

Introduction

F-Commerce Reloaded

The rumors of my death have been greatly exaggerated.

MARK TWAIN

In early 2012, e-commerce on Facebook made mainstream news headlines—for all the wrong reasons. F-commerce, the buying and selling of products and services on Facebook, had failed.¹ The proof was that several big-name, respected U.S. retail brands, including the Gap, Gamestop, Nordstrom, and J.C. Penney, were shutting down online stores on Facebook for lack of sales.

One third of the world's online population may have been on Facebook, with Facebook accounting for one in every seven minutes spent online, but it seemed that everyone was too busy connecting and sharing with their friends and families to bother with shopping.²

In the press, the post mortem was brutal. Of course, f-commerce was doomed; Facebook was an online software application for socializing, not shopping! Plenty of digital shopping apps were available, but Facebook simply wasn't one of them. Of course, these businesses failed when they created shopping apps to sit inside an app designed for socializing. It would be like putting knitting needles in a workman's toolbox. You could do it, but it wouldn't be very useful. What were they thinking?

And the critics were right. These big-brand Facebook apps for shopping, installed or accessed via a Facebook

page, were indeed doomed. They didn't stand a chance, and failure was inevitable. But there was an alternative explanation for this failure; it was not that there was anything intrinsically wrong with e-commerce on Facebook, but just that it was being done wrong.

This is a book about doing f-commerce right. It's about learning from the growing number of 100,000 and more businesses using their Facebook pages to do e-commerce, and the \$1.5 billion and more of e-commerce transactions completed on Facebook in 2011.³ We've taken insights from our industry blog *Social Commerce Today*, which has been covering the rise of f-commerce since its inception in 2007, and distilled them down into 10 "secrets" or principles that describe a vision for how to do f-commerce right. It is only a vision, but it is evidence-based and theoretically informed; f-commerce is too new and fluid for certainties, and it is unlikely that there will ever be only one "right" way to go about selling on Facebook. Instead, what the *F-Commerce Handbook* provides you with is a set of practical principles to help you unlock the sales potential of Facebook. We hope you will find them useful.

WHY SELL ON FACEBOOK?

This is a book on *how* to sell on Facebook. But that ignores the question of *why* you should consider selling on Facebook in the first place. People use Facebook to socialize and not to shop, so why bother offering the opportunity to shop in Facebook? Selling on Facebook means selling via a Facebook app that is accessible or installed from your Facebook page. But as of early 2012, neither Facebook pages nor Facebook apps were particularly popular with Facebook users. The vast majority of Facebook time, over 75 percent of it, is spent in the

Facebook “inbox,” otherwise known as the Facebook News Feed, sharing photos or browsing friends’ profiles.⁴ So why set up shop in an environment where most people don’t yet shop, using features most people don’t yet use?

For many businesses already selling on Facebook, the answer is simple. Facebook has become the main hub where they interact with customers online, using the platform to share news and promotions, to respond to queries, and, increasingly, to advertise their services. On the grounds that it makes sense to be where your customers are online, and that increasingly means Facebook, it makes sense to build out the online capabilities on Facebook. Moreover, selling on Facebook is relatively easy; a range of easy to use and cost-effective e-commerce apps for Facebook can have a business up and selling within minutes (see Appendix 1 for list). A survey conducted with over 1000 users of the most popular of these apps, Payvment, confirmed this; e-commerce on Facebook makes sense, because it’s easy to set up and maintain a Facebook store, easy to promote the store with promotional messages and Facebook advertising, and it’s easy for customers to shop without leaving Facebook.⁵

Of course, just because something is easy, doesn’t mean it’s smart. But e-commerce on Facebook offers a number of additional benefits:

- **F-commerce is what consumers want.** IBM research has confirmed what you probably already know—the main reason people connect with businesses on Facebook is for offers—and f-commerce gives you a turnkey solution for giving consumers what they want.⁶
- **F-commerce helps monetize your Facebook investment.** You’re spending time, effort, and money on Facebook—and the only way to be sure it’s paying is with hard sales.

