SOCIAL COMMERCE PLAYBOOK

What the nexus of social media
& shopping means for your brand

360i

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Foreword
What is social commerce?

"Social media has changed the purchase process, and these changes will only be more pronounced in the years ahead. The good news for marketers is that as social media continues to scale, its impact on commerce will be far more measurable."

■ It wasn't long ago that "social commerce" was an oxymoron. There's the social web and then the commercial web. You make friends on one site, shop from another and then buy either online or in a store.

If that model seems quaint and oversimplified, most marketers appreciate that it is. Since blogs and web-based message boards debuted in the 1990s, people have been sharing and seeking product recommendations. A significant percentage of tweets mention brands directly, and far more have some commercial context. Facebook makes it easier than ever for consumers to seek friends' input for purchase decisions, "Like" products and brands they love, and interact directly with brands. Group buying offers incentives for people to spread the word about deals. The prevalence of smartphones allows users to take photos and sometimes videos of their purchases to show off their hauls.

What these activities have in common is that they're all part of social commerce. In each situation, people are using social media to influence others' purchase decisions or tap the experience of others. Sometimes it's direct – a friend shares a deal and you act on it right away. Sometimes it's a longer, more circuitous process – a few friends "Like" a brand's social profile, someone else favorably mentions a product on a message board, and then weeks later you see the product on the shelf and decide to see what all the buzz is about.

This nexus of social media and shopping is the focus of this Playbook, and it should attract the continued focus of brands. Social media has changed the purchase process, and these changes will only be more pronounced in the years ahead. The good news for marketers is that as social media continues to scale, its impact on commerce will be far more measurable. Social commerce is also well enough established that clear best practices have emerged, and those are provided throughout each section of this Playbook.

Marketers should proceed with caution here. →

→ Precisely because social media is primarily about people connecting with each other, its success shouldn't be tied solely to online transactions or the number of coupons delivered. There are various performance marketing options online that can more efficiently achieve the lowest cost per acquisition. However, social media can clearly play a material role in the shopping process, and its impact there should be analyzed however possible.

This is a quickly evolving field, with more major brands dabbling or expanding social commerce programs daily, and technologies quickly meeting more of marketers' and consumers' needs. Consider this Playbook a starting point, one we'll continue to build on in the months and years ahead as more facets of social commerce trigger lasting changes in consumer behavior.

As always, we welcome comments, critique, debate and discussion – on **Twitter**, **Facebook** or our **blog**. ■

Bryan Wiener
CEO, 360i

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And advanced thanks to the readers who are moved to comment, share, critique, tweet, scan, blog or generally discuss the contents herein. We encourage you to reach out and share your thoughts directly with us any time at **editor@360i.com**, via feedback on our blog at **blog.360i.com** or on Twitter **@360i**. ▪

Introduction Ten Reasons Why Social Commerce Matters Right Now

Social commerce, where marketers sell through social networks or deeply integrate social media into the buying process, is already used by dozens of the largest brands worldwide. It's still small in terms of revenues but has a bright – albeit cloudy – future.

In the context of the purchase funnel, social media tends to work best at generating awareness and interest, influencing consideration and preferences and then harnessing consumers' post-purchase enthusiasm by tapping into their advocacy. As social technologies become more robust, and consumers tap into social media as a routine part of everything they do online and offline, there are new opportunities to translate social currency into hard currency. Here are ten reasons why social commerce matters right now.

01 **Both social media and shopping online are mainstream activities.** Social commerce sits at the nexus of the two, which frequently and increasingly intersect.

02 **Facebook will soon have one billion users.** It's hardly a stretch to see Facebook jumping from about 800 million users to the billion mark not long after the digital ink is dry on this Playbook. Marketers can embrace this fully, grudgingly adapt to the new media consumption landscape, or ignore it at their peril.

03 **Word of mouth, the foundation of social media, has always been one of the most important drivers of commercial activity.** Social commerce merely builds on these principles and connects the dots.

04 **It can achieve a range of marketing objectives.** While retail and fashion brands were among the first to explore the potential of social commerce, a wide range of major brands – from consumer packaged goods manufacturers to financial services firms – have explored various forms of social commerce and are making it work for their specific goals.

05 **Most brands and verticals can now benefit.** Many types of social commerce can lead to online transactions. Facebook commerce can potentially generate new fans. Mobile social commerce can work well for retention, as well as empowering advocates to attract new customers. Mobile can also further offline sales, along with group buying programs. Social shopping can be used for both buzz and engagement.

06 **Group buying has proved to be so successful** that it's not even always social anymore, as it's become more about finding the best deals. Whether or not there needs to be a threshold for a group of people buying the deals, such deals are constantly being shared, and some of the most effective marketers and technologies tap into this consumer behavior.

07 **Social shopping sites have flourished,** allowing consumers – largely women – to express their creativity with a palette filled with their favorite brands. This allows brands to engage with loyal and potential customers in rich ways at various stages in consumers' purchase process.

08 **Ratings and reviews matter more than ever,** as consumers increasingly expect them to inform purchase decisions. Shoppers generally want to review products they like, if not love, and encouraging such public feedback can appeal both to shoppers' egotism and altruism.

09 **Mobile devices make it even easier** to show off what you bought, get feedback on what you're shopping for, and find local deals. Right now mobile devices are just emerging as an integral part of social commerce, but expect mobile to be central to such experiences going forward.

10 **It's the perfect time to test and learn.** Last year most technologies and media offerings were premature, with few having enough scale to appeal to most marketers. Right now hundreds of major brands are testing various aspects of social commerce. By the end of next year, the most effective marketers in certain verticals will have built up strong competitive advantages in using social commerce for consumer acquisition and retention. There is a window now for marketers looking to learn from best practices while still leading the way in providing value to their target audiences. ▪

01 FACEBOOK COMMERCE

Facebook Commerce

First publicized in 360i's **Social Marketing Playbook**, the Strategic Lens presents a way for brands to evaluate social marketing opportunities and technologies. Applying the Lens to Facebook commerce offers an overview of what to expect.
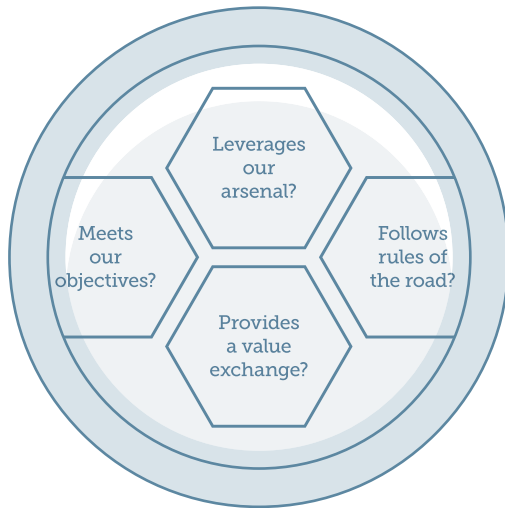
The **Strategic Lens** presents four questions all marketers must answer thoroughly to set themselves up for success while minimizing potential mishaps. Here are the questions and how they apply to Facebook commerce:

01 **Does it meet our marketing objectives?** It's easy to get so excited about setting up shop on Facebook that one overlooks this fundamental question. Define your goals up front, such as: customer acquisition, product sampling, improving loyalty and retention, raising the average order size, or generating awareness of promotions.

Facebook commerce operates on two levels. First, it appeals to your core audience, those who already "like" you or visit your site. Second, if such a program is successful, then your existing customers will spread the word about their favorite products and recent purchases to their friends on Facebook, generating awareness and possible referrals from their friends who may not be your customers already.

02 **Does it leverage our arsenal?** Define your marketing arsenal broadly to consider all the ways to build and promote a Facebook commerce program. Consider your website, Facebook pages, product inventory, IT team, community managers, public relations, other branded social accounts, celebrity endorsers, in-house buyers and product experts, upcoming product launches and deals and traditional media. Products available for limited times or in limited quantities can be especially ➔

➜ well suited to Facebook commerce, since customers will want to tell their friends – once they've snapped up the deal themselves.

03 **Does it follow the rules of the road?** How are people really using Facebook? While they're not primarily going there to shop, they are routinely influenced by Facebook posts. Facebook operates as a parallel online universe to the broader web, where people go to interact with friends, upload photos, play games, and plan events, while interacting with brands falls under the broader umbrella of people using the platform to connect with and share what they're interested in. Understanding why people use Facebook offers clues as to what will work and what won't with Facebook commerce, the details of which are covered in the rest of this chapter.

04 **What's the value exchange between the brand and consumer?** When consumers use social media in particular, they're wondering, "What's in it for me?" There are many kinds of value brands can provide, and with social commerce in particular, this can include: exclusive deals, early access to a product, rewards for sharing deals with friends, or bonus content that doesn't normally come with a product. Once you find the value proposition and align it with your objectives, arsenal, and rules, then you've opened the door for consumers to provide value in return: sales, word of mouth

referrals, advocacy, buzz and new customers.

The rest of this chapter tackles several other questions specific to this subject: How does Facebook commerce work? How are brands using it? What are the benefits, and what pitfalls you should be aware of? What are the opportunities in the near and longer term? For the answers, read on. ■

The two types of Facebook commerce

There are two ways that marketers can offer social commerce to their customers through Facebook:

01 **Sell directly through Facebook.** Today, this generally happens by creating a branded page on Facebook and offering a store through an application. These stores can sell everything from a single product to a catalog with millions of SKUs.

Facebook is currently the center of social commerce activity, and it will be the foreseeable future given its sheer size at nearly 800 million users. It dominates social media usage in the United States and is the leader in most markets worldwide. Beyond that, Facebook is a platform that marketers can build upon. It deserves the disproportionate interest thanks to its scale and the potential for its platform to provide deep social integration with the purchase process. However, there are numerous ➜

→ challenges to running social commerce on Facebook, and those are discussed on **p.15**.

HEINZ UK does more with less, selling a single limited edition product exclusively to its Facebook fans.

02 **Use social plug-ins to enable social functionality on an existing site.** Facebook's social plug-ins make it possible for recommendations and interests from customers' friends to materially impact the purchase process. For marketers that have already incorporated ratings and reviews into product pages, these kinds of plug-ins can add a level of social sharing and relevance with the potential to increase conversions.

