SOCIAL COMMERCE: MONETIZING SOCIAL MEDIA
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• 2009 was the year of social media marketing experimentation. In 2010 marketers are looking to make social media pay. One increasingly popular strategy has been to monetize social media with e-commerce.

• Social commerce is the fusion of social media with e-commerce. More fully, social commerce is a subset of electronic commerce that uses social media, online media that supports social interaction and user contributions, to enhance the online purchase experience.

• Social commerce is not itself new, what is new is the social media and e-commerce technology, such as social media stores and portable social graphs, that have opened up a new range of opportunities for the monetization of social media with e-commerce.

• Social commerce can deliver three key business benefits – social media monetization, e-commerce sales optimization and business model innovation.

• For customers, social commerce can enhance the purchase cycle experience offering trust, utility and fun in three key areas: product discovery, product selection and product referral.

• When deployed to enhance product discovery, social commerce solutions act as Awareness Boosters. For product selection, social commerce acts primarily as a Decision Accelerator, and for product referral social commerce acts as an Advocacy Activator.

• There are essentially two social commerce strategies – ‘putting water-coolers next to tills’ (helping people connect where they buy) and ‘putting tills next to water-coolers’ (helping people buy where they connect).

• There are six distinct dimensions or toolsets for social commerce: Social Shopping, Ratings & Reviews, Recommendations & Referrals, Forums & Communities, Social Media Optimization, and Social Ads and Apps.

• To start out with social commerce, businesses can adopt a LEAD strategy, Listen, Experiment, Apply, Develop.

• The ’3Rs’ of social media measurement can be used to measure social commerce success – ROI, Reputation and Reach, but ROI is the preferred method as it establishes the business case for social commerce, and provides a benchmark for optimization.

• There is the potential to do effective brand building with social commerce using the social psychology of social commerce to create differentiated choice-shaping associations in the mind of the customer based on one or more six universal social intelligence heuristics: popularity, authority, affinity, scarcity, consistency and reciprocity.

• Future trends and opportunities in social commerce include sCRM (social CRM), Mobile Social Commerce, and Curated Social Marketplaces.
2009 began with social media marketing sat atop of a precipitous peak of inflated expectations in the technology hype cycle. In 2010, we are languishing in the depths of the inevitable trough of disillusionment, with precious little evidence that social media delivers on the effective and reliable promotion of goods and services.

In summing up the state of social media marketing today, BusinessWeek likens social media marketing to snake oil, adding to the dodgy image of social media marketing consultants as hype-merchants and charlatans, a motley crew of reconverted estate agents/realtors and ad men, Feng Shui consultants and life coaches. To some, the fall from grace of social media marketing is not surprising since the term itself is something of an oxymoron - social media is conversational media not messaging media. In an assessment of the business value of social media, consultants McKinsey & Co conclude that the primary value lies not in echo-chamber marketing but in knowledge management, internal communication, recruitment and market research.
**SOCIAL COMMERCE: AN ANTIDOTE TO SOCIAL MEDIA SNAKE OIL**

But rumours of the death of social media marketing may be somewhat exaggerated

In 2010 many marketers are now on a slope of social media enlightenment, eschewing talk of social media marketing Revolutions for talk of social media marketing ROI. They are looking beyond faddish hype to establish the hard business case for social media marketing. And the means by which they are doing this is **social commerce** - the fusion of social media with e-commerce. With social commerce, the value of social media marketing is a matter of fact, not opinion. This white paper reviews the marketing opportunities, new and established, in social commerce - the monetization of social media through e-commerce - for brands, businesses and retailers.

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**SOCIAL COMMERCE DEFINED**

- **E-COMMERCE**
  - Buying and selling products and services online

- **SOCIAL COMMERCE**
  - The monetization of social media with e-commerce

- **SOCIAL MEDIA**
  - Online media supporting social interaction and user contributions

Simply defined, social commerce is the fusion of social media with e-commerce, or in the words of IBM, social commerce is basically the concept of word-of-mouth applied to e-commerce. More fully, **social commerce is a subset of electronic commerce that uses social media, online media that supports social interaction and user contributions, to enhance the online purchase experience.** It is also an increasingly popular solution for monetizing social media marketing, the online promotion of goods and services using social media.

Social commerce is not new, although the portmanteau term 'social commerce' is relatively recent; coined by Yahoo! in 2005 to denote online places where people can share experiences, get advice from one another, find goods and services and then purchase them. From this perspective, social commerce is nearly as old as e-commerce itself. Just one year after the first recorded e-commerce transaction (Sting’s CD Album ‘Ten Summoner’s Tales’ containing the hit track ‘Fields of Gold’ on NetMarket.com on August 11, 1994), Amazon was already doing social commerce, inviting customers to publish ratings and reviews of products they had purchased.

What is new, however, is the expansion and mainstreaming of social media over the last couple of years, spawning an expanded range of social commerce tools and opportunities.
Recent examples of social commerce include

- **1-800-Flowers**, setting up the first online retail store embedded into Facebook
- **US fashion chain The Limited**, creating a newsfeed store on Facebook allowing users to buy directly from within newsfeeds
- **Toy manufacturer, Mattel**, adding a ‘social shopping’ toolbar to its e-commerce site, allowing friends to shop and chat together whilst browsing
- **Burberry**, curating a user-generated ‘Art of the Trench’ discussion gallery of customers modelling Burberry trench coats
- **Food processor brand Blendtec**, seeding a series of humorous ‘Will it Blend?’ ads to social media platforms, and in doing so increasing sales by 500%
- **Dell**, offering a ‘deal feed’ on popular micro-blogging service Twitter, netting it over $7m in sales
- **Amazon & Best Buy**, extending their reach beyond their sites with social media services such as social bookmarking ‘universal wishlists’
- **The mainstreaming of Facebook Connect**, a service that adds Facebook functionality to e-commerce, allowing people to shop with their social networks
- **Carrefour**, the world’s second largest retail group, selling on Facebook with ‘Faceshopping’ flash deals, a deal feed for Facebook members only
- **Dell [again]** offering Dell Swarm, a group-buy tool linked to social networks, the more people who buy, the cheaper the price
- **Vente-Privée**, private shopping event site, growing to be Europe’s leading online retail success story powered uniquely by an online member-get-member referral program

