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Social Commerce Trends Report

EUROPE 2012

Table of Contents

Overview.....	1
Key themes for 2012	
Social is a paradigm shift	2
Social data reveals the why behind the buy	4
Becoming customer-centric demands cultural and organisational transformation	8
Context is king in social data	13
Conclusion	14

What's Next. Now.

Every year, thought leaders from top global brands come to Social Commerce Summit Europe to share the ideas and trends that will shape the future of customer centricity.

These four trends represent the themes driving social today.

Social is a paradigm shift.

We've moved from channeled experiences and brand-controlled messages to empowered consumers in a channel-agnostic marketplace. Companies should recognise and accept the enormity of this change.

Social data reveals the why behind the buy. Customer conversations create an insight-rich gold mine for businesses. The awesome power of conversation will be felt in the insights gained and the actions inspired.

Becoming customer-centric demands organisational transformation.

Capturing the full value of social data takes place across the entire organisation, often requiring cultural changes. Social data can drive change beyond marketing, impacting sales, customer service, and product development.

Context is king in social data.

To be successful, internal and external social efforts must be designed and evaluated in relation to the larger context of business goals and historical shifts.

This report explores each of these themes, with input from the thought leaders featured at Social Commerce Summit Europe 2011.

Thought leaders share trends shaping social business.

Social is a paradigm shift

Today's market and the ways we shop, buy, and sell, are fundamentally and irreversibly different than the market of yesterday. Digital has unleashed a fount of media choice for consumers, fragmenting the once-captive consumer audience. Digital has demolished the walls between channels, blending the physical world with the digital world through smart phones, in-store kiosks, tablets, and increased internet access. Meanwhile, social has given consumers a voice – a voice they've come to expect and demand from the media and brands they interact with.

This new marketplace brings new rules and metrics for acquiring, retaining, and interacting with customers. With these changes come both challenges and opportunities for brands.

We're living an empowered consumer renaissance. JP Rangaswami, Chief Scientist for Salesforce.com, calls the current era a consumer renaissance, a return to the pre-broadcast age of empowered consumers. In the broadcast age, brands told customers to "Come into my parlour" – interrupting broadcast media whether the audience wanted it to or not.

But social and the ubiquity of media have fractured the collective audience, giving more power to consumers. And where once brands talked and consumers had no choice but listen, consumers now have voices as

well – often louder than brands'. Rangaswami explains: "The power of selling has been with the seller because of the broadcast model and advertising culture. Over the last few years, technology has changed. The customer is now exercising this power."

We're witnessing a return to attraction rather than interruption – today's brands must instead ask, "May I come into your parlour?" Reach and impressions become less important as companies focus more on ongoing engagement, relationships, and lifetime customer value. "A year ago, the number of fans you had on Facebook would have been a great metric. But today, not so much," says Sue MacMillan, Head of Direct for Hobbs.

The web will be rebuilt around people.

This renaissance applies to the web, too. A new, social web is being rebuilt – this time around people, says Facebook's Head of Commerce Partnerships, Gavin Sathianathan. We moved from browsing portals in the '90s to the search era in the early 2000s. Search is still a critical mechanism for the web, but time spent on search is up just 1%, compared to a 50% increase in time spent on social networks, says Sathianathan.

Today, Facebook alone matches the size of the web in 2004, and time spent on social networks surpassed time spent on email two years ago. As Delphine Remy-Boutang, WW Digital, Social Media Marketing Manager at IBM, reveals: "Fifteen years ago we had email, and only a few people had social tools. Now, that's all we do. Social media will replace email, and the social interaction will take over."

This new online era demands new business strategies. Social is not about a specific social network, product, or channel - it's about people, their conversations, and the insights these reveal.

The walls between channels have crumbled. Over the next two years, more than half of all retail transactions will be influenced by the web.¹ Consumers float between channels while researching and buying: trying on clothing in a department store before buying later online, reading reviews on a smart phone while strolling a shopping aisle, liking a friend's new car on Facebook then searching for its highway mileage on Google.

Customers do not silo their experiences with a brand into online, in-store, mobile, etc. They expect a consistent customer experience with that brand across channels. To achieve this,

brands must un-silo just as consumers have. Rather than pigeon-hole social as a marketing effort, companies should make social a part of every aspect of the business, and strive to deliver a consistent customer experience across channels. "Make sure that social is baked in, so that it's just there - like electricity or plumbing," says Facebook's Sathianathan.



Facebook's Gavin Sathianathan encourages brands to "bake in" social throughout the organisation.

