The future of social commerce

Social commerce has been slow to develop but new opportunities from Facebook and others could now see its potential realised

By Paul Armstrong, *Digital Orange Consulting*

Social commerce has become the latest in a long line of abuses by an industry that seems hell-bent on short-term returns, but it should be at the top of your to-do list and not the bottom.

Internet retailing is predicted to take in $279 billion by 2015 (source: Forrester) with 10-15% of all spend by 2018 via social commerce channels, according to IDC. As a nation, the UK spent 3.57 billion hours shopping online in 2012. Without any context it's a large number, but of all the time spent online (more than 37 billion hours) it equates to approximately 10% of all activity online. Experian data shows that for every hour we spend online, 10% is spent shopping. Yet even in the face of such opportunity, many Fortune 500 companies are still happy to accept that social commerce is low on their priorities lists, favouring engagement over real investment.

There are a number of factors that can cause inertia.

- **Fragmentation:** the complexity of the social commerce arena is not helped by having myriad strategies, many of which – such as group buying, buy sharing, curation, social advice, co-shopping, shoppable videos and timed sales – aren't even half a decade old. Yet many have been dismissed as if

© Apple Inc

Apple's Passbook app: the 'digital wallet', managing items such as loyalty cards and boarding passes

they had been properly tried and tested for decades. Misguided strategies with bluntly applied mechanics for quick spikes are being deployed instead of increasing sales on a long-term basis. Worse still, efforts are poorly measured or, in some cases, totally unmeasured. These are the core reasons why social commerce has yet to fully flourish.

The failure of early Facebook shops led brands to conclude that social commerce doesn't work, and the spate of recent F-shop takedowns could lead you to believe that social commerce is dead. I would argue the opposite – big mistakes were made (such as lack of explanation, poor value proposition, over-populated layouts) and behaviours did not match the desired outcome. It is no secret that not everyone buys things through Facebook – only 2% of Facebook's users have ever made a purchase through the social network. Yet with newsfeeds gathering momentum and ad types becoming more specific, it could be said to offer the perfect storm for brands that test and learn. It is also about to get a huge shot in the arm in the form of Facebook Gifts — physical gifts sent and paid for via Facebook. Smart brands are jumping on board and it will soon be starting to ship goods outside the US.

- **Fragmented vendor landscape:** 2012 saw a variety of interesting things happen in the social commerce space. Major player Payvment shut down and moved its 200,000-plus Facebook merchants to competitor Ecwid. Soldsie now allows people to buy directly by simply commenting on a Facebook post. Facebook is offering rechargeable virtual gift cards, similar to Apple's Passbook. Twitter gave us Vine, which effectively enables companies to create six-second ads on Twitter and embed point-of-sale codes within them. It's a busy mess out there. It's no wonder brands don't know where to turn or what to do.
- **Results are PR-driven instead of metric-driven:** time and time again we see huge brands spend big money on lavish but lacklustre examples of social commerce, such as the world's first Tweet-purchase shop from Kellogg, a fragrance from Pizza Hut or vouchers from Starbucks. Instead of these so-so initiatives, wouldn't it be nice to have objectives that go beyond column inches and into increased footfall, direct sales, increased basket sizes or (gulp) new revenue streams generated by crowd-created fashion lines? We have the tools, so why aren't we using them in favour of PR-focused successes? Practitioners are focused on the wrong elements – short-term wins over long-term gains (and serving the customer better every time). This is what social commerce does best, yet rarely is it being used to do this.

There is no simple fix. It's a hard-knock life out there for an F-Shop (or any shop, for that matter). Selling online via these networks remains fraught with issues. When you look at research into why people don't buy on sites such as Facebook, you hear words like 'trust' (54% of people do not trust Facebook, according to CNBC), 'unmet, inflated expectations' and 'friction to purchase' barriers. Problems like these take a while to fix.

Amex's 'Pay-by-Tweet' is a great example. Previously, users could only receive discounts on products but recent updates enable users to buy directly through Twitter by using specific hashtags and then retweeting the confirmation tweet within 15 minutes. After this, payment is taken from the Amex account that is synced with the Twitter account and goods are shipped directly to the consumer. It's simple, measurable, scalable and targetable.

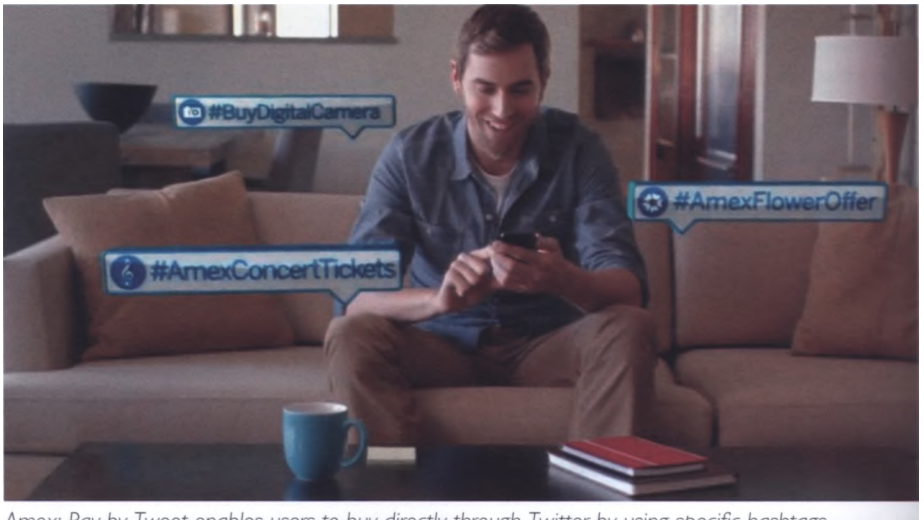
There are other examples of brands creating real value for themselves and customers: Nike's Tumblr Store, ASOS's regular Facebook timed sales and Zappo's Pinterest efforts with 'Pinpointing'. These are calculated risks but with proper back-ends and thinking behind them.