A Slice of Life: A flower bouquet that made e-commerce history on July 8, 2009 – the first retail transaction to take place inside the world’s favourite social networking platform Facebook, on the page of U.S. Florist 1-800-Flowers.
Many of these recent examples of social commerce have been made possible by new social media technologies that link social media platforms to e-commerce platforms, either by embedding e-commerce stores directly into social media platforms (where people increasingly spend their time) or by enabling ‘portable social graphs’ that effectively allow visitors to e-commerce sites to bring their social networks with them. Services such as Facebook Connect and Google’s FriendConnect allow visitors to login to e-commerce sites with their social networking accounts and communicate directly with their social networks whilst on those sites.

In essence, portable social graph services allow visitors to e-commerce destinations to bring their friends with them when shopping. Portable social graphs that integrate social networks with e-commerce destinations are part of a suite of social shopping tools covered in more detail below.

Whilst it may be technology that enables social commerce, the rationale is social; helping people connect where they buy and buy where they connect. In practice, this means that social commerce can be summarised in terms of two central activities; putting cash water-coolers next to tills and/or putting cash tills next to water-coolers:

- **Putting cash water-coolers next to tills:**
  Helping people connect where they buy by adding and linking social media tools and content to e-commerce sites. For example, Amazon invites customers to rate and review products on its e-commerce site, and to discuss them in customer forums.

- **Putting cash tills next to water-coolers:**
  Helping people buy where they connect by embedding social media stores and storefronts to popular social media platforms. Leading electronics retailer Best Buy’s storefront in Facebook is an example of the putting tills next to water-coolers approach.
**WHY SOCIAL COMMERCE?**

**BUSINESS PERSPECTIVE**

// Social Media Marketing Monetization: Social commerce helps marketers monetize and measure campaigns. By making social media marketing the independent variable and e-commerce sales the dependant variable, marketers can measure the business value of social media marketing directly, bypassing thorny and unresolved reach and reputation debates about the value of social media marketing. Although criticised by some as a simplistic ‘Posh a’ ‘n’ Becks’ approach to doing social media marketing, social commerce has the advantage of speaking the language of business, using return on investment (ROI) to measure success.

// E-commerce Sales Optimization: Social commerce can drive traffic volume, improve conversion rates and increase average order value for online retailers. By extending their reach beyond e-commerce sites and onto social media platforms, retailers can set up shop where customers are increasingly spending their time. Social commerce software providers such as Bazaarvoice and Power Reviews have amassed a wealth of compelling data to prove the sales value of adding or linking social media tools and content to their own e-commerce sites. For example, UK retailer Argos increased conversion rates by 10% by adding user reviews to its site, US blender manufacturer Blendtec increased sales 500% by seeding video ads to social media platforms and linking them to its e-commerce site, whilst Juicy Couture’s online Club Couture community increased conversion rates by 162%.

// Business Model Innovation: Social Commerce provides businesses with the opportunity to do business model innovation - creating new revenue streams by curating and extracting value from social media content. For example, in the B2B sector, a legal firm called Westlaw sells ‘PeerMonitor’, a paid-for benchmarking service that involves curating user content, in this case self-declared financial and operating information from legal firms, anonymising and bundling it into geo-tagged competitive performance reports. In B2C, Nike and Apple do likewise with Nike+ service, curating runners’ data online to provide collaborative tools and competitive performance reports.

**USER PERSPECTIVE**

From a user perspective, social commerce has nothing to do with social media marketing monetization, e-commerce sales optimization or business model innovation, and everything to do with enhancing online customer experience. Specifically, social commerce offers trust, utility and fun.

// Trust: By facilitating social interaction and user contributions on e-commerce related site, for example by allowing customer ratings and reviews, that site becomes more compelling for users. This is because social media content increases what communication scientists call ‘source credibility’ of sales and marketing messages, making them more believable, persuasive and trustworthy to the user.

// Utility: Social commerce tools, such as the social shopping toolsets that allow people to share the act of online shopping together (synchronous shopping - see below), are useful tools for online shoppers, allowing them to shop smarter through tools such as co-browsing, social bookmarking, and group-buying. By putting these tools at the disposition of customers, brand, businesses and retailers can enhance the online customer experience.

// Fun: In addition to the functional utility of social commerce for users as an aid to product discovery, selection and referral, social commerce may also have emotional value - enhancing the online customer journey into a more naturally engaging and rewarding social experience. Historically, commerce has always been social in nature - people dealing with people, people shopping together. In contrast early e-commerce was a solitary experience, people interacting with software. Social commerce helps make commerce social again.

More specifically, from a customer perspective, social commerce can enhance the customer journey, from initial ‘need recognition’ and ‘product discovery’, through ‘product selection’ and ‘product referral’.

