Social Commerce: The transformation of eCommerce with Social Computing

Ranan Bhattacharya, August 14th, 2013
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1. About this document

This white paper aims to help readers understand the impact of Social Media on eCommerce businesses in the current economic environment. Retailers and ecommerce businesses need to leverage the reach of Social Media to connect with a bigger audience. This paper will explain how to utilize the power of social platforms to influence people's choice and increase sales.

The content organization of the paper is as follows:

1.1   Introduction to the transition from eCommerce 1.0 to eCommerce 2.0
1.2   The required Business Strategies to get the best benefit out of social engagement
1.3   Challenges that come in the way of transformation
1.4   How to achieve business transformation in the eCommerce space

2. Keywords

eCommerce, Social Computing, Business Transformation, Gamification, Social Analytics

3. Introduction – Transition from eCommerce 1.0 to eCommerce 2.0

eCommerce changes in accordance with social trends and hence it is important for eCommerce retailers to improve social engagement. However, most eCommerce retailers did not leverage the power of social computing until a few years ago.

During the initial DOTCOM boom, eCommerce was mostly considered as just a means to make an online payment to purchase a product without physically visiting a store. However, there were serious problems with timely delivery, quality of the product, as well as payment failure and return policies. Consumers were reluctant to use ecommerce sites due to plummeting brand values despite huge investments on marketing and sales.

The complete dynamics of eCommerce has changed over the last few years where people have started using the power of social computing. As shown in Figure 1, instead of mainly focusing on direct marketing and sales, retailers have started networking to reach out to a bigger mass, and using social connections to interact with people they would not have reached earlier.
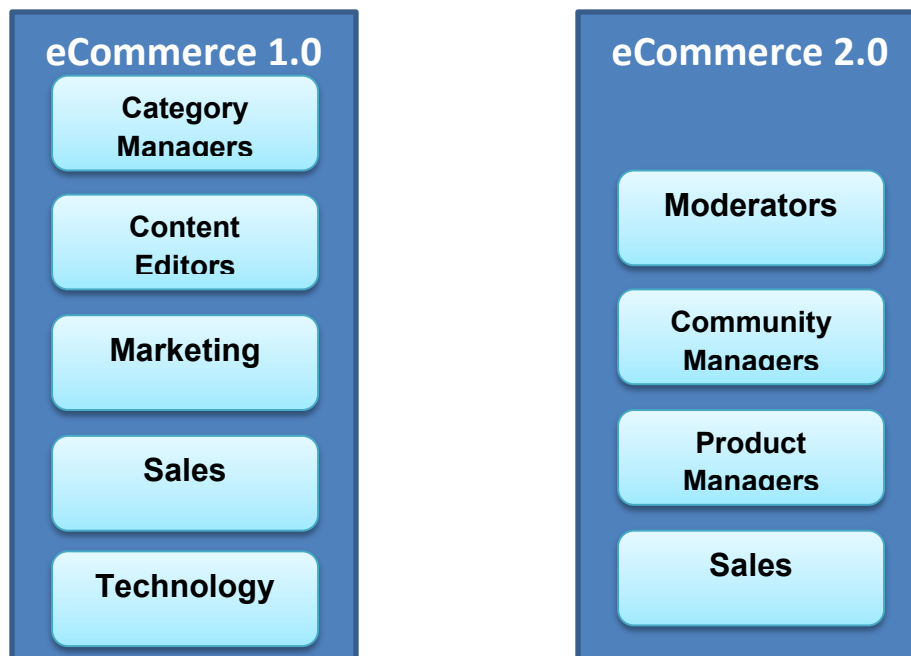
eCommerce 1.0	eCommerce 2.0
Category Managers	
Content Editors	Moderators
Marketing	Community Managers
Sales	Product Managers
Technology	Sales

Figure 1: Changing dynamics of eCommerce Operation

In the earlier years of conception, eCommerce was a solo experience with little social or emotional appeal which is totally out of sync with the shopping experience most buyers want and expect. Shopping is usually a social activity and shoppers prefer to shop with their dear ones and then share the experience and feedback with their peers. Shoppers currently expect a similar social experience when they transact online. Shoppers want to know about a product from their friends or relatives before buying. Studies have shown that people rely more on what their friends or relatives are saying about a product compared to the direct marketing pitch of a merchant. Also, eCommerce 2.0 has successfully addressed the challenges related to timely delivery, payment and return policies.

