

# Social media focus: Instagram

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By Rachel Arthur, WGSN, 14 April 2014

Explosive growth, an aspirational demographic and unmatched engagement have made Instagram an essential social media platform for those in the fashion and retail space, reports L2 Think Tank.



Instagram boasts the highest engagement of all social media platforms

## \* SHORTCUTS

- Instagram has grown by 60 million users in 2013 to more than 150 million
- Every day it sees 55 million pictures uploaded and 1.2 billion likes
- The average user spends 257 minutes on the platform per month
- 60% of users are from outside the US, and 68% are women
- In December 2013, more than 93% of premium brands had accounts
- Advertisers have seen a 32% increase in ad recall and 10% lift in brand message awareness on the platform on average
- For brands, the big focus ahead is how to convert engagement into commerce

Instagram could be the world's most powerful social platform, a recent report from research service L2 Think Tank suggests. The study reveals the photo-sharing app has the fastest growth rate in terms of consumer adoption.

It grew by 60 million users in 2013 to more than 150 million, a rapid increase of 66% and the highest year-over-year growth among the top 10 mobile apps. That's compared to 36% on Twitter, 27% on YouTube and 27% even for parent company, Facebook.

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## Brands on board



Ralph Lauren on Instagram



Burberry on Instagram



Hermès on Instagram

Instagram also boasts the highest consumer engagement of the social media platforms, 15 times that of Facebook. Every day it sees 55 million pictures uploaded and 1.2 billion likes.

As Scott Galloway, L2 founder and NYU Stern School of Business professor, said: "Humans absorb information visually about 100-150 times faster than words. It makes sense because we've been doing this for millions of years. If we can once again distill words down to visuals, it becomes a more powerful method of interaction."

The average time spent per user (60% of which are outside of the US, and 68% of which are women) is also high on Instagram, at 257 minutes per month. Needless to say, brands have jumped on board as a result. In December 2013, over 93% of premium brands had accounts according to L2, an increase of 63% on July 2013.

Retail and fashion dominate the top 10 largest communities, with L2 referring to this content as "an evolved form of window-shopping, enabling users to see products on original mannequins". There are shots of products available in-store, behind the scenes at fashion shows, highlights in and around the brand's home cities and imagery pulled from archives. The aim is to provide immersion into the lifestyle of the brand and its persona.



Chanel gained over 5 million hashtag mentions on Instagram in December 2013



Zara launched its Instagram in February 2014



Topshop in-store visual merchandising showcased via Instagram

L2 ranks brands according to size of community relative to rate of engagement, placing Michael Kors, Urban Outfitters, Jimmy Choo, Victoria's Secret, Nordstrom and Tiffany & Co as particularly strong. Of those, Victoria's Secret has the highest number of followers, now at 4.2 million.

Interestingly, even those without accounts have an enormous presence. Chanel is the most mentioned



on the app with 5 million individual hashtags of #chanel in December 2013 alone. Zara followed closely behind with 3.5 million, which is perhaps what inspired it to launch its own account in February 2014, to date gaining 122,000 followers. Chanel on the other hand has an account it has never posted to yet already has 1.3 million followers.

Beauty brands are also performing strongly, currently experiencing the fastest growth and yielding the greatest engagement. Said L2: "Cult beauty brands Urban Decay, Essie and Lush outperform the establishment."

Across the board, all brands are posting an average of six images and 0.38 videos per week. Engagement is 1.5% higher on pictures than videos, with videos accounting for just 4% of brand content in total.

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## Revenue & competition



Michael Kors was the first brand to advertise on Instagram



Macy's gained 48,000 new followers within 48 hours of posting an ad on Instagram

Instagram joined the realms of those social media platforms aiming to monetise in late 2013 when it launched its advertising model. First on board was fashion brand Michael Kors, and adidas, Burberry, Levi's and Macy's followed closely behind in the pilot programme. All were able to target consumer groups by age and gender to begin with, but further categories including location are reportedly set to follow.