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// Product Discovery: Social commerce can help customers and prospects discover new products in the initial 'need recognition' and 'product search' phases of their customer journey. For instance, discussions in online forums and communities can be useful in helping people become aware of needs they may not know they have, whilst promotional content in social media along with customer recommendations and referrals can help people discover and discuss new products with people they know, like and/or trust. From a business perspective, deploying social commerce as a tool to assist product discovery is to use social commerce as an **Awareness Booster**

// Product Selection: Social commerce can also help at the evaluative product selection phase of the customer journey by promoting informed purchase decisions through independent peer or expert validation through, for example, portable social graphs and customer ratings and reviews software. Deploying social commerce as a tool to assist product selection is to use social commerce as a **Decision Accelerator**

// Product Referral: Social commerce can also help in the post-purchase phase of the customer journey by helping people share their experiences and feedback with others. For example, online word-of-mouth programs can help businesses realise the referral value of customers, whilst building customer loyalty. When deployed at this post-purchase phase of the customer journey, social commerce acts as an **Advocacy Activator**
With social media marketers increasingly seeking to monetize their efforts, e-commerce sites looking to optimize sales, and a number of pioneers experimenting with business model innovation, social commerce integrates a rapidly evolving and fast-expanding toolset. Whilst there are many ways to skin the social commerce cat, most social commerce solutions can be organized into one of six distinct dimensions, each based on a general toolset.

**DIMENSION 1: SOCIAL SHOPPING**
The new kid on the social commerce block, social shopping tools allow people to share the act of online shopping together (synchronous shopping).

**DIMENSION 2: RATINGS & REVIEWS**
The original social commerce toolset, ratings and reviews (epitomised by Amazon’s editorial and customer ratings and reviews) allow people to exchange product feedback and inform each other's choices with independent views and experiences.

**DIMENSION 3: RECOMMENDATIONS & REFERRALS**
Whereas ratings and reviews are usually visible to all, recommendations and referrals are usually personalised social media endorsements for online goods and services designed to realise the referral value of customers and advocates.

**DIMENSION 4: FORUMS & COMMUNITIES**
The unsung hero of social media; forums are popular, useful and effective: For social commerce, forums linked to e-commerce platforms assist product discovery, selection and referrals by providing a moderated and curated environment around a particular theme, task or category.

**DIMENSION 5: SMO (SOCIAL MEDIA OPTIMIZATION)**
A toolset designed, in the context of social commerce, to attract visitors to e-commerce destinations by promoting and publicizing these destinations and content through social media. Typically involves seeding marketing collateral to major social media platforms and linking them to e-commerce sites. Drives up e-commerce traffic volume through direct links and improvement in search engine rankings (SEO).

**DIMENSION 6: SOCIAL ADS & APPS**
Paid-for ads on social media platforms or promotional applications or widgets embedded in social media platforms linking, in the case of social commerce, to e-commerce destinations.
DIMENSION 1: SOCIAL SHOPPING

//Social Media Stores: Enable people to buy where they connect within the walled gardens of a social media platform. Such stores may be storefronts [e.g. Best Buy’s Facebook store (front), full stores with integrated checkout (e.g. 1-800-FLOWERS Facebook store), or a new generation of ‘newsfeed stores’ (e.g. The Limited’s Off The Wall store) that can be syndicated across newsfeeds. With imminent launch of Facebook’s own integrated payment system, social media stores are set to become a major growth area in social commerce

//Portable Social Graphs: Allow social network users to bring their online social networks to e-commerce destinations and interact with their friends and followers directly whilst on the site. Powered by services such as Facebook Connect, Google’s FriendConnect and Fluid’s Fluid Social, they provide e-commerce site visitors with the ability to login simply with their social network details and offer enhanced social shopping functionality such as ‘Ask Your Network’ and ‘Share With Your Network’ services. Used extensively by fashion brands such as Burberry, Juicy Couture, Charlotte Russe, Luckybrand, JanSport and Vans

//Group Buying: Allows people to use their collective buying power to buy together to get better deal, often by recruiting fellow buyers through social networks such as Facebook and Twitter. For example, Dell’s ‘Dell Swarm’ invites people to group together into an online ‘swarm’ to buy computers in bulk, thereby obtaining a better price (iNet and Adidas also offer group buy facilities). Groupon is a successful US city-based group buy social shopping portal, now being cloned in Europe (DailyDeal, MyCityDeal, Wowcher). eWinWin is a leading technology provider offering group buy stores in social networks

//Co-Browsing: Enables people to shop together on an e-commerce site by offering synchronized page views and integrated chat facilities. Fashion retail chain Charlotte Russe and toy manufacturer Mattel are two of an increasing number of brands offering co-browsing services using social shopping software such as DecisionStep’s ShopTogether and Plurchase

//Group Gifting: Enabling people to buy a gift collectively online. For example, big box US electronics retailer BestBuy offers ‘Pitch In’ cards online for group gifting. Social shopping software providers such as eDivvy offer group gifting services for a range of brands/products/sites

//Social Shopping Portals: Enable people to shop multiple stores together using a range of the above social shopping tools, often combined with non-synchronous social commerce tools such as ratings and reviews, recommendations and referrals and social bookmarking (see below). Set to be integrated with price comparison tools (PriceGrabber, Bizrate, NexTag). Current leading social shopping portals include Kaboodle, This Next, Stylefeeder, Storeenvy, Polyvore, Pikaba and Etsy

DIMENSION 2: RATINGS & REVIEWS

//Customer Ratings & Reviews: The word from real customers, either integrated into an e-commerce site (e.g. Amazon, Apple iTunes), social network (e.g. Blippr) or reviews site (e.g. epinions, Buzzillions – often integrated with comparison shopping sites [PriceGrabber, Bizrate, NexTag]). Leading customer ratings and reviews software providers include PowerReviews, Bazaarvoice and Amazon itself