Social data reveals the why behind the buy

Since the beginning of commerce, humans have relied on word of mouth to make decisions. Today, opinions from peers are still the most trusted information for purchase decisions. Ninety percent of consumers now trust peer recommendations, compared to only 14% who trust advertising.²

Now that word of mouth is online, we've given it massive scale. Indeed, 3,000 pieces of user-generated content are served per second across all sites that use Bazaarvoice technology. Within this massive online conversation are data points about customers containing tremendous insights businesses have never before been able to access. This newly-available data gives companies an opportunity – and an imperative – to align more closely to the needs of customers.

Social is the new focus group. Before social, indirect metrics attempted to explain what customers were thinking and feeling. Time-on-site may have indicated willingness to buy. High return rates may have flagged a product flaw. Flawed methods like traditional focus groups and market research attempted to gauge customer sentiment.

But these attempted indicators and proxies are far from reliable. As Rory Sutherland, Vice Chairman of Ogilvy Group says, “Market research is de-contextualised: it takes place far from

the point in time and the environment where decisions are made. Listening to people in social media is fantastic because the comment is made at the moment of high engagement. What you learn through this kind of medium cannot be gathered through research.”

Christian Kraus, Head of Social Media for Conrad Electronic, agrees. “In the



Ogilvy's Rory Sutherland says insights from social can't be gained through traditional research.

past companies were working inside out: we create the experience and products, and that's what customers get. Now, customer intelligence is trying to change that.”

Social data eliminates the guesswork. “The social web is where customers are expressing freely what they feel about your products and services,” says Salesforce.com's Rangaswami. Companies that encourage this

conversation find customers willingly explain what they like and dislike about products and services; how they use them in their lives; how the product, service, or brand makes them feel; and other actionable information businesses are hungry for. “Analytics told us the *what*,” explains Brett Hurt, CEO, Bazaarvoice. “Social finally tells us the *why*.”

Raj Rao, Global Director for Digital Marketing and eCommerce at 3M, concurs. “Virtual consumer panels can give you an early opportunity to connect with your customers. The feedback you get is an opportunity to understand ROI.”

This deeper customer understanding helps companies like financial service firm ING become more customer centric. “Before [social data], we had endless presentations of customer satisfaction by charts and diagrams,” says Gabor Dani, Global Head of Strategy, Research and Advertising for ING Group. “Now we continuously gather customer quotes and put these around our offices, showing what our customers actually think. This helps change the whole culture to a humanised one, and we can become a people’s business.”

Data is only as good as the action it drives. Social is generating an explosive amount of customer data. This data is like a new alternative energy – a ubiquitous resource we

can extract and use to power future innovation. But like oil, data has to be refined. It’s no longer enough to simply aggregate what customers are saying. Businesses should refine data into insights and trends that drive action. What story is the data telling? How should that story affect decisions across the business?



As the quantity of available data grows exponentially, parsing it into these insights is an increasingly important challenge. “The challenge, in a retail world driven by data, isn’t to get more data; it is to find out what to do with it,” says Ian Jindal, Editor in Chief, *Internet Retailing*.

Hobbs' MacMillan agrees: "The challenge is not only leveraging this contact with customers and exploiting the technology we have, but it's also understanding how this technology can be used to do the right thing."

Trends in customer data can reveal what customers want before what they want is even available. Businesses can use these trends to guide and inspire future innovations across the organisation. The data across the social web holds a wealth of customer insight for every area of a business – sales, products, marketing, customer service, merchandising, and more.

"Customers quite easily tell you what's wrong, and they'll also tell you what's right," says Jonathon Brown, Head of Online for John Lewis. "And if you act on both in a way that moves your business forward, you'll make a big difference."

Trends in customer data can reveal what customers want before it is even available, inspiring customer-centric innovation.

It pays to be customer-centric. Trusted customer content is proven to drive sales, decrease returns and support costs, inspire product innovation, and power effective marketing. "Our conversion rate is 150% higher where people have interacted with UGC, and the sales team always wants more content, as it impacts revenue," says Max Sydenham, Digital Content Manager at Buyagift.

Jenny Ashmore, Mars



Gabor Dani, ING Group



Sue MacMillan, Hobbs



Miika Malinen, Director of E-Commerce at Hong Kong Express, reflects on how customer feedback has elevated his business. “We launched reviews the same day we opened our online store, and right from the start they had an amazing impact on our online business.”