For consumers, it's the difference between knowing what 1,000 strangers think about a product versus three of their friends; that smaller subset can be the trigger that drives consumers to act. Chapter 6 on **p.73** dives deeper into Ratings & Reviews. ∎
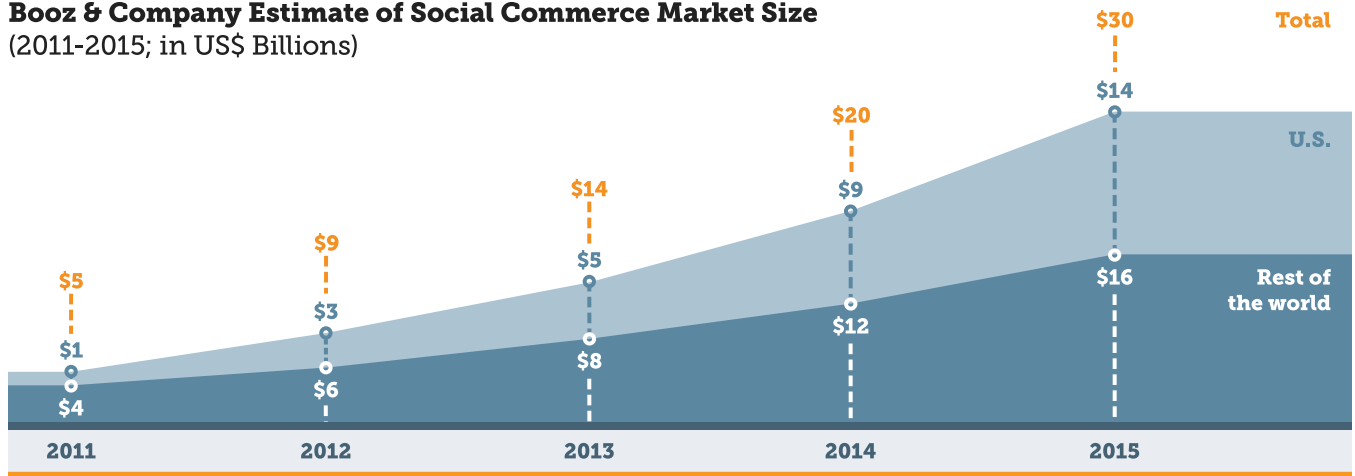

EBAY'S GROUP GIFTS is a social utility that makes gift giving easier when shoppers tap into their Facebook connections.

Sizing up the Facebook commerce market

Today, commercial activity directly triggered by marketers selling to consumers via social channels is nascent, but shifts in consumer behavior start to tell a different story, and new technologies are empowering marketers to sell directly to consumers and mobilize advocates.

Before exploring opportunities, let's first understand the market. Booz & Company reports →

Booz & Company Estimate of Social Commerce Market Size
(2011-2015; in US$ Billions)

Total

Year	Total	U.S.	Rest of the world
2011	$5	$1	$4
2012	$9	$3	$6
2013	$14	$5	$8
2014	$20	$9	$12
2015	$30	$14	$16

U.S.

Rest of the world

2011   2012   2013   2014   2015

SOURCE: Forrester Research; GP Bullhound; Euromonitor; Booz & Company analysis; **NOTE:** Numbers do not add up to total due to rounding.

→ that US social commerce revenues will rise from $1 billion in 2011 to $14 billion in 2015 – a 1,400 percent increase and a compound annual growth rate (CAGR) of 93.4 percent. Worldwide social commerce revenues (including the United States) will increase from $5 billion to $30 billion over that span.

To get a sense of what a juggernaut Facebook is and how it fits in with shopping, consider some highlights from an exhaustive statistical round-up from Social Commerce Today:

» **75%** of Facebook users have liked a brand

» Fans spend **117%** more and are 41% more likely to recommend brands than non-fans

» **17%** of Facebook users say being able to "Like" a brand makes them more likely to buy; customers are 51% more likely to make a purchase after liking

» **More than 2.5 million** sites have integrated with Facebook, including more than 80 of comScore's US Top 100 Websites; about **10,000** new sites integrate with Facebook daily

In Dec. 2010, IDC Consulting analyst Mike Fauscette told BusinessWeek: "In three to five years, 10 to 15 percent of total consumer spending in developed countries may go through sites such as Facebook." ▪

Advantages of Facebook Commerce

There are many reasons marketers should consider building a social commerce strategy with Facebook in mind:

» **Customer acquisition:** A primary goal is often to acquire new customers. When social commerce works, consumers rapidly share offers and purchases with their friends, most of whom will likely be potential new customers.

» **Loyalty:** Facebook commerce starts by engaging existing fans and customers, so successful programs focus on retention first and make such customers even more likely to stay loyal.

» **Advocacy:** When consumers make a purchase, they can tell friends about it and support the brand. Consumers can often do this implicitly, such as by clicking a "Like" button, which allows them to spread the word without requiring as much of an investment in their time.

» **Personalization:** There's the opportunity to tailor offerings to the data available from social platforms. A clothing retailer could, for instance, customize a Facebook-powered store based on whether someone's interest is skiing or swimming. Catalogs can also update featured selections based on the activity and interests of consumers' friends.

» **Timeliness:** Marketers can tap what's being buzzed about right at that moment and update featured merchandise accordingly. This is largely an untapped opportunity right now.

» **Targeting:** The ability to combine demographic and interest targeting on Facebook means that marketers can more reliably target the right products to the right people. Campaign management technology, through Facebook or third parties, does need to continue to evolve rapidly to meet the needs of marketers used to managing large numbers of campaigns.

» **Scale:** There is the potential to reach people on the platforms they're already using or through on-site recommendations from friends they've already connected with.

» **Brand building:** A company selling products or services online can leverage that as a competitive point of difference, and can provide higher value, limited edition offerings to bolster the existing selection. ■

Who can benefit most from Facebook commerce?

Forrester Research noted in its April 2011 report, "Will Facebook Ever Drive E-commerce?" that those who have had the most success with social commerce on Facebook were "niche players or brands in specific verticals that often enabled them to more effectively gain value from Facebook." While this may be true based on current case studies, we find no reason that such a generalization should apply going forward. The report goes on to list categories of companies most likely to find success, from small pure plays to those selling high consideration goods. We take issue with this assessment.

First, any brand can find success with social commerce. There is little in common at all with some of the more robust examples to date, such as Amazon, Disney and Heinz. All these brands provide value to their consumers, rather than putting up a store template and hoping people click a Facebook tab. They have all also aggressively promoted their social commerce programs. Social commerce won't work in a vacuum.

Second, there's little in common among brands that have most successfully leveraged social media in general. While Coca-Cola and JetBlue are among consistent stalwarts with large fan bases and the means of mobilizing advocates via social channels, other success stories include marketers

like Starbucks and Dell that have had their share of detractors. Why is Ford seen as a social media pioneer rather than a "hotter" brand like BMW? Why should Old Spice spark more passion than Gillette? It comes down to execution, and marketers that adopt the criteria for establishing social commerce and then execute accordingly will be the most successful. ■

6 steps for creating a successful Facebook commerce program

01 **Define your objectives up front.** Remember the Strategic Lens from earlier in this chapter. Is your goal to acquire new customers? Are you trying to launch a new product? Are you trying to convert your customers into advocates? You must determine why you're doing it and structure the program accordingly. Of course, beyond determining objectives, the rest of the Lens applies as well.

02 **The new KISS: keep it social, stupid.** Some brands put a massive product catalog on Facebook without any social functionality. Others allow consumers to "Like" or recommend products without a clear path to purchase. Melding the two is essential. Social media is fueled by social interactions, and only brands that can find a way to make their Facebook commerce platforms relevant in the digital social lives of their customers will →

→ succeed.

03 **Call the lawyers.** This isn't usually the highlight of marketers' jobs, but it's best to avoid potential issues like channel conflicts early on rather than scaling back a program after it launches. This is especially important for product manufacturers who don't currently sell directly to consumers.

04 **Consider scaling back.** Offering fewer products for limited times, possibly with preferred pricing, can help motivate consumers to make an impulse buy. Consumers can also be your best curators. Give them a say – whether implicitly through back-end analytics or explicitly through votes and reviews – what should be available on Facebook. In the latter scenario, consumers who are given an emotional stake in the program's success will be more likely to advocate for the brand.

05 **Try before you buy.** There are more than a dozen Facebook-centric shopping experiences listed at the end of this chapter, with countless other live iterations. Use these stores to solicit social recommendations, advocate for products, and make purchases so you can get a first-hand feel for what works and what you want to improve. Challenge any vendors and agencies you work with to resolve pain points.

06 **Set up the promotional strategy.** Using a brand's Facebook page to promote Facebook commerce is a given. What else will you do? Will you promote it on your site? Will you promote it via Facebook advertising? Will there be a digital word of mouth and public relations push? The Field of Dreams "if you build it, they will come" approach has never worked in social media, and it won't work for social commerce. ■

Challenges & considerations

There are many challenges for marketers considering Facebook commerce. Some of these include:

» **Privacy:** On Facebook, there's an expectation that all actions are shared. Even when that's not the case with transactions, Facebook is routinely scrutinized for privacy issues. Consumers will need absolute clarity as to what information will be shared and how.

» **Purchase process:** While consumers are influenced by friends' and brands' Facebook activity all the time, few access the site with the intent of shopping.

» **Selection:** A retailer duplicating its site on Facebook won't provide value to consumers →

→ who are a click away from the full site. It needs to be clear to consumers what's available on Facebook, with some implicit reasoning for why such products are available there.

» **Merchandizing:** App-based stores don't look as good as the sites that retailers have invested far more in. With many off the shelf solutions, the consumer will feel like he's using a merchant's templated Facebook app, not shopping in the merchant's authentic environment.

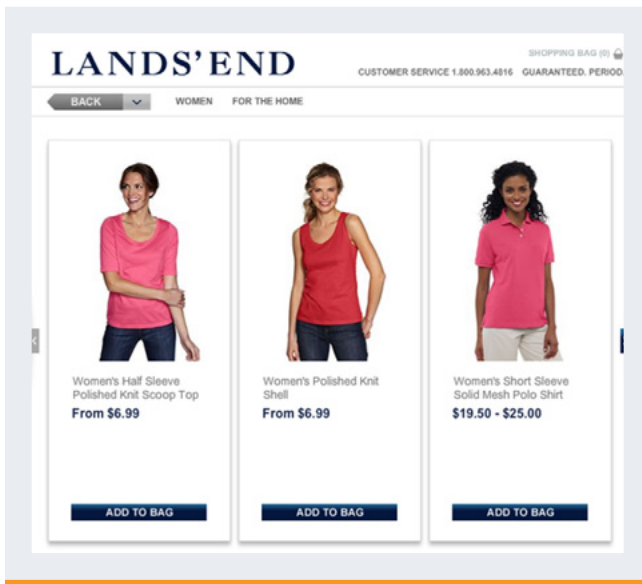**LANDS'END** allows shoppers to purchase products from within the Facebook environment.