However, the real solution does not lie in integrating commercial transactions into social networking sites but in creating a social layer on online commerce sites. Figure 2 gives a snapshot of the eCommerce revenues generated from various social platforms such as Facebook, Twitter, Google+. Tumblr, Pinterest etc.
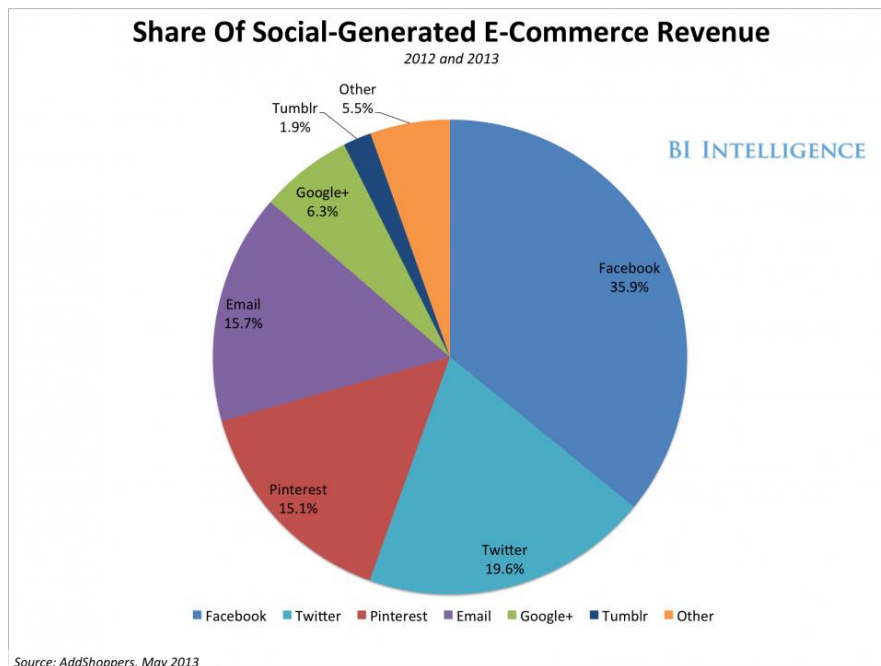

Figure 2: eCommerce revenues from Social platforms

4. Strategies for Business Transformation

Social commerce offers significant advantages to retailers by enabling them to reacha larger mass through collaborative shopping. Integrated social computing provides the following key business advantages to eCommerce retailers.

4.1 Enhanced brand awareness with seamless social sharing

Social media is the best tool for any retailer to reach a larger mass through extensive networks. People start following retailers on social platforms which in turn enhances the brand value of the retailer. Brand perception originates on social networking sites and is shared and modified by users in the public domain. Hence it is very important for an organization to transform into a community entity from an individual entity.

Regular appreciation and user endorsements on social networking sites such as Facebook, Twitter, Google+, LinkedIn, Blogger etc., can be used to increase visibility and create awareness about the company and the product which helps to further reinforce brand value.

Figure 3: Branding through Social Media

The strength of social media lies in its ability to spread news rapidly to a vast audience. Companies can leverage customers' ability to popularize the brand among their connections and this leads to an inherited trust on one's brand through customer recommendations.

This trend forms the core of a new model of eCommerce, Shopper 2.0, which model talks about integrating with social networking sites. In this approach, there are three phases of customer interaction as demonstrated in Figure 3.

1. **Before Purchase**

    People do a market research about a product before buying it. During this phase, the users look for opinions from their connections.

2. **During Purchase**

    In this phase, the users look for options to personalize or customize the eCommerce portals

3. **After Purchase**

    In this phase, the users start sharing their experience and provide feedback about the product and the complete purchasing experience.

4.2   Multiply sales through social recommendation

Promotion enhances awareness about a product or service but does not vouch for increase in sales revenues. Revenue is generated when people start buying the product. The major goal of the sales team is to influence the buyer to buy the particular product. One of the best ways to achieve this is to use existing users who will work as marketing partners for the product by recommending it to their friends/connections on social media sites.

This is more of PULL marketing and sales mechanism compared to the conventional PUSH sales model as depicted in Figure 4.

Figure 4: Pull vs Push Sales through Social Media

Every brand wants to be the center of interest and the preferred choice of consumers. Forbes suggests that a brand needs to create a social media presence and build relationships with prospective customers to achieve this. As consumers generally share comments and feedback about products, a brand with a large number of connections will get to know about what people are saying about the brand.