Many companies find that engaging their customers makes them more loyal, and helps identify their best advocates. “Promoters are not just telling family and friends how good we are, but they buy more from us, repeat purchases, and are less price sensitive,” says ING’s Dani. As the firm’s biggest fans, promoters also leave high ratings and actionable suggestions for improvement.

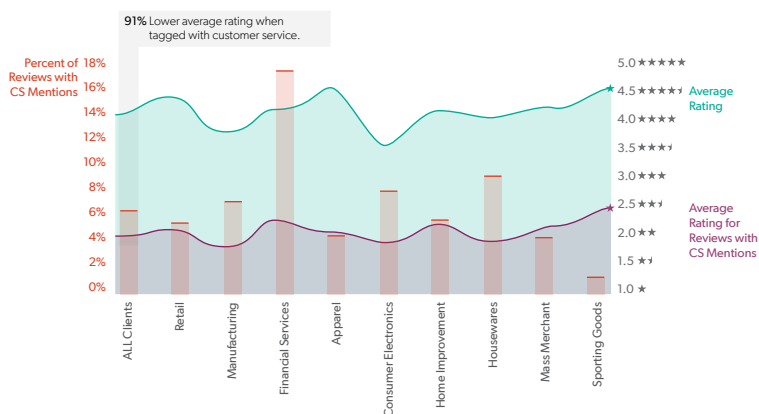
Even negative feedback helps cut costs. Sentiment trends quickly identify products that need attention. White-good retailer Conrad noticed a top-selling product had very low ratings. Mining the reviews revealed

that the product would often arrive broken, but customers didn’t return it or contact customer service because the product was so inexpensive. Reviews uncovered this issue when other metrics wouldn’t have, helping Conrad save future customers from potentially negative experiences.

ING’s Dani reflects on the futility of fearing what customers are saying. “To be honest, our industry has been living in an ivory tower. We didn’t want to hear any outside comments. But the reality is that even if we don’t check, the word is out there no matter what.”

Rebecca Leng, Customer Communications Manager at John Lewis, explains that negative feedback is an opportunity, not a nuisance. “If we don’t let a customer make a negative review on our site, they will do it somewhere else. We believe in the quality of our products. We’ll take the negative feedback and do something with it.”

Poor service kills ratings: reviews mentioning customer service carry a 91% lower average rating.



Data pulled from 5 million+ customer conversations shows that poor customer service leads to lower product ratings. Companies can act on information found in reviews to deliver better customer experiences.

For more findings like these, download the free **Conversation Index**.

Becoming customer-centric demands cultural and organisational transformation

A decade ago, some businesses began experimenting in ecommerce, selling for the first time through their websites. Eventually, the web store became the biggest store for most businesses. "In other words, online business helped the physical business reach its full potential," explains Mike Svatek, Chief Product Officer, Bazaarvoice. "Today, the same is happening with social data."

Most importantly, social brings companies closer to their customers, the real people who shop for, buy, and use their products and services. By deepening customer intelligence, social enables companies to innovate at the speed of the market, powered by the real needs of the people they serve.

But customer centricity can't be reached overnight. To become truly customer-centric, companies must recognise that social is a paradigm shift in the way business is done.

Customer centricity requires an organisation-wide culture shift.

The shifts in power from broadcast to fragmented media, from brand to consumer, from paid media to earned media, collectively require a new focus for businesses: an obsessive

devotion to understanding and delighting customers. This calls for an organisation-wide culture shift at every level.

Ab Polspoel, Brand Manager at Touring, explains: "Opening up to the voice of the customer and letting go of control is difficult. But [customer

To become truly customer-centric, companies must recognise that social is a paradigm shift in the way business is done.

feedback] will happen anyway, so you better get involved in the conversation. What worked for us was to start small and have different departments involved – a multi-faceted, slow-moving approach."

"It's like being on a date," says Clint Fischerstrom, Web Manager at Phone House Sweden. "You need to listen and not just talk if you want the girl to hang around! The same happens with ecommerce: you listen first, you learn, then you change."

Jenny Ashmore, Global Marketing Capability Officer at Mars (and now Chief Marketing Officer at Yell Group), recounts her former role at Pampers. She was surprised to learn that on her 25-person team, only one had a baby and most of the rest had never actually changed a baby's diaper. She sent everyone on her team out to change diapers and share their experiences. From then on, the team moved from relying solely on market research to actually living and experiencing things their customers are living and experiencing. The Italian CEO at the time even began wearing a pregnancy empathy belly to get closer to the consumer experience.