» **Organizational hurdles:** The deep levels of integration required to successfully run a social commerce program requires a coordinated effort by internal parties and potentially agencies that may not currently work together.

» **Attribution:** In order to fully determine the success of social commerce, marketers will in time need better attribution. For instance, today if a consumer browses a retailer's Facebook shop and then makes a purchase later on the retailer's site or by walking into a store, Facebook's role will be largely invisible in the process.

Forrester Research analyst Sucharita Mulpuru captured the current climate, telling BusinessWeek, "It's not natural to go to Facebook to shop – yet. But it's not a long step." ▪

The future of Facebook commerce

These are very early times for Facebook commerce. Expect many of the functional and technical challenges to be remedied in the months and years to come. Certain technologies will soon feel archaic, such as shopping in an application separate from a brand's social presence. Far more enduring will be the strategic questions: how can marketers →

→ promote commercial activity through social channels, and how can social actions improve key performance indicators for marketers selling goods and services online?

There are signs today of what will work. Consumers will always tell friends about products and deals that excite and inspire them. Marketers can stoke this excitement, tap into it, facilitate its spread, repeatedly communicate with brand advocates and measure the results. Consumers will also seek the feedback of others, and they will appreciate new ways to learn from the experience of their peers, especially for high involvement products due to their cost (e.g. travel, luxury goods and autos) or personal significance (e.g., health, wellness and beauty).

Facebook commerce will evolve quickly. Consider that Facebook, with more than 250 million mobile users, offers no mobile-optimized experience around brand pages. Try shopping through a branded social app on the best of smartphones and one will still find it easier to drive 20 miles to a store to pick up the product instead. There are already myriad ways for consumers and marketers to leverage mobile social commerce, and some will find scale in the near future. In-store social commerce offerings will improve and spread rapidly as well.

360i believes that social commerce won't go fully mainstream until Facebook provides a universal currency that will ease friction. Apple has 200 million credit cards on file via iTunes, and they

own every aspect of the transaction. There is no reason to think Facebook won't attempt to replicate this success, though it will take time. It is easier for Facebook to offer a currency for virtual goods, as it does now, than one for physical goods, so this is a mid- to long-term outlook. While applying Facebook Credits to physical goods may not be good for competition, and might raise other concerns, a Facebook currency will undoubtedly help social commerce cross the chasm. As for today, there have been enough pitfalls to offer examples of what to avoid, enough pioneers to inspire others, and enough opportunities for marketers to figure out how to make social commerce work for them. ■

How brands are using Facebook commerce

A wide variety of marketers and brands have at least dabbled in social commerce, from retailers to airlines to packaged goods manufacturers to movie studios. While few marketers have disclosed sales or other results, collectively these exhibit the kinds of opportunities currently available. Select examples include references to the technology vendors powering them.

Selling directly through Facebook

» **Delta** is the first airline to allow Facebook →

➡ users to book a flight, check in, or find out their flight status directly from its application (powered by 8thBridge).

» **Discovery Channel's** Fan Shop includes links for shoppers to email products, tweet listings, share it with Facebook friends, or create a wall post asking for opinions about a product (powered by Milyoni).

» **Disney's Tickets Together** app lets users plan a movie date with Facebook friends and creates a Facebook event to mark the occasion, ensuring others will see it. Payments are handled by Fandango.

» **Home Depot** offers exclusive deals on Facebook, with a "buy now" button on the featured image that lets consumers make a purchase without leaving the retailer's Facebook wall. It has also offered specials, such as spring versions of Black Friday deals, that were initially promoted by asking fans for a certain number of 'likes' before the special was revealed. This generated thousands of likes.

» **JCPenney** offers a large product selection inside its Facebook store, with links on every product page to share the product, comment on it, or like it (powered by Usablenet).

» **Procter & Gamble** has tried a number of Facebook commerce experiments, such as offering 1,000 packs of Pampers Cruisers for sale solely through the social network. The limited run sold out in under an hour, with ample publicity. It further created a Facebook store for nearly 30 of its products, though these stores are currently unavailable (powered by **Amazon Webstore**).

» **Starbucks** provides some of the richest functionality beyond buying products, such as allowing Starbucks cardholders to refill their cards or give gifts by loading up friends' cards.

» **Walmart launched CrowdSaver** in late 2010 as a group buying promotion, where deals steadily improved for select products as the number of 'likes' increased, up to a limit. CrowdSaver is currently inactive, but the retailer says it's being updated. Sears has a similar app called Wish Together.

» Warner Bros. films **The Dark Knight** and **Inception** are available for rent and can be watched within 48 hours right on Facebook. They cost 30 and 40 Facebook credits respectively, or about $3-$4. Facebook credits can be used only because the products are digital; a movie studio currently cannot sell DVDs this way.
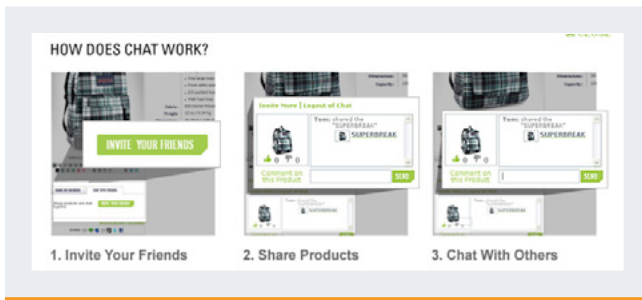
On-site commercial integration

» **Amazon.com provides gift suggestions** to people who connect their Facebook accounts. Recommendations are personalized based on friends' taste in books, music, and movies. **Amazon's gift card shop** has an option to send friends gift cards directly to their Facebook walls, or privately. MP3 gift cards can be sent the same way.

» **GoJane**, a women's fashion site, lets shoppers ask questions about products so friends and other shoppers can answer them. Shoppers can also see what their friends bought (powered by **TurnTo**).

» **JanSport** lets shoppers get advice from friends by embedding private chat windows within product pages (powered by **Fluid Socialize**).

JANSPORT lets shoppers chat with friends to discuss possible purchases.

» **Levi's Friends Store** shows what items a shopper's friends like and which friends have upcoming birthdays. The focus is more on recommendations than purchasing, but it's one of the more extensive uses of Facebook social plug-ins on a retail site.

Beyond vendors featured here, there are many others powering large brands with social commerce such as **BigCommerce**, **Payvment**, **ShopIgniter** and **ShopTab**. ■

02 SOCIAL SHOPPING SITES
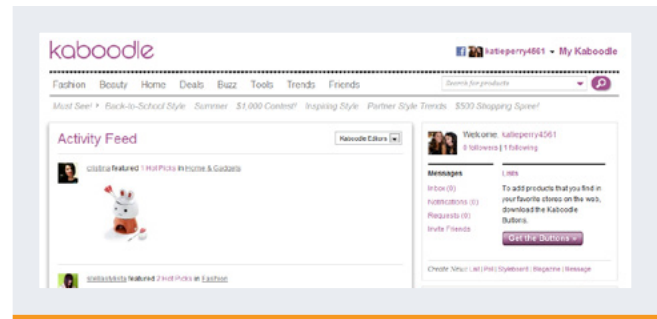
Social Shopping Sites

Shopping has always been a social activity. For generations, shoppers have been informing their purchase decisions by engaging others in the process. This is never truer than when purchasing clothing and accessories. Window shopping with friends is practically a competitive sport, and spending the afternoon browsing the racks can be a bonding experience. As the social web has matured, the shopping experience has moved online, with millions of people turning to "social shopping" websites and apps to interact with products, brands and trendsetting individuals.

In this chapter we'll discuss how social shopping sites are changing the game for the fashion industry and review some of the ways brands are experimenting and succeeding in the space.

Social Shopping: A Primer

Since the beginning of the web, people have been going online to exchange style advice and discuss products they love. But it wasn't until about 2005 that social networks began cropping up to capture this interest. One of the first, and now one of the biggest, is Kaboodle (acquired by Hearst in 2007), which draws anywhere from 1 million to 5 million unique visitors a month, depending on the time of year. But there are dozens of sites, both large and small, attracting tens of millions of people a month – from Stylehive to Stylecaster, from the aptly-named Go Try It On to the controversially-named Fashism – and they all have something different to offer.

KABOODLE Activity Feed on a shopper's homepage.

What do people do on social shopping sites?

For one thing, they don't shop. Social shopping sites typically do not have e-commerce functionality, and instead many utilize affiliate programs which drive users away from their sites to purchase. People come to social shopping sites to discover new products, brands and trends, share their style, ➔

➜ ask for and give advice and connect with likeminded individuals.

DISCOVERING: Shoppers can discover products in a myriad of ways on social shopping sites. Many sites have an activity feed, similar in nature to Facebook's News Feed, which surfaces content from people and brands they're connected to, or from new things happening around the site. People can also search for keywords such as "summer dresses" or "holiday gifts" if they're looking for something specific, or stumble upon new products as they're interacting with the site.