There were tight quality controls around what the brands put out as part of a bid not to alienate users with the new ad formats, Instagram said. It seemingly worked: initial results showed the ads provided reach, boosted community sizes and increased awareness. Brands on average saw 32% increase in ad recall and 10% lift in brand message awareness, Instagram reported in Dec 2013.

Michael Kors reached a total of 16.5 million users and 230k likes, and 175k comments with its posting. It also acquired 34,000 new followers in 18 hours.

Macy's debuted its first ads hot on the heels of its successful 2013 Thanksgiving Day parade. It released two posts on November 29 and December 1, receiving more than 150,000 likes with a 65.6%

engagement rate, and 107,000 likes with a 45.2% engagement rate, respectively. In its first 48 hours it gained 14,000 new followers, up 15%, and over the two weeks it ran the ads, nearly 42,000 new followers.

Such results mean it's none too surprising to hear revenue forecasts are strong for the platform. Instagram ads are estimated to make \$250-\$400 million in 2014. Galloway predicts it has the potential for a higher revenue model than Twitter by 2015.

He also pointed out that any mention of competitor Tumblr's revenue was noticeably absent from parent company Yahoo!'s recent earnings announcements, something he referred to as a "negative forward-looking indicator for shareholders". Another competitor, Pinterest, is also seen as little threat. "Today, Pinterest is a third of Instagram's size and 23% of Pinterest users engage with the platform daily, versus 58% on Instagram," reads the report.

Over the past year, Instagram has also reacted to other competitors in the market, including Vine and Snapchat, to provide functions similar to their platforms. L2 believes brands are more attracted to Instagram than Vine for video because it offers 15-second recordings rather than Vine's six seconds (but also again because of reach). Instagram passed Vine in shares on Twitter within a week of launching video, according to reports.

Snapchat in comparison sees seven times more photos uploaded every day than Instagram. As reported by L2 however: "[Instagram]'s slightly older, higher-income users have greater appeal to marketers." Nonetheless, Instagram launched direct messaging capability in December 2013 to help it compete, with Gap one of the first brands to take advantage of it. Benefit Cosmetics and Michael Kors swiftly followed.

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## Social commerce



Consumer-generated content from Instagram on alexandani.com



Consumer-generated content from Instagram on westelm.com



Shoppable Instagram posts from Fox & Fawn

For brands, the big focus ahead with Instagram is how to convert engagement into commerce. Instagram doesn't enable the use of links in photo captions and comments, meaning brands have to be more creative with how to make the connection from their content to purchase. Many are creating workarounds by trialling their own initiatives directly on the platform.

Bergdorf Goodman references phone numbers to call, while Topshop puts prices and specific product codes up so users can find them on the website. Brooklyn-based vintage store Fox & Fawn has a process that enables users who are set up in its system with their credit card details to buy simply by

commenting on images. An average of 25% of its daily sales are via Instagram.

It's user-generated content that is having the biggest impact, however. As Galloway said: "Visual media do more than communicate information, they inspire emotion and action. Serving a potent cocktail of visual and mobile, Instagram could be the first platform that delivers on the promise of social commerce via the power of user-generated content."

## .....📷 #YOUGOTTHIS 📷.....



Kate Spade's most recent UGC campaign, #yougotthis, as showcased on its homepage

Olapic was a partner on the L2 report. [As previously reported on WGSN](#), this is a tool that helps retailers collate crowdsourced content and embed it in their e-commerce sites. According to its own statistics, featuring this kind of content at the point of purchase boosts conversion up to 7%.

It has worked with Nasty Gal, Desigual, Coach, Guess, West Elm and Lululemon, while a campaign with New Balance for its Heidi Klum line saw more than 6,000 Instagram photos submitted tagged with '#HKNB', driving a conversion rate of 39%.

"Engagement is important, but there is a universe of value that most brands have yet to unlock with customer-generated visual content: e-commerce," said Pau Sabria, cofounder of Olapic. "We predict that in the near future, brands featuring user-generated content alongside brand-created content will be the rule rather than the exception."