ING's Dani recounts a similar shock at discovering his team hadn't visited a bank branch in over three months. When they did visit a branch to buy a new product, they weren't subjected to the same application forms and processes customers followed - they were disconnected from the customer experience. Today, ING gives employees weekly customer centricity targets, and have modified their compensation structures around customer centricity.

Dell's seven tips for customer centricity

Dell is recognised worldwide as an early mover and a thought leader in social. The brand has used social data since 2006, both from Bazaarvoice tools and their internal crowd-sourcing engine, Idea Storm.

Michael Buck, Executive Director, Global CSMB Online Marketing and Marketing Strategy for Dell, shares a few of the company's learnings over the years.

1. Learn to accept feedback.

Customer words are a powerful tool to improve, but only if companies internalise them.

2. Make the tough decisions.

If a product shows low customer sentiment, act fast – improve it or kill it.

3. Educate teams to join

the conversation. Social is a dialogue, so teach internal teams how to interact comfortably with customers.

4. Measure success.

Set targets tied to real business goals, and measure progress. Share successes with internal teams and customers alike.

5. Create a cultural focus on the

customer. Drive organisational behavioural change by aligning performance metrics and compensation with customer sentiment.

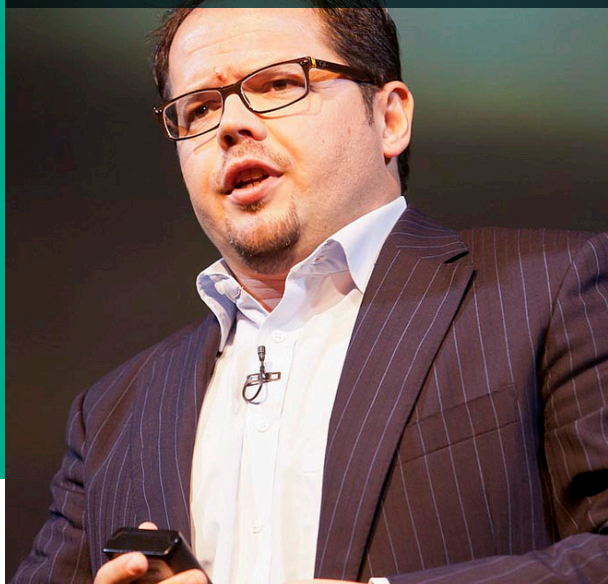
6. Unsilo social efforts.

Be consistently open to feedback at every customer touch point. Build social into marketing, sales, customer services – everywhere customers interact with the brand.

7. Be patient and persistent.

Becoming truly customer-centric takes time to realign the business, especially for a large brand like Dell.

Michael Buck shares Dell's seven tips for customer centricity.



Building a social enterprise takes reorganisation.

New social media requires new types of organisations – and they usually cross departmental borders. As ING's Dani puts it: "Corporations are designed for internal efficiency, not necessarily for customer efficiency."

Jeremiah Owyang, Industry Analyst at Altimeter Group, points out that, while social media initiatives can start out being owned by one department, this one-to-one model cannot scale. He recommends that organisations who wish to pursue social move as quickly as possible to the hub and spoke model, where a core team gives guidance and sets parameters that allow multiple areas of the organisation to participate in social.

Jeremiah presented "Building Your Social Strategy: Prioritising the Coming Year" at Social Commerce Summit Europe 2011; you can read his recommendations on his blog at bv-url.com/Owyang.

He also recommends:

- Get ready internally. Focus first on governance and process, then on education to emerge as a centre of excellence.
- 1:1 will never scale. Leverage the crowd for the first response, then interact in escalation.

- Integrate social to increase relevancy and reduce costs on creating content. Use other people's content, such as customer reviews, to build credibility.
- Standardise with social media management systems, which



help manage potentially thousands of accounts across brands. Invest in this now before individual business units roll out their own sites.

- Remember the future is more than social marketing; it cascades to support, product innovation, and then to the supply chain (with partners).

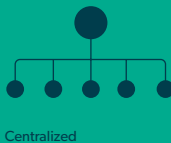
How social organisations evolve

Owyang lists the organisational types that evolve with a brand's social media efforts.

1. **Decentralised.** Anyone can do anything in the company in social, with no organisation.



2. **Centralised.** Typically run by corporate communications; most companies start here.