//Expert Ratings & Reviews: The view from the independent voice of authority on social media platforms such as YouTube, SlideShare and blogs, on e-commerce sites (e.g. Apple iTunes and Amazon’s professional reviews), or on dedicated reviews sites (e.g. Metacritic, Crowdstorm)

//Sponsored Reviews: Paid for reviews from customers, experts or more controversially ‘shills’ on social media platforms and review sites (e.g. SponsoredReviews, PayPerPost, uSocial, SubvertAndProfit)

//Customer Testimonials: A variation on customer reviews, customer testimonials are less structured story format endorsements, typically published to an e-commerce site or social media platform. Offered by ratings and reviews software companies such as Bazaarvoice and PowerReviews
DIMENSION 3: RECOMMENDATIONS & REFERRALS

// Social Bookmarking: Shared ‘picklists’, ‘wishlists’, ‘giftlists’ and galleries of bookmarked products, deals and tips that can be searched by others (e.g., Amazon and Best Buy’s universal wishlists, JustBoughtIt, My Zappos). Often a core feature of social shopping portals.

// Referral Programs: Rewarding customers and partners for referring new customers (e.g., Vente-Privée, Gilt, Amazon Associates, Sky’s Introduce a Friend), a social media version of affiliate/performance marketing.

// Social Recommendations: Personal shopping recommendations based on similarities in social, purchase and browsing profiles with other customers (e.g., Apple’s iTunes Genius Recommendations, Amazon’s Recommendations for You, Netflix’s Cinematch personalized movie recommendations, personalized car purchase recommendations from Hank.com and personalized fashion recommendations from Stylefeeder.

DIMENSION 4: FORUMS & COMMUNITIES

// Discussion Forums: People offering each other support and solving each other’s problems (e.g., Apple’s and Threadless t-shirts discussion forums)

// Q&A Forums: Structured forums typically in searchable FAQ (frequently asked questions) format, harnessing user contributions to answer common questions (e.g., Amazon Askville, Yahoo Answers). Can be integrated into e-commerce sites with social commerce software providers such as Bazaarvoice [Ask & Answer] and PowerReviews [AnswerBox].

// Retail Blogs: Providing news and discussion around e-commerce events, as well as capturing customer feedback and suggestions on desired improvements (e.g., blogs such as MyStarbucks Idea, Dell’s IdeaStorm).

// Customer Communities: Online communities of customers/partners linked to an e-commerce site, usually with a loyalty, advisory or social CRM (customer relationship management [AKA sCRM]) purpose. Juicy Couture’s community Club Couture resulted in a 162% increase in conversion rates. Customer communities can be hosted on social media platforms such as Facebook or onsite with dedicated community software (e.g., Ripple6 and Pluck).
DIMENSION 5: SMO [SOCIAL MEDIA OPTIMIZATION]

// News Feeds: Offering syndicated news about products for online purchase on social media platforms [e.g. YouTube, SlideShare, Twitter, Facebook and blogs]. Starbucks and Victoria’s Secret have particularly active popular feeds on Facebook.

// Deal Feeds: The #1 reason people connect with brands in social media is to learn about deals [Razorfish 2009]. Deal feeds are deal-focused versions of the news feed [e.g. Dell Outlet, Carrefour FaceShopping].

// Media Sharing: Publishing advertising and promotional content linked to e-commerce site to popular social media platforms [e.g. Blendtec’s ‘Will it Blend?’ ads on YouTube]. Although not linked to an e-commerce site (as of early 2010), the website of confectionary brand Skittles, a single page hub linking to social media platforms [YouTube, Facebook, Wikipedia] may be indicative of things to come in this space.

// Social Media Events: Running media events in social media space linked to e-commerce sites, such as webinars, press briefings, contests, screenings, and shows [e.g. publisher Random House’s Cover Design contests on Flickr, and Levi’s jeans Go Forth treasure hunts].

// Link Building: The workhorse of social media optimization, adding comments to third-party social media content linking back to an e-commerce site.

DIMENSION 6: SOCIAL ADS & APPS

// Social Ads: Placing advertisements in paid-for media space on social media platforms such as Facebook, YouTube, [and soon] Twitter, as well as on blogs and forums [e.g. fast-food chain Chick-fil-A ran a successful Facebook engagement ad campaign; clicking on the ad revealed a form to receive a coupon. Jury is still out as to whether social ads are effective – many report very low click through rates [CTR].

// Social Apps: Offering online applications or widgets that support social interaction and user contributions [although used interchangeable, technically a widget is a standalone program that can run on any Internet site, whilst an application is platform specific]. Nike+ is a poster-child social application that allows people to track and share sports performance that is fully integrated into a product.

// Shop Widgets: Small portable widget stores that can be embedded into social media and turn customers, partners and advocates into online sales points. Software offered by solution providers such as Amazon, Alvenda and Shopit.
WHERE TO START: LEAD STRATEGY

The breadth of social commerce solutions available combined with their fast evolving nature can make starting out with social commerce daunting. And with most businesses engaged with social commerce at an early experimental phase, running tests to establish what works for them, there is no established formula for social commerce success. However, it is possible to outline a general roadmap for starting out with social commerce by adapting McKinsey’s recommended LEAD approach for deploying social media solutions (McKinsey 2009) with insights from a meta-analysis of articles, interviews and presentation from businesses deploying social commerce solutions [see appendix for resource list]

1. **Listen**: Begin by monitoring social commerce activity in your category and parallel categories. What are competitors seeking to achieve (monetizing social media marketing, optimizing e-commerce, business model innovation) and with which tools?