CREATING & SHARING: Fashion is all about expression, and social shopping sites have made it extremely easy for shoppers to share their style with friends and strangers alike. Polyvore, for one, is built almost entirely on member-created "sets," similar to fashion editorial spreads. These sets are populated with images users find around the web, as well as products that brands have uploaded into the site. People can then share their sets on blogs and social networks, leading to the organic spread of Polyvore (and brand) content around the web.
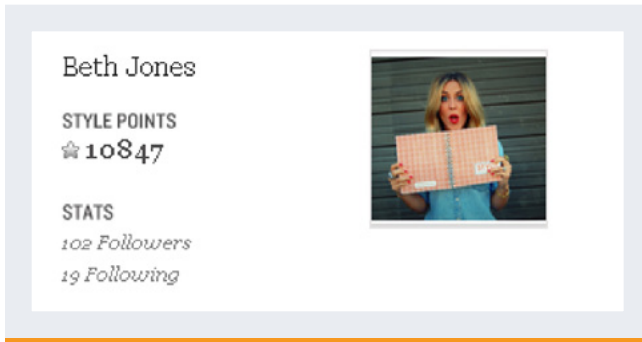
Newer sites and services, such as **Chictopia**, **Lookbook.nu**, and the mobile phone application Pose, are also beginning to crop up, allowing people to share what they're wearing at the moment, promoting their personal style. This is a direct evolution of the street style and personal style blogging trends that have exploded in recent years.
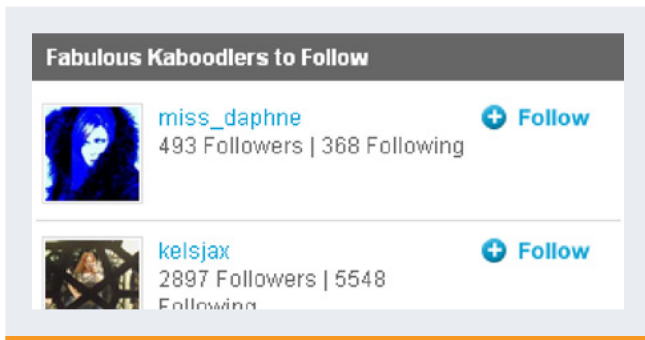
ADVICE: One of the most prevalent features on any social shopping site or app is the ability to ask for and give advice to other people. Some sites, in fact, are built entirely on this premise, such as Wheretoget.it and Fashism. Where To Get It allows users to upload a picture of a magazine ad, man on the street, celebrity red carpet, etc. and crowdsource advice from other users on where they can get the items being worn in the picture. Fashism and similar websites and apps are designed for users to get instant advice from their peers on outfits or items they own. Others like, Chictopia, allow people to ask pointed style questions in a forum-like environment.
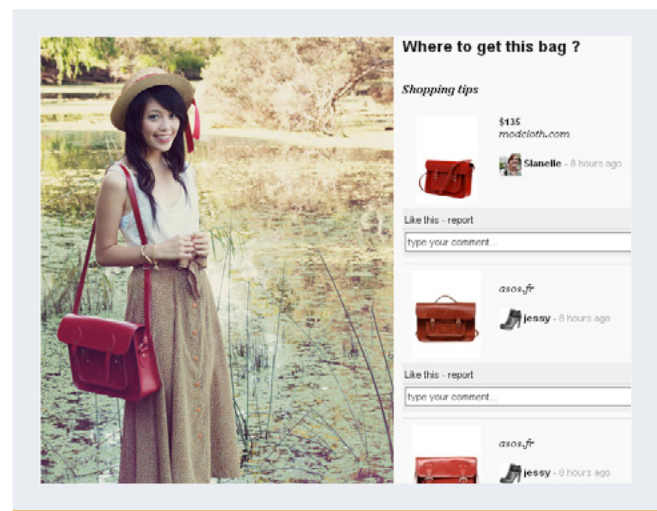
A recent post on **WHERETOGET.IT** shows users recommending where to purchase a similar bag.

Beth Jones

STYLE POINTS
☆ 10847

STATS
102 Followers
19 Following

On **STYLECASTER**, shoppers earn Style Points.

Fabulous Kaboodlers to Follow

miss_daphne
493 Followers | 368 Following
➕ Follow

kelsjax
2897 Followers | 5548
Following
➕ Follow

KABOODLE shows top users on the homepage.

GAINING INFLUENCE: Like much of the web, social shopping sites have developed into a way for users to promote themselves and portray their savvy style to a captive audience. Sites like Kaboodle, Stylecaster and Chictopia have developed their own proprietary systems of rewarding users with points based on their activity on the site and the extent to which they influence others. The most influential users are highlighted on the homepage and sometimes asked to create editorial content for the site. Social shopping sites have also become venues for fashion bloggers to promote themselves and further solidify their own brands. ▪

How brands can get involved

Social shopping provides a unique opportunity for brand engagement, given so much of the organic consumer conversation on these sites already revolves around brand name products. The following are a few ways brands can create relevance within these existing communities.

GET YOUR PRODUCTS INTO THE CONVERSATION.
One of the primary reasons people go to social shopping sites is to interact with the products and brands they love. To that end, having your products available for them in that environment is a great opportunity to engage existing customers and attract new ones. With most social shopping sites, getting your brand's products into the conversation is as simple as joining an affiliate program, where the website will take a cut of any sales that result from traffic being driven to your e-commerce site. Once your products are fed into the system, that's when the real opportunity – and fun – begins.

SET UP A BRAND PRESENCE. Some social shopping sites allow brands to create "pages," similar to a Facebook brand page but with more limited creative freedom (no "inside pages," nee tabs). Take, for ➡

➔ example, jcpenney's page on Kaboodle, where the brand is able to upload products, create lists, and engage fans with commentary, polls and creative messaging. Other sites allow brands to set up shop under a standard user profile, such as Polyvore, Chictopia and Lookbook.nu. In that case, brands should ensure they are completely transparent about who they are and why they're there.
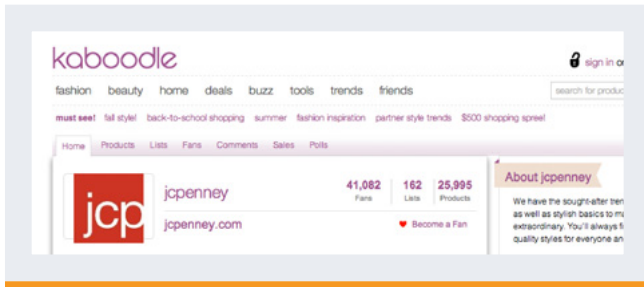

JCPENNEY brand page on Kaboodle

CREATE ENGAGING CONTENT. A strong content strategy is essential for succeeding in the social shopping space, where users are constantly looking for sartorial inspiration. Every website has unique tools to engaging its audience, and brands' content strategies will vary accordingly. On Polyvore, where the main vehicle for expression is creating fashion-inspired sets, brands have begun to create sets of their own based on popular trends or timely topics. Chictopia and others allow brands to upload "outfits" with a description and tags, which users can comment and vote on. Many social shopping

sites have poll or ask-and-answer functionality, through which brands can engage users. This can be done either by leading the conversation (asking fans for their opinion), or by jumping into existing conversations and adding value or a unique perspective.

CONSIDER MEDIA INTEGRATION. Even with highly engaging content, it's often difficult to break through the clutter on social shopping sites. Unlike on Facebook or some other more mainstream social networks, there's usually little opportunity for organic growth or awareness, making paid media even more important in growing your brand's presence. Media integrations on social shopping sites run the gamut and can be creatively designed to meet the needs of a particular brand. Polyvore runs design contests, and Kaboodle, through Hearst, can integrate a brand into a number of media properties. One example from Stylecaster (below) shows a beauty focused ask-and-answer experience sponsored by Cover Girl. ■
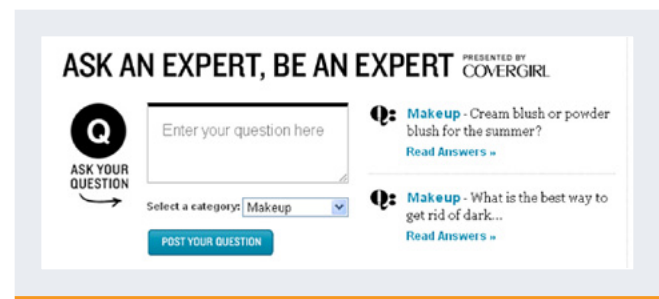
Cover Girl campaign on **STYLECASTER**

Considerations

» Transparency is of the utmost importance on social shopping sites, as it is throughout most of the social web. Some of the social shopping sites do not allow for "brand pages," so brands must create the same kind of profile as every other user. In those cases, ensure that you clearly state that this is an official brand presence, including any relevant logos, links and descriptive information.

» Audiences on social shopping sites are mainly female, so male-targeted fashion brands may have a hard time generating interest and engagement. However, with more men recently turning to sites like Tumblr to express their personal style, don't be surprised to see the content on social shopping sites start to become more balanced as well.

» While men are hard to find on these sites, the female audience ranges from teens through adults. Certain sites skew younger or older, so check with Quantcast or comScore to determine which platforms to best reach the audience you are targeting. At the same time, be sure to consider the appeal of your brand and how it aligns with the fashion sense of a particular site's audience: some sites tend to appeal to mainstream shoppers, while others attract more edgy fashionistas who wear niche brands or vintage finds. ■

What's next for social shopping

Recently, the overarching trend in this space has been toward real-time and mobile extensions of the social shopping experience, with sites like Go Try It On and Fashism designed specifically for instant feedback. As mobile phones become more sophisticated, smartphone penetration becomes more mainstream and consumers become more comfortable with technology such as QR codes and NFC (near field communication, a short-range wireless technology that allows devices to swap information when they touch), the social shopping experience will move rapidly from the desktop to the palm of consumers' hands.

The websites and services mentioned above will shift to become viable in the mobile arena, and brands will ultimately follow. Retail brands that begin testing the waters now with mobile social applications will be poised to succeed when, in no time at all, popular consumer behavior follows. ■

Shopping is a Social Sport

By **Ari S. Goldberg**, CEO and **David Goldberg**, President – StyleCaster Media Group

Shopping is a social sport. Always has been, always will be. Walk into Intermix, and check out the playing field: style enthusiasts looking, touching, feeling, experiencing and most importantly talking about the latest trends. The shopper, friend, and sales person are all in the game – the purchase depends on it.

Digital has just accelerated the real-time nature of how social the shopping experience can be. So let's look back to the beginning and figure out how we got to where we are, and more importantly, where we are going. Pre-Internet (PI), the shopping experience took place offline in brick and mortar stores. Shoppers planned trips together as a social activity. Then in the 1990's, the advent of the Internet let us shop anytime, from anywhere that's connected. In our After-Internet (AI) world, the acceleration of the social shopping experience has grown exponentially.

1.0 Sites like Amazon started to take shape, giving us the ability to review while shopping. We provided feedback, commenting through message boards. Soon after, eBay followed with the idea of reputation, offering the ability to rate vendors. We cultivated a trust in retailers we had never met before.

2.0 We then got to the point where the born-of-the-web retailers started to take shape and innovation was found in partnership with fashion editorial. Net-A-Porter began to editorialize the shopping experience by making shopping as engaging and effortless as flipping through a magazine. In parallel, a college town boutique reimagined how the shopping experience could be curated online, and girls everywhere flocked to ShopBop. And of course, like a bat out of Cambridge, Facebook reinvented the way we now interact in our AI world. Soon after, Twitter brought a way for us to not only follow what is happening with our friends but also celebrities, experts and other sources of information.

All of this was on our mind when we started StyleCaster in 2006. We were particularly inspired by an article written by Sramana Mitra, that not only set the foundation for StyleCaster but also our ➔

→ vision for the future of consumer apps.

In her article, Web 3.0 = (4C + P + VS), Sramana writes that the foundation of Content, Community and Commerce within Context is the backbone of the consumer experience. Mitra made us realize that those outfits were Content, those products were Commerce and those people were the Community. We now have a cohesive experience with the discovery, discussion and decision-making potential, all within one click.

3.0 So here we are. Michael Lewis has told us we are ready for The New, New Thing, but what does that new, new thing look like?