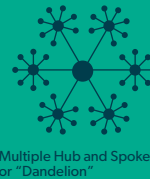


3. **Hub and spoke.** The majority of the companies Owyang has interviewed fall into this group. There is a hub in the

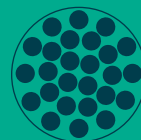


organisation that sets guidelines and gives direction, but actual participation takes place across the organisation. This is the most common type of successful social organisation today.

4. **Multiple hub and spoke or dandelion.** Large, usually tech, socially-advanced brands reach this organisational level. Owyang recommends this model for most brands.



5. **Holistic or honeycomb.** Only 1.5% of companies are here, where the entire organisation uses social media in an organised way. This is the model with the highest level of maturity, and it's difficult to achieve. A few brands that exemplify this include Best Buy, Dell, and Zappos.



Context is king in social data

It's impossible to build an effective social enterprise, or design winning social efforts in the long term, without understanding the enormity of changes we're seeing in the world. Placing social in the right context is critical to successful outcomes. The trends previously discussed in this report emphasise the overarching theme that companies can't afford to be myopic about social's impact on nearly every aspect of business.

Similarly, companies must determine the right contexts for social in their businesses. This not only means considering social efforts in the context of broader business goals, but also considering the context in which to present social data so that it is useful across the enterprise. "It's bigger than a business strategy, bigger than a social strategy," says Erin Nelson, Chief Marketing Officer at Bazaarvoice. "This is a strategy fundamentally about people and customers. And one of the ideas around social is that it is a means to an end."

Evaluate social efforts in the context of real business goals. What does the company hope to achieve through social? "I do really believe that you get what you measure," says Jenny Ashmore of Mars. If success is merely measured by likes, comments, and

retweets, then reevaluate. How are social efforts impacting existing key performance indicators? How are they enabling teams to better meet customers' needs?

Companies should tie social efforts to existing business goals, and keep that obsessive focus on further understanding and delighting customers. "Rather than 'What is my social strategy?' businesses should ask, 'How does social fit across my business?'" says Facebook's Sathianathan.

Easily digestible context around social data drives action. If data is only as powerful as the action it drives, then putting social data in a context that can truly drive change is critical. The average employee can't skim all of a brand's Facebook posts, customer reviews, and Twitter mentions, and come out with an aggregated insight to act on.

Companies can make this data easily consumable by communicating insights in a visual and intuitive context. Data visualisation is a process of putting data in a visual context people can understand. David McCandless, writer and visual data journalist, explains: "Data itself is powerless. But by making data into images, we enable anyone to understand it. We can even reveal something interesting, so that it tells a story."

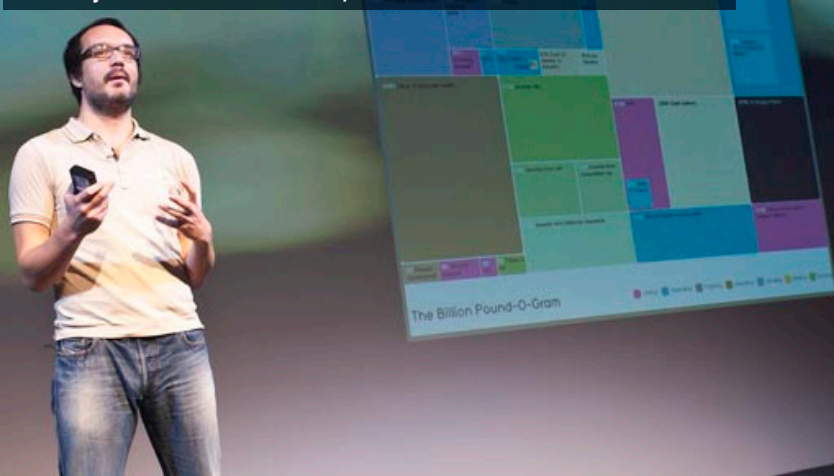
Visualising data makes it useful in decisions by uncovering and helping people understand overall trends. "People say data is the new oil," says McCandless. "For me, data is the new soil: a fertile medium that you can mold and shape and creatively explore until you get amazing results. To me, visualisation is like flowers in bloom."

The impact of social will be bigger than we can predict. Social, for all its importance in our lives today, is still brand new. In less than a decade, social technologies have irreversibly changed our markets for businesses and consumers alike. The trends discussed here will shape the future of business and consumer interaction everywhere. And this is just the beginning.

Footnotes

- 1 Forrester. "What Every Exec Needs to Know About the Future of eCommerce Technology." August 2010.
- 2 Socialnomics. "Social Media Revolution 2011." June 2011.

For data journalist David McCandless, data visualisation is like flowers in bloom.





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