



Retail Reconsidered

Instagram: Not just a pretty picture

**KL Stores: A case study series
exploring innovation in retail**

Retail reconsidered

Part 2: Instagram: Not just a pretty picture

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Since its launch in 2010, Instagram has become the number one photo sharing app. Originally created by founders Kevin Systrom and Mike Krieger as a project to help Systrom learn to code, this platform has gone from strength to strength, having been bought by Facebook in 2012 for \$1 billion.

With over a billion monthly users worldwide and 130 million accounts a month tapping on shopping posts to learn more about a product, Instagram has the potential to increase brand awareness globally in a matter of minutes.

Retailers are realising the benefits of Instagram and the opportunities to increase awareness of their brand through the use of influencers, as well generating revenue from selling directly through the Instagram app (for example, by creating shoppable posts and using the “Checkout with Instagram” functionality).

In this article, we return to our KL Stores case study and a meeting between Andrew (the CEO) and Sarah (the Chief Creative Officer) to discuss how KL Stores can harness the power of social media, in particular, Instagram to reach new customers and increase sales.

And back to the meeting room...

Andrew – I already have a personal Instagram account, but I mostly use it to follow my friends and family. What are the benefits of having an Instagram account for the business?

Sarah – Instagram is a simple and effective way to engage potential new customers. With Instagram reporting that 200 million Instagram users visit at least one business profile a day, it is a fantastic way to increase brand exposure. Instagram is a highly visual and creative medium, and can portray a brand’s message in a succinct and appealing way, to great effect.

Andrew – Most of our competitors already have an Instagram account, how do we make ours stand out? What can we do differently?

Sarah – There are lots of ways we can make the KL Stores Instagram account stand out from the crowd, and we are doing some of these already. For example, we post a variety of images and videos, some of which are professionally produced and edited, to portray the high quality and unique features of our products, while our other posts are more candid (for example, posts of our customers with our products, or behind the scenes shots of our professional shoots). By posting a combination of professional and customer pictures/ videos, we are able to portray a more inclusive, relatable persona for the brand, one that customers can understand and connect with, whilst still getting across what makes our products different.

Andrew – Ok, that sounds good. But what else should we be doing to make sure our brand stands out? Should we be using celebrities and influencers to promote our

brand?

Sarah – Using celebrities and influencers to endorse your brand can be a great way to gain more followers and increase awareness of your brand, but it can come with a big price tag. However, this needs to be weighed up against the potential revenue generated from the celebrity's endorsement. Where high profile celebrities partner up with brand giants, for example Selena Gomez with Adidas, it can be worth hundreds of thousands of dollars in revenue for the brand. Having an international figure, for example Kate Middleton, wear one of your items can ensure that it sells out in minutes.

However, celebrity endorsements can be costly, with Instagram suggesting that the average cost of an influencer post is between \$100 and \$2085 per post (for videos, brands pay on average between \$114 and \$3138 and between \$43 and \$721 for Stories). It is therefore important to weigh up the potential benefits of such an endorsement against the costs incurred.

Celebrity endorsements need to be used with care, as followers may not understand the connection between the celebrity and the brand, and this can risk harming the authenticity of the brand. Often lesser known influencers may be more appropriate, as they look to establish a reputation in a particular sphere, and are likely to be considered more trustworthy by customers as a result. Where customers expect transparency and legitimacy from a brand, using a trusted influencer rather than a well-known celebrity may be a smart move.

Andrew – We have a strong marketing strategy already. Is there anything in particular we can do with Instagram to directly encourage more sales?

Sarah – A key trend we are seeing on Instagram is the ability to shop directly through the Instagram app. Individuals can see the product they like, and purchase there and then, without leaving the app. This shopping feature has had a lot of success, although there has been some negative feedback on the user experience (as a new window appears as an overlay within Instagram itself, the window is rather limited in space, meaning users have to suffer smaller text/ visuals).

A post can become shoppable by 'tagging' the relevant product in the post. Brands can then incorporate the necessary information about the product (descriptions, product codes, pricing) into the post. Users also have the option to access the website directly through the app, to find out more information about the product and, hopefully, make a purchase. Alternatively, some brands have inserted the new "Checkout with Instagram" functionality, which launched in the US in March 2019. By storing some of the customer's payment data within the app, customers can complete a transaction within Instagram, without being redirected to the brand's website. This provides a much smoother user experience than the website overlay previously available. However, this functionality has been met with mixed reviews – while customers can complete a purchase in just a few clicks, customers can only buy one item at a time, which may put some customers off. Further, Instagram is yet to publically announce the checkout fee for brands wishing to use this service.

Andrew – That sounds really interesting! We should definitely consider using that functionality on our Instagram page. I heard someone mention using 'product drops' to get customers' attention. What are they exactly and how do those work?