Include this monitoring in your broader social media monitoring solution that tracks the reputation and reach of your brand or business in social media. Learn about what’s available by signing up to social shopping portals, and keep tabs on how Amazon, the Grand Dame of social commerce is using social media. Consider running a social commerce workshop, reviewing competitor activity, and brainstorming opportunities for your business.

2. **Experiment**: Decide what you want to achieve (monetizing social media marketing, optimizing e-commerce, business model innovation) and based on your review, deploy a number of small-scale trials designed to deliver against this objective. Do not overinvest in risky projects too early, rather than plan a big one-shot project, work on small-effort projects. Start simple, learn, and iterate around what works. If you have social features already on your website, extend these into social destinations.

For non-retailers, consider setting up a campaign store on a social media platform to run alongside monetize a marketing campaign. More generally, take advantage of proven solutions that allow you to experiment easily with little time or investment such as customer testimonials, ratings and reviews, user forums, social media optimization and referral programs. Make measurement a priority.

3. **Apply**: Take results from small-scale experiments, and build on what works applying what you have learned by integrating social commerce into your broader business, e-commerce or social media marketing strategy. Remember that social commerce tools deliver business value when they deliver real value to the people using them, so it’s critical to give users a compelling reason to engage with social media. Choose toolsets appropriately based on whether you are seeking to enhance product discovery, product selection or product referral and continually capture feedback on how well you are doing. And make the experience smooth - avoid lengthy signups, the need to download or install anything – it’s a huge barrier to adoption. Consider exclusive promotions or novel experiences/tools (special pricing, limited-availability products, early access to products, product configurators, or shopping widgets) to promote adoption.

4. **Develop**: The frontiers of social media and e-commerce are constantly expanding, so make the ongoing development of your social commerce strategy an ongoing priority - integrating new insights, tools and technologies as they become available. Remember that social media is a conversational medium, so listen closely and respond quickly to user feedback on your social commerce solution. Explore how you might apply newer, more innovative social commerce solutions such as portable social graphs, social media stores or offering new social media services. Develop ideas on how you might profit from emerging trends in social commerce, ‘social CRM’, mobile and augmented reality, and curated social marketplaces (see below).
MEASURING SOCIAL COMMERCE SUCCESS

In principle, social commerce success can be measured by any of the three principle ways used to measure social media; ROI, Reach and Reputation.

**ROI:** Return on Investment measures the effect of action of social media on sales. It is a simple financial measure based on profit generated from social media investment (plus any costs saved) minus investment made, as a proportion of that investment.

Return on Investment = ($ Gain [Profit Generated + Costs Saved] - $ Investment) / $ Investment

Calculating social commerce ROI is simple in principle, but can be difficult in practice, primarily because measuring the financial gain attributable to exposure to, or interaction with, social media is not self-evident. Beyond e-commerce analytics that measures the differential value of customers engaging with social media, ROI modelling can help, as can field and lab tests (A/B testing), and correlational modelling that maps social commerce investment to concomitant variations in sales data. Beyond direct sales response, CLV (Customer Lifetime Value - the present value of lifetime transactions) can be used as a dependant variable to calculate social media ROI.

**Reach:** Reach metrics use traditional media advertising metrics, and derivatives thereof, to measure the exposure rates and levels of an audience with social media. They tend to measure costs rather than returns.

CPM (cost per mille) = cost of reaching 1000 people with social media content

CPE (cost per ‘engagement’) = cost to get someone to interact with social media content

GRP (gross rating points) = percentage of a target audience reached by social media multiplied by the frequency of exposure

As with reputational measures, reach metrics suffer from difficulties in assigning commercial value to them. Analytics software measuring click through rates, conversions and sales from social media can be used to move from cost per mille/click to establish cost per action/sale estimates – but this typically leads to an unfavourable assessment. Furthermore, social media tends to compare unfavourably with traditional media when reach metrics are used, prompting the search for metrics that show social media in a more positive light (‘engagement’ statistics measuring time spent (interacting) with social media content are a current favourite).

**Reputation:** Reputational indices measure the influence of social media investment not commercially, but in terms of changes to online reputation – made up of the volume and valence of social media mentions

Net Reputation Score (NRS) = % Positive Mentions – % All Other Mentions

Share of Social Voice = Share of Mentions within Competitive Set

Unfortunately, as of early 2010, there is no established solution for calculating the commercial value of online reputation – although in principle this can be estimated by measuring concomitant variations of online reputation with sales data.

Between ROI, reputation and reach measures, social commerce has a natural affinity with ROI since the dependant variable of social commerce investment is sales. This makes establishing the business case for social commerce possible, something that is less easy to achieve with other social media investments. Nevertheless, non-commercial reputation and reach measures can be useful and insightful supplement to hard ROI data when measuring social commerce.
FROM TOOLS TO STRATEGY: BRAND BUILDING WITH SOCIAL COMMERCE

Intuitively, social commerce is more about sales strategy rather than brand strategy insofar as it is about the monetization of social media through e-commerce sales. Nevertheless, based on a basic understanding of the social psychology of social commerce, marketers have an opportunity to do effective brand building with social commerce. At one level, the brand-building potential of social commerce is self-evident – by providing people with trusted, useful and engaging social media tools to discover, select and share products to buy online, social commerce helps brands deliver expectation-beating online experiences. In doing so, brands establish choice-shaping associations in the mind of a target audience – the very definition of branding itself. But social commerce can also assist in brand positioning, establishing differentiated choice-shaping associations in the mind of a target audience. It can do this by deploying social commerce tools that reinforce one or more of six specific associations derived from the social psychology of social commerce.

