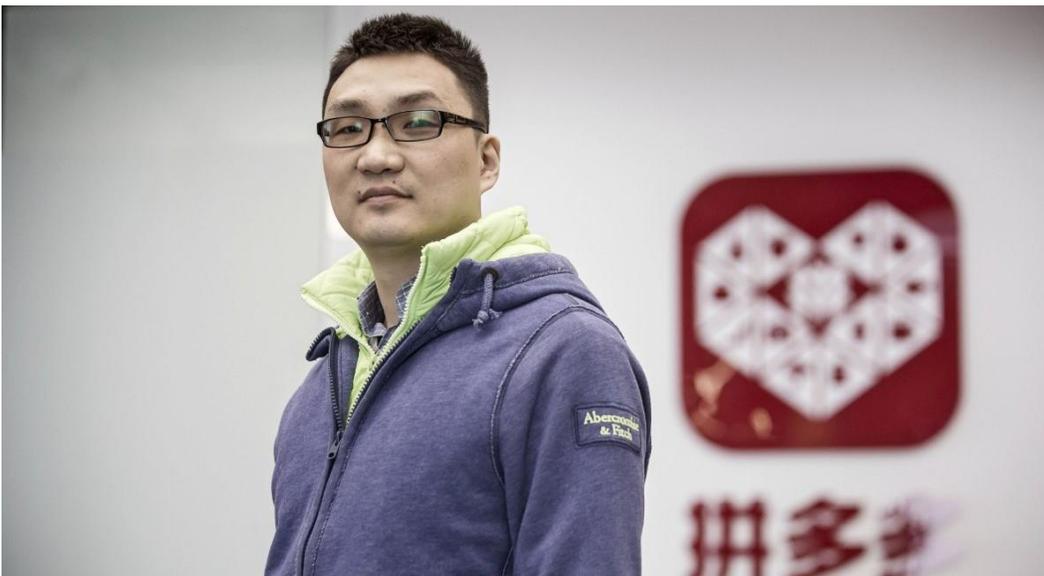


The age of the influencer is ending

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If you are searching for signs of things to come at the intersection of social media and e-commerce, you may want to take a look at a recent viral video, reportedly shot at a university in China.

The video supposedly shows an “influencer training” workshop where dozens of students, wearing identical pink t-shirts and standing in front of LED ring lights declaiming into smartphones.

While some commenters bemoaned the video’s “dystopian” overtones, others responded more coolly to what they saw as just another form of skills-based training for a potentially lucrative career.

However you view it, this influencer factory certainly suggests that ad-driven social media marketing — where expenditures have grown more than ten-fold since 2016 — may be about to peak. As the saying goes, it is when your cab driver shares stock tips that you know it is time to sell. The pandemic’s chilling impact on consumerism also does not help.

In this context, we should perhaps not be surprised by the spectacular rise of **Pinduoduo**, a Chinese group-buying platform. In just two years, Pinduoduo has grown into the world's largest interactive e-commerce site (as measured by active users), with a market cap of US\$184 billion (\$247.8 billion) as of December 2020, despite being virtually unknown to consumers outside China.

Unlike the more familiar e-commerce business model, in which brands use social networks to drive clicks and purchases, Pinduoduo operates more like an online gaming platform. People on Pinduoduo can form online buying groups that, as I describe in my new case study on the company — enables incredibly steep discounts that pay off handsomely at scale. For example, as part of Pinduoduo's daily top deals for 2018, 6.4 million boxes of tissue paper were sold at RMB 12.90 (\$2.66) for ten units, and 4.8 million umbrellas were sold for RMB 10.30 apiece.

People need not be connected outside the platform to join each other's groups, but Pinduoduo was ideally positioned to leverage users' existing online social connections in China's ubiquitous digital ecosystems. It was a trick that WeChat and China's other online giants **Alibaba** and **JD.com** missed, and they have since scrambled to launch their own copycat services, with varying degrees of success.

Something similar, if more modest, is also happening in Silicon Valley. Last May saw the launch of Facebook Shops, an e-commerce service targeted toward small businesses that builds on the Facebook Marketplace direct-buying functionality. Instagram followed suit in August with its own virtual marketplace, as well as a product-focused "Explore" tab featuring customised product suggestions.

Facebook Shop does not (yet) allow for the demand-driven group-based buying we see at Pinduoduo, but it takes a step in that direction with features such as "custom audiences" and "lookalike audiences" that allow businesses to deliver special promotions to selected groups of loyal customers. Another example of Facebook inching into social commerce is the introduction of shopping carts in WhatsApp.

To casual **Facebook** users, the changes so far appear minimal. Nonetheless, they portend a serious shift for Mark Zuckerberg's business model. The diversification of Facebook's revenue stream to include service and transaction fees as well as ad buys is an acknowledgement of the direct-to-consumer model's rising significance. It hints at a future in which direct relationships between customer groups and businesses are as much a part of social commerce as influencer campaigns.

Pinduoduo's success foreshadows a paradigm shift within and beyond e-commerce.

As private American venture capital firm Andreessen Horowitz recently noted in a blog post on its website, the fastest-growing social apps forgo the open-ended paradigm of social networking in favour of coalescing group activity around a specific purpose.

Pinduoduo's raison d'être is group-based buying; the platform affords little scope for interaction outside this core activity. Similarly, the hugely popular app Among Us engages gamers in working together to solve a murder mystery set in outer space.

Going niche enables these apps to escape the long, cold shadow of Mark Zuckerberg. Facebook's business dominance derives from possessing a complete map of the social connections of more than 2.7 billion users. The scale and granularity of its data makes it uniquely equipped to convert social ties into vectors of influence on which brands can capitalize, for a price. What apps like Pinduoduo, however, are proving is that you don't need to have charted the entire network landscape in order to be successful in social. With intimate, intuitive knowledge of one area — social buying, literature and fitness, for example — you can convene an extremely enthusiastic group and quickly achieve scale.

Of course, it takes more than building an attractive app. Vibrant social groups may seem as though they came together spontaneously around a platform, but good app developers know there is deliberate cultivation involved.

Two platform attributes require special attention. The first is simplicity. Interactions must be carefully structured into an easy, clear and (ideally) fun series of steps. Pinduoduo's codified three-step process for initiating team purchases lets users sign up, invite contacts and initiate team purchases in minutes.

Another is role models. Desired behaviours must be modelled at the outset, so that initial joiners understand the platform's value and purpose straight away. TikTok built an early following by paying adept content creators to post videos on the platform — a temporary influencer strategy designed to be abandoned once network effects kicked in. Pinduoduo, too, came out of the gate with pre-packaged bulk deals carefully selected to catalyse group buying.

Covid-19 has sweetened the value proposition for this new crop of social apps. Lockdowns and quarantines shuttered brick-and-mortar stores and starved people around the world of social interaction. The group-buying model of e-commerce fulfils both needs at once, while throwing in big price discounts. Pinduoduo experienced its most impressive growth during the pandemic, with 55 million new active buyers joining the platform in 2Q 2020 alone.

However, it remains to be seen whether habits adopted last year will stick. But if they do, the influencer marketing model will continue to face serious competition — not only in China, but globally.

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