Repeat business is the strongest model for any organization as it reduces the burden of convincing the customer from scratch. Social computing works as the best medium for getting easy referrals. A satisfied customer's connections and friends on social media sites become referrals for potential customers. The sales team just needs to reach out to a satisfied user's social circle instead of individually identifying potential buyers.

4.3   Improve participation and engagement via loyalty and gamification

It is important for any retailer to get a holistic view of its most valuable customers and this can easily be achieved with a social-powered loyalty and referral program. Introduce the concepts of rewards, recognition, loyalty points, badge and special status from the world of games to offer incentives to customers so that they feel rewarded and recognized.

Studies have shown that users spend more time on social networking sites when proper user management and loyalty programs are introduced.

Gamification helps to get the best out of customers' connections by stimulating interaction which has been proved on Facebook and Twitter. However, increased interaction on these sites does not necessarily mean the best interaction. Concepts of rewards, loyalty, referral, bonus etc. encourage interaction among connections.
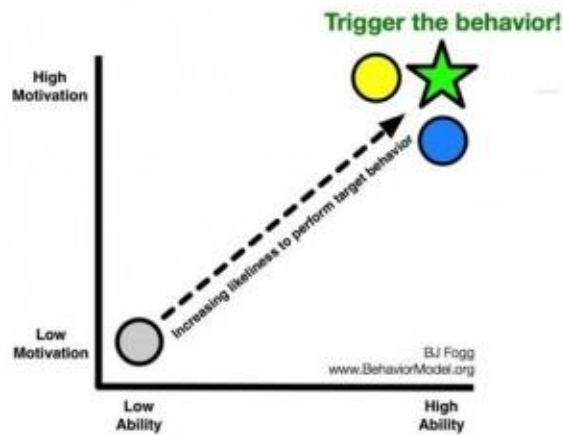
Figure 5: Fogg's Behaviour Model

In order to understand how it works, we need to take a look at Fogg's Behaviour Model (Figure 5), which was selected by the World Economic Forum as their framework for health behavior change.
Fogg identifies three factors whose convergence is necessary for interaction:

- **Motivation** – the want or desire to do something
- **Ability** – the necessary resources
- **Trigger** – the 'spark,' 'signal,' or 'facilitator'

The main intent of gamification is to change the customer engagement type from awareness to advocacy by creating rich social experiences that will drive customers to talk about your brand. Figure 6 depicts the different phases of customer engagement.
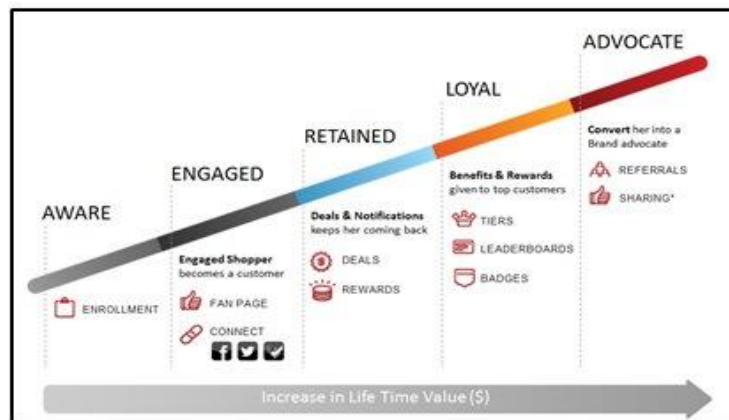

Figure 6: Make users more engaged & loyal

4.4   Measure market trends using social analytics

Social media reports help to get a pulse of the customer sentiment. This information on sentiments, preferences or trends can be used for targeting and personalization.

Figure 7 represents a snapshot of what social analytics can provide us. With social analytics, you can obtain a detailed report on various parameters such as region, demography, business line, social platform etc. Figure 7 is an example of how analytics of online customer behavior gives more relevant data to retailers with more accurate demographics and trending items/products. Social analytics delivers reports on which sites are linking to your content, how consumers are engaging with your brand on social networks, engagement metrics including details of traffic from each social network and the path followed by visitors from social networks took through your site.