THE SOCIAL PSYCHOLOGY OF SOCIAL COMMERCE

The essential social psychology of social commerce is simple; social commerce harnesses the human capacity for social learning, learning from the knowledge and experience of others we know and/or trust. This social learning faculty is part of our social intelligence, the ability to understand and learn from each other and profit from social situations. Now the relevance of this to social commerce is that social psychology, the branch of psychology that deals with how people think about, influence, and relate to one another, has found six universal biases in how our social intelligence works – making certain decisions – including purchase decisions – more or less likely.

Social Intelligence – the ability to understand and learn from each other and profit from social situations – can be used to inform social commerce strategy.

In a nutshell, social intelligence works through a mental process of ‘thinslicing’ – a style of thinking (psychologists call it heuristic-thinking) that involves ignoring most of the information available, and instead using (slicing off) a few salient information cues, often social in nature, along with a set of simple, but usually smart mental rules of thumb (known as heuristic to make intuitive decisions.

The opportunity for brand-led social commerce solution is to harness one or more of these social intelligence heuristics to build choice-shaping associations that make purchase decisions more likely.
**HEURISTIC #1: POPULARITY**

**THE RULE: ‘FOLLOW THE CROWD’**

**How it Works:** To resolve uncertainty of what to do or buy, we often look to what others are doing or have done, and take our cue from them. When something stands out as particularly popular or dominant, we instinctively perceive this as social proof that it is the correct, most valid option – it’s classic peer power in action.

**Classic Marketing Application:** The 42nd Street Experiment [1969]. A single passerby was asked to stop on 42nd Street NYC and gaze skyward for 60 seconds. Other passersby walked past, ignoring him. But when 15 passersby were asked to do the same thing, 40% of people on the busy street also stopped to look up, almost bringing 42nd Street to a complete halt within a minute.

**Social Commerce Application:** Social commerce tools that use authority to stimulate heuristic-thinking purchase decisions include:

- **Ratings & Reviews:** Particularly expert or professional reviews, but also customer reviews as we assign authority to the voice of experience
- **Recommendations & Referrals:** Personal recommendations and referrals work not through expert authority but the authority of experience
- **Forums & Communities:** Discussion forums can be a source of authoritative and persuasive information

**HEURISTIC #3: SCARCITY**

**THE RULE: ‘SCARCE STUFF IS GOOD STUFF’**

**How it Works:** Our minds are hardwired to value scarce resources; we instinctively assign more value to opportunities as they become less available – part out of fear of potential loss (known as psychological reactance).

**The Classic Experiment:** The Cookie Jar Experiments [1975]. Participants were asked to rate chocolate chip cookies. Experimenters put 10 cookies in one jar and two of the same cookies in another jar. The cookies from the two-cookie jar received far higher ratings, even though the cookies were exactly the same. (Also of note: ‘Romeo and Juliet Effect’ research that shows teen lovers who are restricted/prevented from seeing each other value their relationship more; and the ‘Plexiglass Experiments’ showing that toddlers prefer toys that are made unavailable to them [behind a plexiglass barrier].
HEURISTIC #4: AFFINITY

THE RULE: "FOLLOW THOSE YOU LIKE"

// How it Works: We have a natural inclination to emulate and agree with people we have affinity with – people we like, admire or find attractive. This is partly to build social bonds and trust (saying yes is a form of social grooming – the human equivalent to animals picking fleas from each other), and partly as an impression management strategy, managing our image and identity by association.

// The Classic Experiment: Nixon/Kennedy Debate (1960). Radio listeners and television viewers were asked to rate the performance of two presidential candidates in a live broadcast debate. Radio listeners rated Nixon’s performance higher, but television viewers did the opposite – overwhelmingly handing the debate to Kennedy. The difference? Kennedy came across visually more likeable, more attractive and fresh-faced. Nixon, on the other hand, was looking haggard (just coming from a hospital visit), unshaven and sweaty. (Also of note: research showing physical attractiveness (closely linked to liking) influences things as wide ranging as our salary and our likelihood to be found guilty in court (less attractive people twice as likely to be found guilty)).
HEURISTIC #5: CONSISTENCY

THE RULE: ‘BE CONSISTENT’

// How it Works: When faced with uncertainty, we’ll opt for the one that is consistent with our beliefs and past behaviour. When our beliefs and behaviours don’t match up, we feel psychological discomfort, “cognitive dissonance”, which is a big motivator for trying to be consistent, particularly with any active, public and voluntary commitments we’ve made.

// The Classic Experiment: The Big Billboard [1966]. Experimenters, posing as members of the ‘Community Committee for Traffic Safety’, knocked on the doors of residents in an affluent residential area in Palo Alto, California, asking if they could put up a huge “Drive Carefully” billboard on their front lawn, completely obscuring their view.

Not surprisingly, the vast majority [83%] refused outright, except for one group of residents, 76% of whom agreed. What this group had in common was that two weeks prior, they had been contacted and asked if they’d put a small “Be a Safe Driver” car sticker on their cars – virtually all had agreed.

Once the residents had made a public commitment to a small request, they felt the need to be consistent with the large request, and accepted the big billboard.

// Classic Marketing Application: Lifestyle ads (demonstrating why a product is consistent with audience lifestyle), free trials (become a user for free and stay consistent by buying later), sign up for free membership schemes, foot-in-the-door sales (ask for a small commitment e.g. petition signing) then asking for a large commitment consistent with this e.g. donation, purchase.
// Social Commerce Application: Social commerce tools that use consistency to stimulate heuristic-thinking purchase decisions include:

- **Social Shopping**: The Ask-Your-Network social shopping tool involves making a small public commitment to an item (asking friends about it) – consistent with later purchase; co-browsing tools use peer power to stimulate purchases by creating a social event around a store visit, that is consistent with purchasing.