We want to share, explore and discover with our friends and our "friends." The newspaper is only published once a day, and we need our news by the second. Of course, we still pickup the Times in the morning for the sense of nostalgia, but our real news comes from @NYTimes. We still want our expert content, but we want it immediately. We still like to go to the mall but we are just as likely to make a purchase in Sephora as we are to make it from the iPad sitting on the beauty counter at Sephora. According to Maslow's Hierarchy of Social Shopping Needs, what we need is validation. Social validation. And that can only come from others.

The $64,000,000 question (up from $64,000 due to inflation) becomes, "What happens next for social commerce?" Neither sales nor social priorities are going anywhere. If you have the choice to pay less for what you want, you will always choose to pay less. Similarly, our LinkedIn Groups and Foursquare friends are our modern-day sources of credibility. And since we're never further than three feet away from our iPhones, the value of immediacy is only going to increase.

Given this evolution, the most interesting dynamic to analyze is the intersection of brands and consumers. Media buyers will take a targeted approach through trusted partners who can effectively and authentically deliver their messages. As social media platforms develop, more voices will be heard. Chatter will increase around individual products, so brands and retailers will have to acclimate at a faster pace than ever before, simply to stay involved in the conversation. Quality, value, buzz and credibility will be paramount, because the people will be talking whether you like it or not.

Social media has shifted power to the people, and the people will now influence decisions more than ever before. The answer to the $64,000,000 question is...people. Its time to bring *Style to the People.* Everyone – from to brand to its consumer and the influencers behind the trend – each have a voice in this real-time social sport. For brands, it's time to go-social, and niche social at that. The purchase depends on it. ■
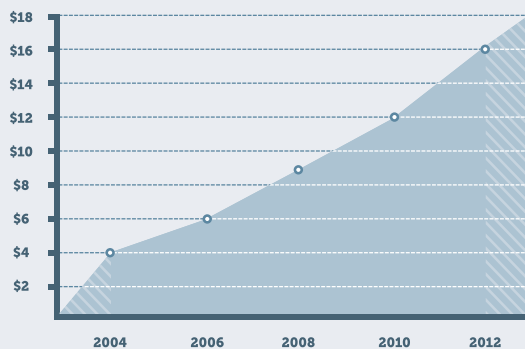
03 SOCIAL COMMERCE FOR CPGS

Social Commerce for CPGs

Social commerce is a nascent industry that has only recently begun to see meaningful experimentation and participation from major brands and manufacturers. For CPG marketers, when comparing the $500 billion supermarket (per CNBC) and $238 billion chain drug channels (per Chain Drug Review) that are the lifeblood of the industry to the $1 billion that social commerce will record in 2011 (per Nielsen & Data Monitor), it is easy to dismiss this emerging channel as too small to impact the bottom line.

CPG Online Sales are Growing Exponentially

SOURCES: Nielsen and Data Monitor

Yet historical precedent suggests that first mover advantage is hugely important during massive cultural and economic shifts. In the 1990s we saw the rapid adoption of the Internet and e-commerce shopping. The 2000s brought the proliferation of smartphones and social media. Both decades have demonstrated that technology expands at breakneck speeds, creating vast wealth in entirely new ways and decimating entire industries that are slow to react.

Booz & Company projects that US social commerce transactions will amount to $14 billion in the next four years. Meanwhile, CPG online sales are growing exponentially, with 50 percent of online shoppers having purchased personal care products and 40 percent having purchased food products online in the previous six months. This chapter discusses several key trends happening between CPGs and social commerce. ■

Online Grocery Retailing

Nielsen predicts online groceries will be a $25 billion business by 2014 accounting for 10 percent of total revenue for the grocery industry. Retailers, e-commerce leaders and startups are all making ➜

➜ big bets through both acquisitions and pilot programs.

In the 1990s, startups like WebVan had challenges finding profitability. Today, the industry is facing increasing pressure on profit margins due to rising commodity prices and competition from store brands. With the decreasing cost of technology and the increasing propensity of customers buying consumer packaged goods online, more and more companies are beginning to find their footing.

Notable entrants in CPG commerce include:

» **Amazon Fresh:** Currently available only in Seattle, the service offers 20K grocery items to over 600K households.

» **Fresh Direct:** Fresh Direct offers thousands of products and 600 prepared meals with next day delivery, seven days per week, to homes and offices in the New York metro area.

» **Peapod:** Peapod offers 8,000 products in 22 U.S markets, and has served 18 million customers since 1989.

» **Walmart to Go:** Representing 33% of the U.S. grocery market, Walmart to Go is currently testing in San Jose, Calif.

» **Soap.com | Diapers.com:** National availability,

purchased by Amazon for $545 million

» **Drugstore.com:** 3 million online customers, purchased by Walgreens

With online CPG sales projected to reach $16 billion by 2012 (per Nielsen & Data Monitor), you can expect social to play an increasingly significant role in helping brands sell more products. And as the differences between physical and digital goods become more difficult to distinguish, the viability of social commerce becomes clear. If you believe that downloading music and movies is a viable business model, and that general opinion can help decide which to watch or listen to, then why would receiving a five-star rated case of soda at your doorstep be any different? ▪

Direct to Consumer (DTC)

Direct to Consumer (DTC) is the most widely discussed and tangible approach to social commerce. In this approach, brands incorporate some form of e-commerce functionality within their Facebook presence.

In 2010 P&G proved to be an early adopter in the DTC approach. Within the Pampers Facebook brand page, P&G sold diapers and 28 other products directly to fans using a custom integration of the Amazon Webstore on one of its tabs. The project ➜

P&G Social Media Lab Operating Framework

Objective	Example
LISTENING	+ Develop a sounding board – private community + Monitor buzz for ongoing assessment of trends and perceptions
TALKING	+ Enable fans to spread message + Continually communicate directly with consumers & monitor feedback
ENERGISING	+ Designate fans to lead others – brand ambassadors + Enable review, ratings to harness fans as sales
SUPPORTING	+ Enable customers to help each other + Enable customers to build solutions together
EMBRACING	+ Harvest customer to help each other + Engage in co-creation of products & services

→ was initially deemed a success, with reports citing that 1,000 diapers had sold out within a matter of minutes. However, when P&G removed the Pampers Facebook store a few months later, critics were quick to categorize the effort as a failure for the CPG giant.

As it turns out, critics may have spoken too soon. P&G has since rolled out six new Facebook stores for Tide, Gillette, Olay, Gain, COVERGIRL, Luvs and Febreeze that utilize PFSWeb's eStore platform. It's worth noting P&G's scale approach to launching six brands at once, which offers efficiencies in terms

of implementation costs and allows the company to monitor results across different product categories under the same market conditions.

P&G considers DTC as just one piece of a much broader marketer opportunity across social media. The P&G Social Media labs operating framework doesn't directly indicate ROI in terms of incremental dollars earned as one of its objectives. Rather, a more holistic view of the value obtained through social media serves as the cornerstone for their social commerce strategy.

CPG companies should consider all of the ways in which social media can contribute to incremental sales both online and offline while investing their marketing and technology dollars accordingly. When considering a DTC approach, one of the initial hurdles in activation is to align with a technology provider who can support merchandising, analytics, order fulfillment, customer service and the implementation of their store. PFSWeb is one mainstream provider who has proven capable of offering an all-in-one solution for brands with a global footprint and vast product catalogue. ■

Challenges with DTC

While embracing a new model of commerce inherently presents a range of obstacles for first movers, there are three types of challenges in particular that CPG brands will need to address:

01 **Scale:** As noted above, Facebook won't be a viable sales channel when measuring the impact of direct online sales alone. Brands will need to determine how else such an offering might provide value to their organizations, from R&D to establishing a dialogue with their most passionate consumers.

02 **Value exchange:** Marketers will need to demonstrate the value for the consumer.

It's safe to say consumers will not go to a brand's Facebook store to buy a $5 product and pay another $5 in shipping; if the consumer had such an urge to shop that way, it would likely be easier to do so through Amazon or Walmart.com. Consumers may, however, be interested in trying new products or acting on exclusive deals. No matter how much brands are willing to call a program a pilot, it's destined to be short-lived unless the marketer clearly communicates why consumers should care.

03 **Fulfillment costs of non-perishables:** When refrigerated trucking becomes as pervasive as UPS and FedEx for residential deliveries, brands will have solved a key barrier in the supply chain for social commerce. For now, brands will need to be selective in which products they distribute via social channels and non-shelf-stable goods will be limited to working with regional and pilot partners who offer at-home service such as Peapod, Fresh Direct, Walmart to Go and Amazon Fresh.

04 **Channel conflicts:** Brands can very quickly wind up being victims of their own success if they create too good an experience by selling DTC. In some cases, brands have spent decades building relationships with retailers for promoting and distributing products, so they will seek to avoid conflicts however possible. P&G, for instance, plans to allow consumers to buy goods on Facebook →

→ through its retail partners, and this inclusiveness could minimize potential objections. ∎

The Consumer's Influence on CPG Commerce

The ubiquitous five star rating that helps you decide which apps to download, which movies to see and which television set to purchase is quickly finding its way to the supermarket shelf. It's even having an impact on the traditional tools of CPG marketers like the free-standing insert.
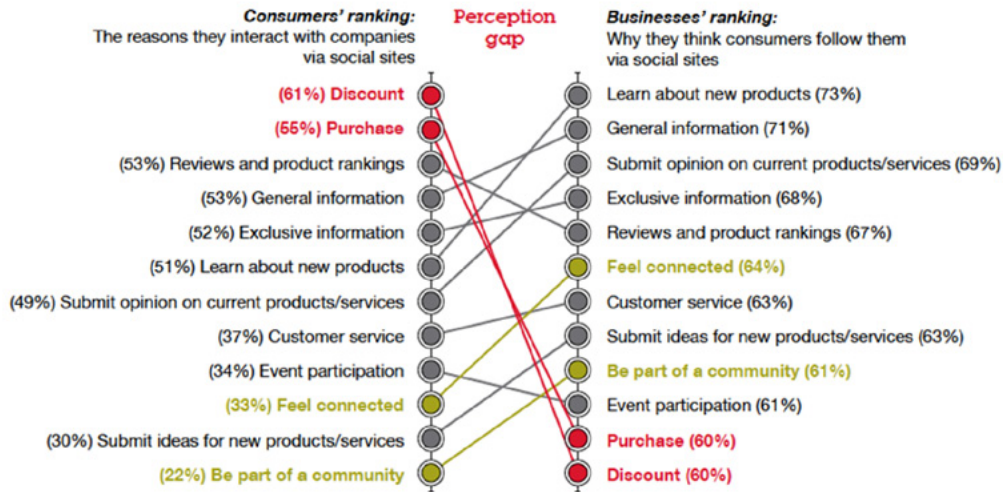

Rubbermaid recently ran a $1 off coupon for their Easy Find lids. The printed coupons included a star rating and a snippet of real review content obtained on Rubbermaid.com using the Bazaarvoice Rating & Reviews platform. The result? Rubbermaid saw a 10 percent lift in coupon redemption compared to the same coupon run the previous year sans user review and star rating. An eMarketer survey has indicated that consumers are three times more likely to trust a person like themselves than the CEO of a company with respect to information about the company's products and services.