Sarah – A 'Product drop' is a sales tactic used by many brands to promote the release of limited-edition or a limited quantity of products at select retail locations, with little advance warning. The scarcity factor creates a sense of urgency and exclusivity, and has been a very successful way of boosting sales (for example, Burberry launched a series of product drops with exclusive products for the B Series, such as a Thomas Burberry monogram sweatshirt, being made available for 24 hours only). Product drops can also expose the brand to a whole new audience of potential, younger customers, who are more inclined to shop online/ through social media channels.

As well as increasing sales, exclusive collaborations through product drops can help customers

further understand and appreciate a brand. It is therefore important that brands think carefully about who they collaborate with, and what sort of limited edition products they make available through product drops, to ensure their product drops are seen to be authentic and loyal to the brand's values.

Andrew - That sounds like something we should think about too then. Are there any issues we should be aware of?

Sarah – We should always be mindful of the rules around advertising, especially in social media where generally there is not a lot of space for long explanations or T&Cs. Briefly, when KL Stores is paying any sort of influencer/ collaborator to represent the brand in a post (on Instagram or any other social media channel), we should always ensure the individual includes “#ad” or similar in their post, to ensure that followers understand that this is a paid advertisement. Gemma, our Chief Marketing Officer, can tell you more about the rules around this.

Andrew – Are there any other ideas we should consider?

Sarah – Instagram has lots of ways of increasing your follower base and encouraging sales. For example, Instagram Stories are an innovative way to engage with customers. Brands can use a mixture of pictures and short videos to engage with followers and offer something that feels quite exclusive – generally, Instagram stories disappear after 24 hours and so followers need to be quick to see a brand's stories, or risk missing out. It is possible to preserve your best stories through the Stories Highlights feature, and you can add stickers and voting buttons too, to make Stories more engaging and interactive. Instagram states that 62% of people say they have become more interested in a brand or product after seeing it in Stories, so this is definitely a worthwhile feature.

KL Stores should also consider the advantages of targeted advertising. I know you have spoken to **Aneka**, our Chief Data Officer, on this already, so I won't go into any more detail now.

We could also consider running promotions within our Instagram posts, to encourage our followers to engage with us more. We should ensure that all our promotions comply with the relevant **CAP Code** rules.

Rules around running a promotion on Instagram

Fundamentally, all promotions (including competitions or prize draws) should be run fairly and not be misleading in any way. Below are some of the points that brands should consider before running a promotion:

- Running promotions with prizes: Brands should take legal advice before running promotions with prizes, including competitions, prize draws, instant-win offers and premium promotions, to ensure that the mechanisms involved do not make them unlawful lotteries.
- Advertising the promotion: The language used to promote the promotion should not mislead in any way – language cannot imply that consumers are luckier than they are, or that if a consumer does something they will definitely win (if this is not the case).
- Significant conditions: All marketing communications/ other material referring to the promotion must include all significant conditions of the promotion. This information is likely to include:
 - o how to participate (exactly what the consumer has to do in order to enter);
 - o any free-entry route should be explained clearly and prominently (it cannot be hidden away);
 - o start and closing dates (if no closing date is provided, promoters must be able to demonstrate that a lack of a closing date does not disadvantage consumers. Where a closing date is provided, this should not be changed unless unavoidable circumstances beyond the control of the promoter make it necessary);

- o any proof of purchase requirements;
- o details of the number and nature of the prizes available;
- o any restrictions on entry, whether geographical, personal or technological;
- o any restriction on the number of entries a consumer can make;
- o whether the promoter may substitute a cash alternative for any prize;
- o if more than 30 days after closing date, the date by which prize winners will receive their prizes;
- o how and when the winners will be notified of results; and
- o promoter's name and address.

It can be very difficult to include all of the above information within a marketing communication on Instagram. As such, the CAP Code allows that where the promoter is significantly limited by time or space, the promoter must try to include as much information about significant conditions as practicable, but can also direct consumers to an easily accessible alternative source where all the significant conditions of the promotion are prominently stated. These conditions should be available to all consumers throughout the promotion and consumers should be able to retain a copy of them.

- **Deciding winners:** To ensure impartiality, winners of competitions should be drawn by a computer process that produces verifiably random results, or by an independent person. Where the winner is decided on merit (e.g. a photo competition), an independent person, or a panel that includes at least one independent member, must be appointed. The independent person must be demonstrably independent and not have any connections to the competition's promoters, intermediaries or entrants.
- **Publishing winners:** Promoters must either publish or make available information that indicates that a valid award took place – ordinarily the surname and county of major prize-winners and, if applicable, their winning entries. At or before the time of entry, entrants must be made aware that their information may be published and given the opportunity to object. The privacy of prize-winners must not be prejudiced by the publication of personal information and in limited circumstances, promoters may need to comply with a legal requirement not to publish such information.

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