- **F-commerce can improve customer profitability.** People bothering to connect with you on Facebook are people who tend to be enthusiastic about you. Selling specifically to enthusiasts on Facebook is a simple way to monetize that enthusiasm, boost their loyalty (customer retention), and stimulate word of mouth that can bring in new customers (customer acquisition).⁷
- **F-commerce can boost marketing effectiveness.** By mobilizing your customer enthusiasts to spread the word through special f-commerce offers, you can increase the effectiveness of traditional marketing; word of mouth gives your marketing messages more credibility, making them more effective.⁸
- **F-commerce can boost sales on other platforms.** Like product sampling, f-commerce can drive sales by getting a product into the hands of enthusiasts to drive trial and word of mouth, which in turn can increase sales elsewhere.

So why, given these reasons for selling on Facebook, did we witness these high-profile failures? The short answer is that these shuttered stores were simply mirrored clones of external e-commerce sites that already existed. For example, the popular fashion retailer J.C. Penney mirrored its entire e-commerce site, the full 250,000-product catalogue, on its Facebook page. Same products, same prices, same promotions—and effectively the same place as their online store just a single click away.

In other words, the J.C. Penney Facebook store, and those of other big brands already selling online, was entirely useless. There was simply no compelling and differentiating reason to shop there, primarily because it was merely a clone of an existing online store. Convenience matters to people, but it's the same number of clicks from the Facebook News Feed to a Facebook store as it is to an e-commerce site. Why would anyone choose to buy from a smaller, slower page in Facebook when there's no added benefit? The answer is: they wouldn't. And they didn't.

These Facebook stores failed because they had no reason to exist. With no differentiated “value proposition”—a true, unique, and compelling reason to shop there—these stores were pointless.

HOW TO SELL ON FACEBOOK

The big insight from these high-profile f-commerce flops is that unless you sell something different or differently on Facebook, you’re likely to fail. Success with selling on Facebook depends on offering a true, unique, and compelling reason to shop from your Facebook page. Without a differentiated value proposition—where perceived benefits minus perceived costs result in a compelling reason to choose—Facebook commerce will not work.

So what might a compelling value proposition for f-commerce look like? Consider the following:

- Zynga helping players of its Facebook games with a useful f-commerce service that enabled them to club together to get better deals on game-upgrades;
- Heinz helping its Facebook fans send get well wishes to friends with a useful f-commerce service for sending personalized get-well cans of its soup to friends;
- Burberry helping its Facebook fans look good and feel special with a useful f-commerce service that offers them early VIP access to a new fragrance;
- Ticketmaster helping its Facebook fans buy tickets for upcoming events with a useful f-commerce service that recommends events based on their preferences, listening habits, and recommendations from friends;
- Stageside Productions, a live-event organizer helping fans of music bands get the live shared experience of concert gigs

with a useful f-commerce service for experiencing live concerts remotely, via Facebook.

All these examples of e-commerce on Facebook involved offering a service-based value proposition: a useful service that either solves problems socially or solves problems that are themselves social. We believe that this kind of value proposition, solving problems socially and solving social problems, makes good sense for e-commerce in the social environment of Facebook:

Solving problems socially—offering people the means to use their “social intelligence,” their ability to understand and learn from each other and profit from social situations when they shop. This might include tools to help people discover, evaluate, and decide socially based on shared experience. Or it might include tools to help people profit socially, that is, through cooperation or collective action, such as clubbing together to get volume pricing.

Solving social problems—helping people find solutions to their social goals, such as looking good in the eyes of others through some privileged access to a new product. Without getting bogged down in social psychology, social problems often boil down to one of two kinds: problems of *social bonding* and problems of *social status*. Social bonding is all about doing things for others in order to deepen social relationships and fit in with others. Social status, on the other hand, is about the opposite. It is about standing out, differentiating ourselves by projecting a social image based on being different and better.