Also, these reports can help an organization to measure the ROI from engaging with customers on social networks.
Analyzing information available on social networking sites helps brands unlock value by identifying emerging market trends and preferences. As a result, brands do not need to depend upon physical survey results which are time consuming and prone to data manipulation.
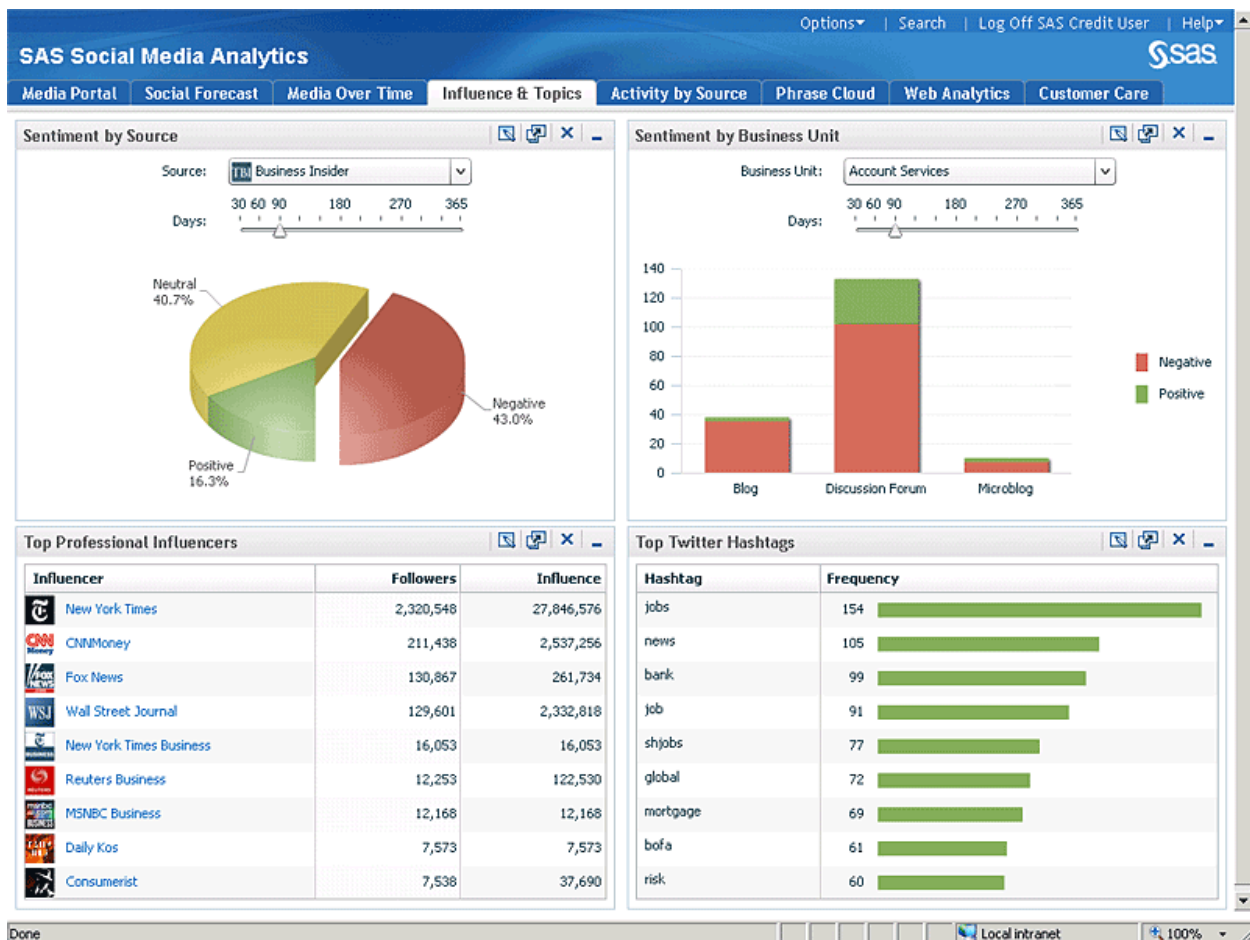

Figure 7: Social Media Analytics

5. Challenges in the way of transformation

While engaging with customers on social platforms is a business imperative in the current fast paced digital landscape, the exercise comes with its own set of challenges:

- Social networks are usually private spaces and hence uncontrolled invasion may lead to direct rejection by the users. In fact this can be damaging to social network platforms as well, as users may stop visiting the site to avoid invasion of their privacy. At the same time, brands cannot ignore a platform which provides access to billions of connected users.
- A Forrester research report reveals that 36% of respondents do not like to receive mails even from their favorite retailer while 56% claimed that friends and family are their top brand influencers.
- The social space should not be used primarily to drive sales. Pushing people to buy sometimes sends a negative signal and may alienate users. The main focus of brands' social media activity should lie in customer engagement and retention.
- The other challenge is to stay simple during changing trends and stiff competition. A fundamental tenet of eCommerce lies in providing simplistic solutions to buyers. Consumers will not invest much effort when trying to buy something online and this is truer for an irregular shopper who ends up on a retailer's site because of a social recommendation. The intent to buy is very fragile and can quickly evaporate in case of any complexity. Presently several eCommerce sites include many intermediate steps before the user can click on the 'Buy' button. Whatever be the mode, the user interface needs to be absolutely effortless.

6. The business transformation in eCommerce space

Social media has brought in a huge change in the way businesses and customers interact. Customers finally have direct contact with merchants and can engage in real time, back and forth communication with a brand. The consumers can verify the authenticity of the brand, compare online with other similar products and then finally can make a decision.

Further, penetration of internet and smart phone devices has resulted in people being connected a24/7. Advanced technologies empower consumers and businesses to come up to a common platform to stay connected.

The following section describes the measures initiated by companies worldwide to transform their eCommerce business.

- Retailers add social network plugins to their online applications to enable users to be interactive. In such cases, users have the option to log in using their social networking credentials instead of creating a new profile which becomes cumbersome to maintain. Retailers start campaigns with incentives for sharing and referrals.
- When shoppers make purchases, they are encouraged to share the name of the online store or their experience with their friends. In return they get loyalty points or rewards which encourages repeat buying.
- When buyers share product or store related information or experience, their friends get to see it on social networks. This stirs interest among buyers' connections/friends to know more about the product and they can simply click on the link and visit the same store. Sites like Tumblr, Pinterest, Instagram, and Wanelo are becoming online catalogues for shopping ideas, fashion tips, and wish lists.
- Friends of buyers are also offered incentives or discounts to purchase, so they buy what they want and save some money. This expands customer base and creates awareness about the product among more people in the chain.
- In the whole process, retailers gain new customers, shoppers get rewards, and friends save money — hence it's a win-win for everyone in the circle.

	Traditional eCommerce	Social eCommerce
Implementation Dynamics	Inventory management and traditional supply chain	Resource optimization with delayed integration

Business Case	Merchants develop online store with a channel to pay online	Retailers provide online store with plug-ins for users to compare, buy and share experience
Business Processes	Branding, marketing and sales	Create awareness, engage and retain
Choice Of Products	Comparison buying is not possible	Comparison buying is possible
Financial transactions	Physical financial transaction with limited options and offers	Multiple payment options with various loyalty programs, rewards and offers
Cost	Higher	Lower
Reliability	Based on brand value	Higher, references from known circle of people
Flexibility	Lower, resources available from only one inventory	Higher, resources available from multiple marketplaces
Frequency of Transactions	Smaller frequency with higher value per transaction	Mass market but lower value per transaction

7. Conclusion

Warren Buffet said, "If you lose money for the firm I will be understanding. If you lose reputation I will be ruthless." Companies should use social media to manage their reputation.

The future lies in connected businesses where M2M (machine to machine) communication will be the backbone. In the retail world, stores and malls now contain "Experience Stations" and other interactive POS devices empowered with Internet to provide feedback and be managed remotely. In the near future, smart vending machines will be able to handle secure, cashless payments and check inventory levels.

More importantly, retailers need to exploit the social medium to increase engagement with the users. On one hand, this makes end users feel rewarded and recognized for sharing experiences and helping to expand the customer base of the company while on the other hand, businesses enhance their branding and marketing reach through referrals and repeat business. At the end of the day, it is a win-win situation for both retailers and users brought together by social media.

With social integration, retailers and marketers gain a better understanding of their customers and prospects. This in turn helps businesses to design and deliver meaningful experiences to ensure long-term customer loyalty resulting in repeat business.

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9. About the Author

Ranan Bhattacharya is an Engineering Manager at HappiestMinds Technologies Pvt. Ltd. with 11 years of experience in leading and managing project teams across geographies. Presently he manages product engineering teams that deliver products on Social Computing, Cloud Computing and Analytics. His areas of strength include applying Scrum in a distributed environment to successfully deliver multiple releases for enterprise level products. Prior to his engagement with HappiestMinds, he has worked with Infosys Technologies Ltd. and SunGard Global Services.

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