- **Recommendations & Referrals**: Social Bookmarking (Pick Lists, Wish Lists) is the social commerce equivalent to a petition, small free public commitments to products consistent with subsequent purchases, whilst Share-With-Your-Network tools harness the consistency heuristic to drive loyalty and repurchase by creating publicly association between the shopper and purchased products and the e-commerce site.

- **Ratings & Reviews**: Uses the small commitment of rating or reviewing to make future purchases more consistent with past behaviour.

- **Forums & Communities**: Participation in a forum or community involves making a small public commitment to the community or forum host consistent with ongoing custom, as is solving each other’s problems on behalf of the brand. Likewise, User Galleries create a public association and commitment to a brand, consistent with brand loyalty.

- **Ads & Applications**: Using a branded application is consistent with purchase, making that purchase more likely – as is (to a lesser degree) clicking on or engaging with a social media ad.

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From Tools to Strategy – Using Social Intelligence with Social Media
HEURISTIC #6: RECIPROCITY

THE RULE: 'REPAY FAVOURS'

// How it Works: We have a natural inclination to repay favours, whether those favours were invited or not. We feel good when we reciprocate favours, partly because of our innate sense of fairness and social contract, and partly because reciprocity is socially rewarded because it is the social glue that makes cooperation, relationships, community and society possible.

Now you know why you feel bad when you receive a season’s greeting card from someone to whom you haven’t sent a card.

// The Classic Experiment: The Coke & The Raffle Ticket (1971). Experimenters posing as art students joined group museum art tours and found they could sell significantly more student raffle tickets at the end of the tour to other members of the tour, if during the tour they did [unsolicited] favours to tour members – such as buying them a Coke. Tour members felt the need to reciprocate the favour, even though they had not asked for the Coke in the first place.

// Classic Marketing Application: Sampling (as uninvited gift that invites reciprocity - purchase), local CSR (corporate social responsibility) initiatives, causal marketing and sponsorship. Door-in-the-face sales technique (making a big request upfront designed to be rejected, then making a concession, so shopper reciprocates and purchases).

// Social Commerce Application: Social commerce tools that use reciprocity to stimulate heuristic-thinking purchase decisions include:

- SMO: News and/or deal feeds that allow people to do others a favour by passing on useful information and offers

- Social Shopping: Group-buy tools that allow friends to do friends a favour and share deals – a favour reciprocated that is reciprocated with participation

- Recommendations & Referrals: Referral programs that allow friends to offer exclusive access or special deals to their friends – reciprocated by take-up

- Forums & Communities: Feedback and advisory communities that offer customers a quid pro quo, we listen, you buy; discussion forums that allow shoppers to offer each other buying/support advice – reciprocated by following that advice

In summary, the marketing opportunity for using social commerce for brand-building is to create or reinforce differentiated choice-shaping associations in the mind of the user, based on one or more six social intelligence heuristics: popularity, authority, affinity, scarcity, consistency and reciprocity.
Conclusion: Future Trends

Speculation about future trends in social commerce, the monetization of social media with e-commerce, is difficult when social commerce is, for the most part, a future trend itself. This has not stopped the Harvard Business Review from citing social commerce as one of the best business ideas of the last decade, but social commerce is an emergent enterprise – insights, experience and proof-points are still building. And as new social media tools and platforms emerge ever more rapidly, their capacity to be monetized with e-commerce will need to be tested.

Nevertheless, there are three nascent trends in social commerce that may come to represent increasingly important areas in the evolution of the enterprise:

**sCRM (social CRM)** – the integration of social media into customer relationship management. The opportunity is to extend social commerce from a customer acquisition tool focused on sales to a customer retention tool focused on optimizing customer lifetime value. CRM software providers such as Lithium, Oracle, Jive are pushing sCRM, and OgilvyOne has pinned its flag to sCRM.

**Mobile Social Commerce** – the integration of social media with e-commerce on mobile platforms. We are already seeing what this could look like with the emergence of Augmented Reality smartphone applications that display geo-tagged reviews, deals and sales over street scenes (e.g. Yelp Monocle). Mobile QR (Quick Response) and barcode readers (e.g. Nooreader) are not only bringing the fusion of traditional retail and e-commerce closer, but allowing people to map and share the traditional retail world.

**Curated Social Marketplaces** – brokering rather than selling with social commerce, bringing buyers and sellers together on social media platforms, and taking a cut. Threadless, the popular t-shirt e-commerce site has its entire business model built on running a curated social marketplace, bringing t-shirt designers and consumers together on a trusted platform that supports voting, rating and discussions. It adds value by offering a quality filter, and extracts value with e-commerce revenue.

On a far larger scale, Apple and Getty Images have generated new revenue streams with business model innovation by running curated marketplaces with iTunes (apps and media) and iStockphoto. Combine finite attention and an ever-expanding Web, you have a problem – curated marketplaces using social media to sort the art from the junk are set to be a big part of the solution.