Our central idea, based on early examples of e-commerce on Facebook is that the big opportunity for f-commerce is to sell with a unique and compelling value proposition based on *social utility*: helping people solve problems socially or solve social problems. Why? Because, when people use Facebook they have a *social mindset* or

frame of mind, based on connecting and sharing with others. It follows that e-commerce on Facebook that is adapted to this social mindset, based on connecting and sharing with others, stands the best chance of success. In the *F-Commerce Handbook*, we'll see how a number of innovative businesses are adopting this social mindset and offering social utility to unlock sales on Facebook. Sometimes this requires selling through e-commerce apps for Facebook that have useful social features, but mostly it simply involves thinking carefully about what you sell on Facebook, when, and to whom.

In addition to offering social utility, many of the examples you'll see in the *F-Commerce Handbook* are from businesses that appear to have adopted the strategy of Apple Retail when selling on Facebook.

Born in 2001, Apple Retail was the result of a deliberate and explicit mission to create a social hub for customer enthusiasts who loved the experience so much they'd come back for more and bring their friends. And it worked. By activating the advocacy of its most enthusiastic customers with a retail experience that is as much about learning, sharing, and building relationships as it is about shopping, Apple Retail has created a viral customer-get-customer loop that results in sales per square foot that exceeds that of just about any other retailer—\$6,000 versus \$1,200 for the average electronics store.⁹

In other words, Apple builds stores for Apple enthusiasts, and those enthusiasts bring in new customers. It's customer-focused and it's social. It's social leverage, monetizing what economists term the "referral value" of customers. And it's what works; a customer enthusiast who recommends to his friends is worth about 90 percent more to Apple than a regular customer (\$4,400 versus \$2,300), because each Apple enthusiast brings about one new customer to Apple every year, accounting for

17 percent of all Apple's new customers.¹⁰ You could use the term "fan" to describe these customer enthusiasts but the term "fan" has been somewhat trivialized, and for some it simply means anyone who has ever clicked on the "Like" button. We prefer to use the term "super-fan" for these social customers who are not only loyal enthusiasts, but also active advocates.

As we see it, the big business opportunity with f-commerce is to do what Apple has done with Apple Retail, but on your Facebook page. Create a social hub for customers who love the experience so much they come back for more and bring their friends. In other words, use Facebook as a dedicated channel for cultivating and monetizing super-fans, loyal enthusiasts who are active advocates. In the pages of the *F-Commerce Handbook*, you will see how 10 pioneering businesses are doing just that.

We believe it is when businesses combine a social mindset—offering social utility to super-fans—with a commercial mindset, that f-commerce will work best. Like the two curved halves of an arch, one supports the other. Without one, the other collapses. Early Facebook stores collapsed because they had no social mindset to support them. They weren't even really supported with a commercial mindset; basic business principles dictate that you need a unique and compelling value proposition to succeed. These early stores were built on neither a commerce mindset nor a social mindset—they didn't have a leg to stand on.

PEOPLE, NOT TECHNOLOGY

A word of warning: The *F-Commerce Handbook* is not about technology; it's about people and principles. Technology

changes fast, and a book based on technology would be instantly obsolete. So, if you were hoping to discover this or that technology, plugin, or widget to help you unlock sales on Facebook, then return this book immediately. It's not that kind of book.

You'll find nothing on optimal canvas sizes, SSL certificates, best-practice use of Facebook's fast-evolving Open Graph API, or the latest e-commerce apps for Facebook. These ever-changing nuts and bolts of f-commerce are important, but they are not the place for a book. That's what the Internet is for.

What you will find in the *F-Commerce Handbook* is a set of insight-led guiding principles to help you unlock Facebook's sales potential for today and tomorrow. These principles are people-focused, not technology-focused, and draw from the intersection of sales psychology and social psychology. Several years ago in *Social Commerce Today* we suggested that the work of psychologist and bestselling author Dr. Robert Cialdini,¹¹ a specialist in both social and sales psychology, would be instructive for Facebook commerce. We've developed these themes here, and we are greatly indebted to Cialdini's insights.

Only time will tell whether our vision of f-commerce, based on selling with a social mindset of social utility and a super-fan focus, will flourish. But whatever the future holds, adopting the twin goals of solving people's problems and getting happy customers talking will keep you close to the essence of what good commerce is all about. So let's now turn to 10 businesses that are turning this vision into reality. Buckle up. It's time for f-commerce reloaded. Enjoy the ride.

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