Transparency is reaching critical mass for the CPG industry in the form of ratings, reviews and user testimonials that will continue to propagate across e-commerce sites like Amazon and Walmart, as well as the broader Internet through providers such as Bazaarvoice and newcomers Zeer and Consmr. Zeer, for example, offers a database of 30,000 CPG products and provides insights into the ingredients of each and every product from Maltodextrin to gluten. It's essentially WebMD for CPG, which should help to further amplify the trend towards whole foods and natural ingredients as, well as manufacturers' accountability for what goes into their products.

With this increasing level of transparency, product quality will be key to keeping ahead of the competition, especially as store brands continue to evolve their own brands and product attributes while keeping prices at rock bottom levels. Moreover, marketers investing in their social following and asking "What's next?" now have an opportunity to cultivate their biggest fans and brand advocates by curating a solid foundation of ratings and reviews from a stable of trusted loyalists.

Despite scores of evidence pointing to the importance of social media and how it affects commerce, there continues to be a perception gap in terms of what marketers think are the reasons →

Consumers' ranking:
The reasons they interact with companies via social sites

Perception gap

Businesses' ranking:
Why they think consumers follow them via social sites

Consumers' ranking	Businesses' ranking
(61%) Discount	Learn about new products (73%)
(55%) Purchase	General information (71%)
(53%) Reviews and product rankings	Submit opinion on current products/services (69%)
(53%) General information	Exclusive information (68%)
(52%) Exclusive information	Reviews and product rankings (67%)
(51%) Learn about new products	Feel connected (64%)
(49%) Submit opinion on current products/services	Customer service (63%)
(37%) Customer service	Submit ideas for new products/services (63%)
(34%) Event participation	Be part of a community (61%)
(33%) Feel connected	Event participation (61%)
(30%) Submit ideas for new products/services	Purchase (60%)
(22%) Be part of a community	Discount (60%)

Note: Consumer: N=1056; Business: Learn N=333, General info N=336, Submit opinion N=334, Exclusive info N=333, Reviews/rankings N=333, Feel connected N=331, Customer service N=331, Submit ideas N=332, Community N=329, Event N=332, Purchase N=334, Discounts N=331.
Source: IBM Institute for Business Value analysis. CRM Study 2011.

→ consumers visit brands via social sites versus the actual reason consumers visit. IBM recently conducted a study of 1,000 customers and 350 business executives. The results show a direct contrast between two key components of CPG transactions: Discount and Purchase (see above chart). This study suggests that brands underestimate the desire for consumers to engage and purchase in a social setting. One reason for this may be the limited amount of inbound traffic that Facebook Brand Pages received compared to what is digested via the user's News Feed, and thus total sales do not measure up against a more fully featured e-commerce website.

Facebook is an ever-changing platform, constantly creating and launching new features designed to service the wants and needs of its users. As the architecture of Facebook evolves to better serve users in an e-commerce capacity, brands who invest in establishing a social commerce offering early and the resources and infrastructure to support it will have a distinct advantage over competitors who sit on the sidelines. ▪

CPG Shopper Analytics

It's a well known fact that Facebook mirrors your personal life in its ability to record and share everything about you; your hometown, birthday, likes, dislikes, relationships and so on. In the store aisle, it's the shopper loyalty card that keeps a record of every item you scan, what time of day you shop, how much you typically put in your cart and so on.

Until recently, this shopper data has mainly been used in-store, to serve up the right coupons at checkout or to measure the impact of a brands in-store marketing campaigns. A recent partnership between Nielsen and MyWebGrocer (an e-commerce, digital and private label loyalty card provider) for 10,000 supermarkets is seeking to change all that. The new offering –Nielsen Online Basket View – is the first and only aggregate reporting of online supermarket sales data, and is slated to be released in Q3 2011. This new level of detail may provide CPG marketers with enough insight and in-store shopper data to validate the ROI value of social media in a quantitative format. ▪

Implications for Marketers

As the appetite for social commerce increases, marketers should place more emphasis on optimizing the overall user experience to establish scale and consumer preference. SEO becomes the new "good location with foot traffic," and navigation becomes the new "aisle merchandising."

Social commerce creates an increasingly rational market, so brands need to be mindful of pricing transparency, consumer reviews and channel consistency. Marketers that amplify and encourage the open source nature of social commerce will be more successful than those who do not. Additionally, online shopping will level the playing field for smaller brands by creating distribution opportunities and heightened awareness for those who are digitally and socially savvy. Marketers should create a multi-channel presence that seamlessly incorporates access across mobile, tablets, online and in-store in order to be successful and sustainable. ▪

04 DIGITAL COUPONS

Digital Coupons

A new budget-conscious America has emerged from the recesion and is driving a marked shift in consumer behavior around coupons. Today, digital coupons represent a growing portion of the overall coupon market. A new generation of digital-minded consumers prefers to read news online and via mobile devices, as opposed to the traditional Sunday newspaper. This generation of digital natives will not spend their time clipping coupons in the kitchen. They will instead explore new ways to engage with coupons digitally.

Digital coupons are more flexible, efficient and more effective at enticing new buyers. They also appeal to a more attractive demographic. Beyond this, the benefits of digital coupons are many. They offer improved personalization, protection against fraud, provide opportunities for socializat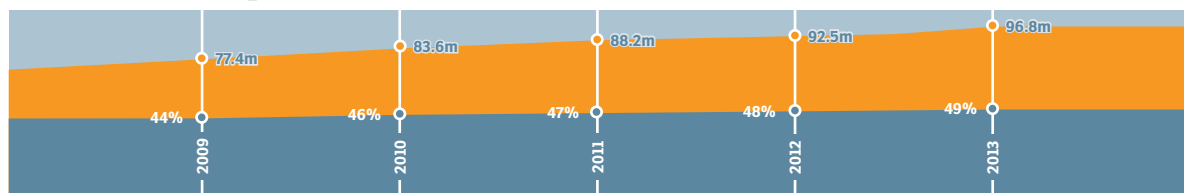ion, greater convenience, and more. This chapter presents an overview of this new landscape in addition to tips for maximizing marketing objectives through the use of digital coupons.

For a more complete assessment of the digital coupons landscape, be sure to download 360i's prior report on the topic: **Couponing in the Digital Age: A Playbook for CPG Brands** (www.360i.com/digitalcoupons). ■

The basics of digital couponing

Given the flexibility of the digital medium, a digital coupon can be placed almost anywhere, added to any campaign and delivered to people in a number of ways. However, supermarkets, grocery stores and other venues where consumer goods are sold can only accept coupons in two primary ways due →

US Adult Online Coupon Users, 2009-2013   % OF INTERNET USERS ■   ADULT ONLINE COUPON USERS (MILLIONS) ■

Year	2009	2010	2011	2012	2013
Adult online coupon users (millions)	77.4m	83.6m	88.2m	92.5m	96.8m
% of internet users	44%	46%	47%	48%	49%

By 2013, 96.8 million adults will redeem an online coupon.   **SOURCE:** eMarketer, May 2011.
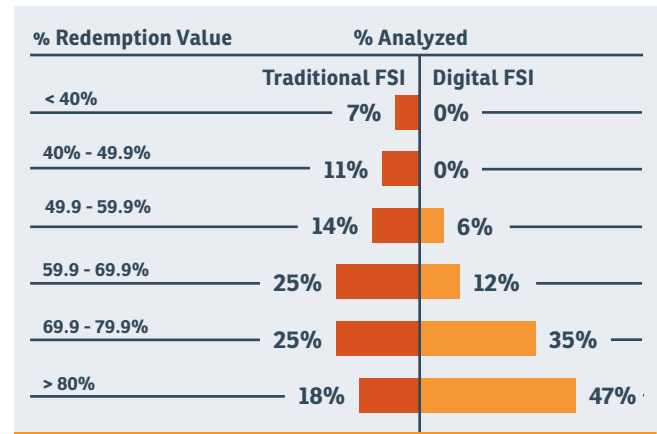
→ to their technological restrictions. To be redeemed at a cash register, digital coupons must either be printed by the consumer or loaded virtually onto a supermarket loyalty card.

According to a prominent digital coupon supplier, redemption rates for printed coupons are about 15%, whereas those for loyalty card coupons are around 10%. Higher redemption rates for printed coupons occur because consumers are more likely to remember to purchase products for which they have coupons in hand, as oppose to having to remember what they loaded onto their loyalty cards at an earlier time. An exception to these two main delivery methods is provided by the retailer Target, which has the technology to scan barcodes on consumers' mobile phones. Also, there are some apps, such as CardStar, which aggregate your loyalty cards onto your phone so you can just present your phone at checkout. Unfortunately, these don't always work well at the register. Retailers make money by quickly checking out customers and as such, anything that slows that process down is not welcome. At present, the technology used in Target stores has not been adopted by any other large retail chain. ■

The differences between digital & traditional coupons

For consumers, one of the key differentiators between digital and traditional coupons is

convenience. Once a coupon is online, it is easy for Internet users to search and find it – and they no longer have to pay and wait for Sunday newspapers to find coupons.

% Redemption Value	% Analyzed	
	Traditional FSI	Digital FSI
< 40%	7%	0%
40% - 49.9%	11%	0%
49.9 - 59.9%	14%	6%
59.9 - 69.9%	25%	12%
69.9 - 79.9%	25%	35%
> 80%	18%	47%

SOURCE: Knowledge Networks Normative Database. Data Period: CY 2008 and CY 2009. N = 17 Digital and 28 Traditional recently analyzed FSIs in similar categories: 4 Edible Grocery and 1 Non-Food Category

HIGHER REDEMPTION RATES: The fact that coupons are either targeted to consumers or sought out by them has lead to improved redemption rates. The consumer is taking the time to print out coupons so he or she is more likely to use them.

SHARABILITY: Digital coupons can be easily shared and spread around by consumers. When this happens, coupon offers may become exhausted earlier.

CAPTURE DEMAND: Marketers can use digital coupons to attract consumers who are searching for a particular product or brand.

NEW BUYERS: A new report shows that digital coupons are 35% better at attracting previous non-buyers and attracting more new buyers than print coupons (Source: Knowledge Works Trend Report, 2011).