The Future of Social Commerce is Mobile

Technologies such as QR codes and geo-tagging will bring social commerce to street commerce.
SOCIAL COMMERCE RESOURCES

SOCIAL SHOPPING

1-800-Flowers Facebook store – http://www.facebook.com/1800flowers
Adidas Freestripes – http://www.freestripes.com
Best Buy Facebook storefront – http://www.facebook.com/bestbuy
Best Buy PitchIn – http://www.bestbuy.com/PitchInCard
Bizrate – http://www.bizrate.com
Burberry Art of the Trend – http://www.artofthetrench.com
DailyDeal – http://www.dailydeal.de
DecisionStep – http://www.decisionstep.com
Dell Swaric – http://www.dellswaric.com
eDivvy – http://www.edivvy.com
Etsy – http://www.etsy.com
eWinWin – http://www.ewinwin.com
Fluid Social – http://www.fluid.com
Google FriendConnect – http://www.google.com/friendconnect
Groupon – http://www.groupon.com
Kaboodle – http://www.kaboodle.com
Mattel ShopTogether – http://www.shop.mattel.com
MyCityDeal – http://www.mycitydeal.de
NexTag – http://www.nextag.com
Pikaba – http://www.pikaba.com
Plurchase – http://www.plurchase.com
Polyvore – http://www.polyvore.com
PriceGrabber – http://www.pricegrabber.com
Storeenvy – http://www.storeenvy.com
Stylefeeder – http://www.stylefeeder.com
The Limited’s newsfeed store – http://www.facebook.com/thelimited
ThisNext – http://www.thisnext.com
Wowcher – http://www.wowcher.com

RATINGS & REVIEWS

Amazon – http://www.amazon.com
Apple iTunes – http://www.itunes.com
Bazaarvoice – http://www.bazaarvoice.com
Bizrate – http://www.bizrate.com
Blippr – http://www.blippr.com
Buzzillions – http://www.buzzillions.com
Crowdstorm – http://www.crowdstorm.com
epinions – http://www.epinions.com
Metacritic – http://www.metacritic.com
NexTag – http://www.nextag.com
PayPerPost – http://www.payperpost.com
PowerReviews – http://www.powerreviews.com
PriceGrabber – http://www.pricegrabber.com
SponsoredReviews – http://www.sponsoredreviews.com
SubvertAndProfit – http://www.subvertandprofit.com
uSocial – http://www.usocial.net

RECOMMENDATIONS & REFERRALS
Amazon Associates – https://affiliate-program.amazon.com
Amazon Recommendations for You – http://www.amazon.com
Amazon Universal Wishlist – http://www.amazon.com/wishlist/get-button
Best Buy Universal Wishlist – http://www.giftag.com/
Gilt – http://www.gilt.com
JustBoughtIt – http://www.justboughtit.com
My Zappos – http://my.zappos.com
Netflix Cinematch – http://www.netflix.com
Sky Introduce a Friend – http://www.sky.com/portal/site/skycom/mysky/introduceafriend
Stylefeeder – http://www.stylefeeder.com
Vente-Privée – http://www.venteprivee.com

FORUMS & COMMUNITIES
Amazon Askville – http://askville.amazon.com
Apple Discussion Forums – http://discussions.apple.com
Bazaarvoice Ask & Answer – http://www.bazaarvoice.com
Dell IdeaStorm – http://www.ideastorm.com
MyStarbucksIdea – http://www.mystarbucksidea.com
Pluck – http://www.pluck.com
PowerReviews AnswerBox – http://www.powerreviews.com
Ripple6 – http://www.ripple6.com
Threadless Discussion Forums – http://www.threadless.com/blogs
Yahoo Answers – http://answers.yahoo.com/
SMO (Social Media Optimization)
- Blendtec Will it Blend? – http://www.youtube.com/watch?v=qg1ckCkm8YI
- Dell Outlet Twitter Feed – http://twitter.com/DellOutlet
- Random House Flickr Cover Design Contest – http://www.coversourcing.co.uk
- Skittles – http://www.skittles.com
- Starbucks Newsfeed – http://www.facebook.com/Starbucks
- Victoria’s Secret Newsfeed – http://www.facebook.com/victoriassecret

Social Ads & Apps
- Alvenda – http://www.alvenda.com
- Chick-fil-A – http://www.facebook.com/ChickfilA
- Nike+ – http://www.nikeplus.com
- Shopit – http://www.shopit.com

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- Social Commerce Report – eConsultancy, 2007
Social Media Marketing Industry Report – Michael A. Stelzner, 2009
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The Influenced: Social Media, Search and the Interplay of Consideration and Consumption – Group M, 2009
Turning Their Friends into Your Salesforce – Ripple6, 2009
UK Social Commerce – Gregoriadis, 2007
What’s The Value Of “Social Media” For Retailers Online – eConsultancy, 2009

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BLOGS
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Olivier Blanchard – http://thebrandbuilder.wordpress.com
Andrew Keen – http://andrewkeen.typepad.com
Bazaarvoice – http://www.bazaarvoice.com/blog
Brian Solis – http://www.briansolis.com
Chris Brogan – http://chrisbrogan.com
Erik Qualman – http://socialnomics.net
Gary Vaynerchuk – http://garyvaynerchuk.com
Jeremiah Owyang – http://www.web-strategist.com/blog
Josh Bernoff – http://berhoff.com
Lee Odden – http://www.toprankblog.com
Linda Bustos – http://www.getelastic.com
Michael S Levy – http://michaelslevy.blogspot.com
Mitch Joel – http://www.twistimage.com/blog
Optaros – http://www.optaros.com/blog-channel
PowerReviews – http://blogs.powerreviews.com
Sherpad – http://socialcommerce-scherpad.blogspot.com
Shiv Singh – http://www.goingsocialnow.com
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Dr. Paul Marsden is an expert in the field of digital marketing with more than 10 years of professional experience in online marketing and internet research. Marsden, who holds a PhD in social psychology, has developed Web 2.0 communication strategies for several major companies and co-founded two successful online marketing agencies (Spheeris, Brainjuicer). Paul has also authored a number of publications including the successful business book “Connected Marketing: The Viral, Buzz and Word of Mouth Revolution”. Currently, he is working as social media strategist for the Syzygy Group.