OPPORTUNITIES AND OBSTACLES

To future-proof their efforts, brands need to be aware of several factors that will help (or hinder) their success.

Facebook transactions

The way the networks continue to morph, it is becoming clear that the opportunities for social commerce – bear in mind that it is predicted to be a $60 billion market by 2016 – will increasingly come from outside the networks. Brands will want to use data from the networks to help their own sites, but it is unlikely to be that simple. Not only do they face the barriers outlined above, but the networks don't like eyeballs leaving their site for yours. It's a classic media dichotomy: 'I want your money but I would rather not have people leave my site.' Nor do the users – ads that link to other sites tend to have lower click-through rates than those that keep people inside a network. The exception is Twitter, where it has always been acceptable for people to jump in and out of the stream, but now



Amex: Pay-by-Tweet enables users to buy directly through Twitter by using specific hashtags

even Twitter is getting wise and introducing 'cards' to keep people on the network longer.

User experiences

This element of the current failure of social commerce cannot be understated. Right now there isn't a single frictionless process on many sites – Twitter included – to pay for things. This is mainly to do with the big boys not playing nicely. Apple is a great example of when it works (and also, ironically, a huge part of the problem). It has a system that has hundreds of millions of credit card details, payments and micropayments flowing – it's a beautiful, well-designed system. Most outfits cannot say the same – check-out procedures are clunky and often require credit card details and passwords to be entered, accounts to be created and so on. If it's not simple or familiar, people run a mile. Study after study confirms this – if you have no 'acceptable' way to pay (think iTunes), the chances are you are failing to convert potential buyers at the rate you would like.

Social graph plug-ins

Most brands have big, flashy websites. These are often clunky and costly to update. Yet, to get good analytics and 'close the hook' – so that people arriving from social platforms such as Facebook can be appropriately treated and counted – simple code changes are needed to the back-end. Most brands aren't connecting the dots to get the best value from the analytics available. Adding the social plug-ins Facebook offers is a pretty quick affair – a few lines of code depending on which one you choose and, *voila,* you can start getting some pretty good data and interaction on the site. As with all good social, it's not necessarily what you use, but how you use it. Inertia is an easy trap to fall into; my advice is think long-term and decide if social is going to be a way you will make money in the future. It is 'Could it? Should it? Will it?' time.

Retail race

Facebook Offers, Facebook Gifts (estimated to make $100 million to $1 billion in 2013 alone) and discounts have made companies a tiny fortune in previous years. As they push further into mobile, Facebook seems focused on connecting the online (i.e. mobile) with the offline. This year, we will see an increased adoption of the scanable barcodes, Passbook cards and unique codes that the retail sector loves. Yet 'brand cannot live on discount alone'. It's a dangerous precedent to set in communities as you risk a race that no one wants to win or be in.

Using the data outside the network is likely to be the best way to ensure real return on investment. C&A's 'Fashion Like' campaign did a superb job of this in Brazil, where it equipped coat hangers with live 'like' counts that the item of clothing had received online. Ideally this campaign would have been a properly measured piece of retail activity instead of the flashy exercise it was (data such as footfall benchmarks and sales spikes was not measured). However, the campaign worked. This is basic psychology being applied in a modern world. Social commerce is not difficult – it has just got a lot in the way of it.

Interest opportunity

In the research at Mindshare, we proposed that a person's interest graph was the biggest opportunity for social commerce because this did not depend on the size of one's network (like the social graph). Instead, it is focused on the person. This proposes the biggest ability to map existing customers to create new ones who are similar – in nature or need state. This is why Facebook introduced Custom and Lookalike audience functionality last year – incredibly powerful tools, but if they are wielded in the wrong way, you miss the whole point of social commerce. It's got to be personal, not just personalised.

The research was before Facebook's Graph Search was announced, which has the biggest potential to upset the apple cart as it could redefine how people research products, group-buy and are sold to on the platform (and outside it). The potential is almost unimaginable considering the scale of the blue beast.

Facebook has plenty of life in it, but it must walk a difficult path. The ability to keep brands happy and users interested while creating new revenue streams and maintaining a dangerous reliance on a central food source (the newsfeed) will be key to future success.

The steps Facebook is taking (mobile wallet, real-world gift delivery, one-click ads) make a lot of sense — any move will take time and require a significant amount of user education and an obsession with UX. I suspect that with the rise of mobile purchases, we will see Facebook naturally play a larger part in most brand commerce strategies — either direct from the newsfeed or outside the ecosystem entirely.

Between Facebook Gifts, Amazon Pages, Amazon 'Friends and Family', Pinterest and Tumblr stores, social commerce remains a confusing space for many brands.

This is already shaping up to be the year social media grows up and becomes more accountable than in previous years, which can only be a good thing for all parties. It's clear that, for now at least, the opportunities for many lie with converting existing customers (fan retention/short-term) versus acquisition (amplification/long-term). Whether you jump on the latest hot new thing (such as Polyvore) or really get your house in order (think Network Analysis, influencer activation, analytics on site), a strong test-and-learn strategy, along with a 'fail fast' mentality, will stand you in the best stead – now and in the future.

> "This is already shaping up to be the year social media grows up and becomes more accountable than in previous years"

more on social media's RoI at www.warc.com

Fonte: Admap, Washington, v. 48, n. 7 , p.29-31 , july/aug. 2013.