TIMING: Digital coupons can run continuously and can be created with relative ease compared to traditional coupons. A digital coupon campaign, when working with a digital coupon supplier or aggregator, can be live within 72 hours, while traditional campaigns typically take up to eight weeks to begin.

LOWER COSTS: Digital coupons pass the cost of printing to consumers. Also, brands can set a print limit per IP address so consumers can only print a single coupon.

METRICS: Digital coupons can offer better tracking opportunities for brands as they can receive information on consumers printing digital coupons right from the beginning of the campaign launch. Traditional redemption data takes approximately eight weeks to gather. ■

Considerations for using digital coupons

The consumer experience for digital coupons is constantly evolving – and, as advanced as digital coupons may seem, there are still some barriers to mainstream adoption.

APPLICATION DOWNLOAD: Some coupon programs require users to download an application in order to access the offer, and this additional step may cause some users to drop off prior to redemption.

PRINTING: Printing coupons adds a level of complexity for consumers, who likely only have one or two chances to print out the coupon before losing out on the offer. Most suppliers will allow two chances to print per user because of the difficulty associated with printing the coupon correctly the first time.

IN-STORE EXPERIENCE: Not all retailers accept printed coupons.

Marketer considerations to note when pursuing digital coupon programs include:

REACH: Traditional coupons still reach more people, even among Internet users. Although newspaper FSIs may drive volume, digital coupons minimize waste.

AUDIENCE: The traditional coupon clipping target may not be the same as the digital coupon audience. In April 2011, Experian Simmons' John Fetto told MediaPost that people who use coupons are more likely to use all kinds of coupons. Moreover, digital couponers tend to be more extreme coupon users.

PAID MEDIA SUPPORT: Sometimes additional paid media support will be necessary to achieve campaign print goals.

"DOUBLING DOWN": Keeping track of each of your brand's coupon offers is very important as savvy consumers will "double down" on deals by using digital coupons with traditional coupons and match them with in-store sales to potentially get products for free, if not heavily discounted. ■

"99% of digital coupon users said their household also used print coupons, compared with 35% of print couponers using digital coupons. Digital coupon users also used them for a wider variety of purchases and at a greater variety of stores than those who used only print coupons."

–John Fetto, Experian Simmons

Couponing Innovations

Now that we know the basics of digital coupons and what makes them different to traditional coupons, let's explore some more innovative ways of distributing digital coupons.

Social Coupons

What makes a coupon a social coupon? Any coupon that can be shared among people online may be considered a social coupon, but there are a few subcategories of note.

FACEBOOK COUPONS: Facebook is an excellent environment for brands to distribute coupons to consumer, and many brands have used digital coupons as an incentive to get new fans or followers. In fact, a recent report from ExactTarget and CoTweet revealed that the top reason consumers will "Like" a company or brand on Facebook is to receive discounts and coupons.

Coupons can be distributed on Facebook through a variety of ways. Brands can serve up coupons directly from fan pages to their consumers with the help of applications from vendors like Wildfire, Kickapps, Buddymedia or Coupons.com. One common use is to place a coupon offer on a non-fan Facebook landing page in order to encourage fans to "Like" your page and redeem the coupon.

A retailer example of a Facebook coupon program is Walmart's Crowdsaver app, which was ➔

What has motivated you to "like" a company, brand, or association on Facebook?

40%
To receive discounts and promotions

39%
To show my support for the company to others

36%
To get a "freebie" (e.g., free samples, coupon)

34%
To stay informed about the activities of a company

33%
To get updates on future products

30%
To get updates on upcoming sales

29%
For fun or entertainment

25%
To get access to exclusive content

22%
Someone recommended it to me

21%
To learn more about the company

13%
For education about company topics

13%
To interact (e.g., share ideas, provide feeback)

SOURCES: ExactTarget & CoTweet

→ live during the 2010 holiday season. Crowdsaver worked similar to Groupon, putting the success of achieving a deal in the hands of the consumers. Walmart set a threshold of "Likes" that an offer needed to reach before the deal became available to those who Liked it.

Social Grocery is a new ecommerce application that lives within Facebook. It's a social extension of MyWebGrocer, a technology company that powers many grocery store chains' websites. Users of Social Grocery can add coupons from the Facebook app to their loyalty cards. ■
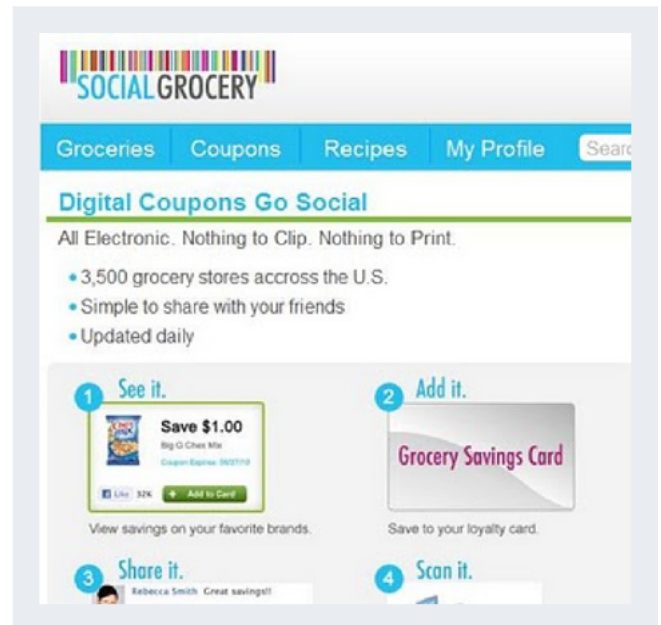
Group Couponing

Another approach is "group couponing," which was popularized by Groupon. Groupon began in 2008 as an email-based service for local deals activated only when a certain threshold of users sign up. Today, Groupon has more than 50 million subscribers worldwide. A legion of similar providers has emerged, following in Groupon's footsteps. These include sites like TheDealist and LivingSocial, as well as proprietary services from brands and retailers themselves. Because daily deal sites are mostly focused on getting consumers introduced to new activities and restaurants, CPG or even national campaigns, have been minimal. General Mills was the first to use Groupon to offer a local CPG deal, and that deal was for $20 for $40 worth of coupons on various General Mills products. The deals, which took place only in San Francisco and Minneapolis, both sold out within hours. For CPG brands, the margins will generally prohibit such steep discounting unless costs are covered by broader promotional budgets.

COUPON COMMUNITIES & OTHER SOCIAL COUPON OPPORTUNITIES: There are a variety of social coupon communities and couponing tactics that live beyond Facebook.

» **Crowdsourced coupon communities:** There are a host of sites that house communities of avid couponers such as Mallicious, Dealigg and Discount Patrol. Users will post and share coupons they have found, and the best deals become crowdsourced to the top, similar to sites like Digg and Reddit.

» **"Tell-a-Friend" coupons:** Vendors like Social Twist have created socially incentivized "tell-a-friend" coupons, where the coupon value is worth more if they agree to share it with three or more friends. These types of coupons are housed on a microsite (or other destination) and have two values. Users can select the lesser value immediately, or select the higher value which they can redeem after they either send it to three friends via email, or post it to their social communities, where it is assumed at least three friends will see it.

Another derivation of "tell-a-friend" involves rewarding users with coupons for sharing video content, pioneered by a vendor called Rewardshare. Similar to that are sites like MyLikes.com, which compensate people in exchange for sharing content, the majority of which is deal and coupon-related.

PROGRESSIVE COUPONS: Progressive coupons are digital coupons that increase in value as more users fulfill an action. For example, Healthy Choice was looking to grow its Facebook fan base, increase engagement and reinforce the brand's reputation →

→ for providing great value. Knowing that the Healthy Choice consumer is a user of social media and interested in coupons, the brand introduced a progressive coupon on its Facebook Page (see image below). The coupon began at a low value ($0.75 off) and increased as people "Liked" the page, ultimately reaching a "buy-one-get-one-free" deal.

"Like" us to reserve your Progressive Coupon now!

The more you share it, the more it's worth!

For the first time ever, Healthy Choice® is launching a Progressive Coupon—a coupon that increases in value as more people sign up to get one! Be sure to spread the word so everyone receives a Buy One, Get One Free coupon for Healthy Choice!*

"Like" us on Facebook® and *reserve a coupon.*

Here's How It Works: The more people who "Like" Healthy Choice on Facebook, the higher the coupon's value climbs. It's easy—all you have to do is "Like" Healthy Choice, reserve your coupon today, and be sure to share with your friends. Encourage all of them to "Like" us and help drive the coupon's value all the way to Buy One, Get One Free! Go ahead and do it now—reservations close October 25 or when supplies run out.

Steam cooks for Freshness

Steaming Entrées

The progressive coupon was supported through a variety of public relations tactics and in just two weeks, the community grew from 6,800 to nearly 60,000 fans. Healthy Choice ultimately distributed more than 50,000 buy-one-get-one-free coupons. Though digital coupons have proven to grow fan communities, it's important to note that digital coupons alone cannot sustain an active community. It's incumbent on a brand to maintain engagement and add value for consumers beyond the occasional discount.

GAMIFICATION: Gamification is the process of adding game mechanics to experiences in order to engage and/or reward audiences. Adding points, badges, leaderboards and challenges are great ways to motivate action from users. We are seeing this being used for marketing programs and it is often paired with rewards in the form of coupons.

Vendors like Crowdtwist and Bunchball incorporate game mechanics into websites, allowing users to win points that can then be redeemed for coupons or discounts. Another platform is Swagbucks, a loyalty program in which users can earn thousands of freebies for doing online activities, such as surveys, games and even simple web searches. Users also get rewarded for printing and using coupons on the site.

EMERGING TRENDS: Group couponing leader Groupon is continuing to innovate in the CPG space. In June 2011 it launched a test program that delivers deals to purchasers via grocery store loyalty cards. Big Y shoppers in Massachusetts and Connecticut could purchase a coupon for a $39.99 seafood grill at a discounted price of $24 and have the deal automatically appended to their Big Y loyalty →

→ cards after the transaction was made online. The use of a grocery store loyalty card as a payment vehicle creates many opportunities for CPG brands looking to simplify the in-store redemption process. Furthermore, this model represents yet another iteration of paperless coupons, which will continue to be a trend in the digital coupon space.

Mobile Coupons

Mobile coupons can be distributed via text message, mobile ads, branded apps, custom apps, barcodes or other formats. Coupons delivered via mobile devices are gaining attention; however, their use is somewhat hampered since retail locations often lack the infrastructure to implement them at the register.

