order and states when he can expect to receive the watch.

Consumer closes pop-up message and resumes reading the article.

gone through multiple, often painful restructurings in order to adapt to the digital-first world, these firms still struggle to meet the demands of advertisers for more content and for more granular data about consumers of that content. As a result, media company executives are on the hunt for new sources of revenue in addition to advertising and subscriptions. These executives view contextual commerce as one potential avenue for growth.

Some publishers, including Hearst, BuzzFeed, and Business Insider, are employing e-commerce editors and specialists to produce content that can be more easily monetized. However, while a publisher's online shop selling branded t-shirts and novelty items, like Buzzfeed's, is e-commerce, these initiatives are not contextual commerce. They are traditional online storefronts that require multiple steps for a buyer to get from identification to transaction – they just happen to be run and owned by the publisher. Still, these publishers' online shops do represent a step in the right direction: publishers can gather data on their customers' shopping behavior, which can be employed in a future contextual commerce strategy.

Social media platforms

Social media platforms, such as Facebook and Pinterest, are similar to media companies since they derive a large portion of their revenue from advertising.[3] These companies, despite earning revenues in the billions, are looking for ways to further monetize their massive user bases. Here are some examples:

- **Pinterest.** In 2015, Pinterest launched a new service that lets users purchase products without having to leave the platform for an external e-commerce site. Called "buyable pins," this service makes items in over 60 million pins available for purchase, showing they are available by having the price included in blue. At present, the pins can integrate with platforms from four e-commerce vendors: BigCommerce, Demandware, Magento, and Shopify.

- **WeChat.** China's WeChat is the social media platform that has blazed the trail for contextual commerce. The company, owned by Chinese company Tencent, now has about 900 million monthly average users in China, and in addition to e-commerce transactions also offers services such as taxi hire and peer-to-peer payments. WeChat also serves as an online channel for Western brands to sell to Chinese consumers: Swedish retailer H&M, for example, has a "little shop" within WeChat.

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- **Facebook.** Recent moves by Facebook indicate that the U.S. giant is following WeChat's example. At its F8 developer conference in April, Facebook announced the beta version of its Messenger platform. Developers can now build chatbots for Messenger, which Facebook envisions can be used for a variety of applications: automated subscription content like weather and traffic updates, customized communications like receipts, live automated messages, and online transactions. With its nearly 1 billion monthly users, Facebook is banking on retailers and brands to use Messenger as an additional channel, with chatbots and embedded payment options enabling seamless transactions.

However, it is still early days for contextual commerce initiatives. Contextual commerce is very much in the experiential phase.

Contextual Commerce Faces Multiple Challenges

As with most new ideas, contextual commerce faces key challenges for adoption:

- **Uncertain user demand.** Contextual commerce is largely being driven from the content platform and owners' perspective, focusing on only one part of the customer journey: from product discovery to transaction. However, a great e-commerce experience encompasses a range of processes from the transaction onward. Payments, logistics and fulfillment, returns, and customer service are all vital pieces of a customer's buying experience. Things like delivery times, return policies, and payment options are all crucial factors in a prospective buyer's decision to complete a purchase with a merchant. And those factors play a role in a customer's decision to return to the same channel in the future.[4]

- **Integration complexity.** Logistics and fulfillment, and customer service, are two additional keys to a great e-commerce experience. Indeed, mastering the former has been one way that Amazon has been able to dominate online retail, with its next-day delivery, ability to track items, and broad selection thanks to having expanded its platform for third-party sellers. Furthermore,

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there needs to be a clear contact for help if a purchase is late, damaged, or incorrect. Here's an example: you buy a sweater via a bot on Facebook Messenger. When it arrives, you try it on and discover you need a larger size. Where do you turn next? Do you go back to the Messenger-based bot, and will it be able to walk you through the steps for a return? Brands and retailers selling in contextual commerce scenarios will need to make sure these processes are clear to their customers.

- **Consumer wariness about sharing personal information.** Online buyers need to be confident that their payments, and the associated personal data, are being handled safely and securely.[5] Target's data breach in 2013, where the details of 40 million customers were compromised, is just one example of an incident that is still in the minds of many consumers. Proponents of contextual commerce tout the ability to make "in context" payments as a benefit to consumers, saying that it provides a more "frictionless" experience. However, given how wary many consumers are about payment security, it actually may end up having the reverse effect. They may feel uneasy about *not* going through the sequence they are familiar with, which involves entering payment information on a separate web page.[6]

Contextual Commerce Success Depends on Deeper Understanding of the Customer Commerce Experience

Understandably, media companies and social networking platforms are looking to diversify their revenue streams in order to rely less on advertising. Yet these same companies need to ensure that their contextual commerce initiatives are grounded in two areas:

- **User-research-based understanding of the needs and motivations of consumers that takes into account the entire customer journey.** What makes a satisfying contextual commerce experience? How important are payment and delivery options, customer service availability, and ease of returns and exchanges? Chatbots are becoming more commonly used in customer interactions: are these ready for the "prime time" of being part of an online transaction?

- **Understanding of the back-end systems that need to be in place for contextual commerce to succeed.** What partnerships will media companies and social platforms need to forge to ensure that they can deliver great customer commerce experiences? Will they need to partner with software vendors, payments providers, distribution and delivery companies, and/or systems integrators who can implement and maintain new technology infrastructure?

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Content and commerce have long been separate worlds, and bringing them together for contextual commerce will require much more than buy buttons and chatbots. For contextual commerce to succeed, its current proponents will need to go beyond their content-centered universe to better understand and build great customer commerce experiences.

Endnotes

1 See "Growth in Time Spent With Media Is Slowing," eMarketer, June 2016.

2 The Pew Research Center reported that the newspaper industry continues to shrink: though 25% of ad revenue comes from digital, even digital advertising declined by 2% in 2015. See Pew's "Newspapers: Fact Sheet."

3 According to Facebook's 10-k for 2015, 95% of the company's $17.9 billion in revenues came from ads. Pinterest, as a privately held company, does not release financial information. However, a Wall Street Journal article published in October 2016 reported the CEO had forecast $300 million in total revenues in 2016, the majority of which would be from advertising.

4 See "Content Publishers Underestimate the Shoppable Content Challenge," Digital Clarity Group, May 2016.

5 See "Consumers Give Location Marketing A Resounding - Maybe," Digital Clarity Group, October 2016 (registration required).

6 See "CMOs, cybersecurity, and the criticality of customer trust," Digital Clarity Group, October 2016.

About Digital Clarity Group

Digital Clarity Group is a research-based advisory firm focused on the content, technologies, and practices that drive world-class customer experience. Global organizations depend on our insight, reports, and consulting services to help them turn digital disruption into digital advantage. As analysts, we cover the customer experience management (CEM) footprint – those organizational capabilities and competencies that impact the experience delivered to customers and prospects. In our view, the CEM footprint overlays content management, marketing automation, e-commerce, social media management, collaboration, customer relationship management, localization, and search. As consultants, we believe that education and advice leading to successful CEM is only possible by actively engaging with all participants in the CEM solutions ecosystem. In keeping with this philosophy, we work with enterprise adopters of CEM solutions, technology vendors that develop and market CEM systems and tools, and service providers who implement solutions, including systems integrators and digital agencies.

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