At their best, mobile coupons offer the ultimate convenience, as they are easier to work with than traditional coupons, because they don't involve searching, sorting, clipping or remembering to take them to the store. They also eliminate the need to have another loyalty card. For marketers, having access to mobile coupons may attract a younger, more affluent target that is not ingrained in traditional coupon clipping.

As of now, mobile couponing is still an early adopter activity, with less than 15% of mobile phone users having ever used a mobile coupon (Source: mBlox 2010). Furthermore, only a few retailers have the infrastructure to scan mobile coupon codes. As noted earlier, Target became the first major retailer

to process and accept mobile coupons. To date it is the first large scale retailer to allow consumers to redeem coupons via mobile barcodes that can be scanned at the register.

Other delivery methods for mobile coupons include digital coupon calls to action in mobile ads and mobile games. SMS programs are popular with feature phones and are a great way to engage with consumers who don't have smart phones.

The number of smartphone applications that serve mobile coupons is growing rapidly. One example is GroceryIQ, an application from Coupons.com that helps users shop by compiling grocery lists and providing coupons. Users can find coupons and add them to their shopping list from the app. Other examples of coupon applications include Coupon Sherpa and Yowza!! Mobile Coupons. Many manufacturers and brands are creating their own branded apps like Kraft's iFood assistant, which includes coupons. There are also aggregator apps, like CardStar, which allow shoppers to store, manage and retrieve loyalty cards from their smartphones.

Companies like Cellfire specialize in direct-to-card coupon programs for mobile devices, where users can load their loyalty cards with coupons that are served on their phones.

A new company called SavingStar takes a different approach to the concept of paperless mobile couponing. Their app allows users to link coupons to their loyalty cards similar to the way Cellfire and GroceryIQ can, but instead of →

→ receiving the discounts at the time of purchase, the savings are transferred to one of four different locations. This model is very similar to a points program, consumers can redeem the savings in three ways:

01 They can deposit directly into their bank account or PayPal account.

02 They can transfer them to an Amazon gift card.

03 They can make a donation to the American Forests Organization.

SavingStar says that soon there will be many more options for users to transfer their savings including airline miles, hotel points and an option to save at the time of purchase. Another key difference between SavingStar and other save-to-card mobile applications is that they have national reach and strong relationships with a majority of retailers – plus a large amount of data that can be used by marketers to enhance their couponing efforts.

Mobile + Location

Location-based marketing is one of the hottest topics in digital today. People are engaging on mobile phones and sharing their locations, coupons and discounts to nearby stores is high on their list of priorities. In a recent survey by JiWire, more than half of respondents said they wanted to receive location-specific ads. They also indicated that mobile coupons were a more appealing incentive than check-ins (Source: JiWire Mobile Audience Insights Report, 2010).

GEO-TARGETED ADVERTISEMENTS hold much potential but they also come with some risk. There are a variety of vendors, like PlacePunch and LocalResponse, that serve specials to consumers who check in with location-based apps. PlaceCast, a similar platform, sends ads and digital coupons to people who enter a previously determined "geofenced" area with their mobile device. These types of focused advertisements work best when users have opted in to communications. Blanket texts to unwitting consumers may create dissonance with your brand.

Mobile location-based points applications also provide a way to connect with users who are at your retail location or location of interest. Shopkick and Checkpoints, for example, are apps that allow users to collect points as they visit several retail locations, and those points can be used to redeem coupons and discounts. Shopkick also incorporates scanning barcodes so that people can collect more information, points or deals.

1D AND 2D/QR CODES provide opportunities for brands to interact with consumers on the path to purchase. These codes serve as a great way to →

➜ connect offline and online messaging.

Scanning has expanded beyond codes to a newly learned consumer behavior of tagging music. The Shazam application, one of the most downloaded apps to date, allows users to tag music operating somewhat like an audio version of a QR code. Shazam has converted this behavior for marketing purposes, asking people to tag commercials, and thus connecting offline and online campaigns. One great example is Old Navy's campaign in which viewers could "Shazam" TV ads for coupons and other exclusive offers.

There are also a variety of localized deal applications for mobile devices, the majority of these which are focused on deals and not CPG coupons. Some examples include apps like Scoutmob, Coupious and Peekaboo that serve local deals and offers based on your current city, zip code or GPS location. Another example is SCVNGR Level Up, which combines daily deals with location to get consumers not only to go to a location once, but to return more frequently and unlock greater rewards. SparkFly, is a similar platform in the space.

MOBILE AUGMENTED REALITY is an innovative technology that can be used to provide entertainment or utility to its users. Valpak and Junaio paired up to provide a local utility to its application, in which nearby deals are delivered via a pop up in the video camera view of the app.

MOBILE NFC (near field communication) is an emerging technology that has been generating buzz in the marketplace. NFC is a short range protocol built into cell phones that enable you to "swipe" your phone near an NFC tag (which could be in packaging, on a sticker or at shelf) and pass data to the phone. Android supports NFC in its most recent version of the operating system and there are rumors that Apple will add this functionality to future iPhones. Adoption of NFC would present a big opportunity for the coupon space, as digital coupons could be more conditional (i.e. based on geography, past and present behavior, etc.)

Mobile + Location + Social

LBSN: Location-based social networks like Foursquare, Gowalla, Loopt and others offer deals based on where or how often users visit (check in to) various locations.

FOURSQUARE: In November 2010, Foursquare piloted a program where Safeway visitors could link their loyalty card accounts to their Foursquare accounts. When store visitors checked in to Safeway, they received coupons that printed right at the cashier. The second component of this program was tied to specific user behavior. For example, consumers who checked in to the gym received coupons for related products, such as Sobe Lifewater.
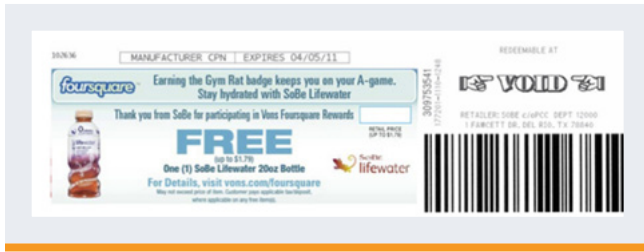
The **FOURSQUARE-SOBE** deal above rewarded people for checking into the gym.

Near Field Communications

An emerging distribution opportunity involves near field communication (NFC), a wireless transmission mechanism based on radio frequency identification (RFID) that allows devices to communicate with each other when they're in very close proximity. With NFC, a scanner located at the point of sale, or embedded within the point of sale such as the Verifone credit card scanner commonly used by retailers, can instantly connect with a consumer's mobile phone when placed near the terminal. At that point, people can instantly pay or redeem special offers for doing so. Marketers and retailers can offer special coupons and rewards for repeat purchases, thus encouraging loyalty rather than just one-off deals.

There are two major factors hindering NFC usage:

01 Relatively few payment terminals in stores include NFC scanning, though Verifone announced that all of its new payment systems will include NFC. Google is also speeding up the roll out with the debut of its NFC payment product "Wallet" in May 2011.

02 Few mobile handsets include NFC functionality, with Google's own Nexus S among them. There are rumors – but only rumors – that Apple may include NFC in the next iPhone release, and such a jolt by a major handset maker will be needed to further NFC adoption.

As an interim step, certain vendors are taking advantage of NFC's low deployment costs and paper-thin chips to offer NFC-powered stickers that can be placed on consumers' mobile handsets and scanned by specially equipped readers at participating retailers. Dairy Queen ran such a pilot with Tetherball, 7-Eleven did with First Data, and Bling Nation aims to tie in mobile rewards with social sharing via a Facebook app that would power NFC deals.

NFC is in its infancy in the United States, but it remains something marketers should keep an eye on as Google, Verifone, Nokia, AT&T, Verizon, T-Mobile, Visa, Samsung and others have all demonstrated broader support for it, and certain brands will have the opportunity to become early adopters to see if NFC can impact consumer acquisition and loyalty. ▪

Implications for Marketers

Digital coupons have tremendous potential for both marketers and consumers. For consumers, digital coupons can become a seamless way to save money on the products they love. For marketers, they can offer improved efficiency and targeting. Understanding the digital coupon landscape and how to use digital coupons can be a daunting task, as the landscape is rapidly evolving with the advent of new technologies and ways of creating, distributing, promoting and redeeming digital coupons.

Beyond having a deep knowledge of the space, marketers should also strive to better understand consumer behavior, so that they can reach their audience in the ways that resonate most. For a deeper dive into digital coupons, download our prior report: Couponing in the Digital Age (www.360i.com/digitalcoupons). ■

Digital Coupons Outlook
Q&A with **Steven Boal**, CEO, Coupons.com

What is the single greatest opportunity that digital coupons hold for brands?

The greatest opportunity is to give the consumers what they want, savings, in exchange for what the marketer wants, engagement. Frugal is the new black: more and more consumers are making digital coupons a part of their shopping routine—accessing them across the entire digital domain, including the web, social media, consumer electronics, mobile phones, etc.

Digital coupons are not only replacing the multi-billion dollar Sunday coupon insert market, but are also expanding the supply of coupons, by using the power of the Internet to lower the cost of entry for coupon issuers. This shift is also increasing the demand for coupons, by introducing a whole new consumer demographic to coupons via the Internet, social media, and mobile phones.

What's more, digital coupon users hail from a very attractive demographic: they are younger and better educated; have higher household incomes and larger households; and shop more frequently and spend more each month on groceries than users of traditional newspaper coupons. Brand marketers

should be taking the opportunity to engage with consumers via digital offers and influence shoppers throughout their path to purchase in order to increase the brand's engagement, click-through rates, Facebook fans and more.

What are the challenges to working with digital coupons and how can marketers overcome them?

Marketers are challenged to keep pace with the rapid change and growth that is happening in digital. New channels are emerging and the existing ones are growing exponentially. We're working with coupon issuers to address the challenge of "keeping up" by our getting involved in the marketer's planning process and helping them plan their annual budgets based on what we see in the transition to digital.

Beyond naturally increasing digital habits, what are some ways brands can help consumers become more comfortable with digital coupons?

Brands can increase consumer friendliness with digital coupons by integrating them across their multichannel marketing program. It's not just ➔

→ about giving a coupon to a consumer: it's about integrating the offer across the entire digital promotions program. Digital coupons have proven their effectiveness, and as more brands offer them across more touch points in the purchase process, consumers will increasingly grow more comfortable with utilizing them.

What does the future of digital couponing look like? What are some predictions you have for the coming years?

Consumer interest in mobile coupon redemption in high-volume transaction scenarios (such as grocery, drug and mass) will continue to increase. Coupons.com is currently working with point-of-sale providers and retailers on the architecture for redeeming manufacturer coupons with phones.

Regarding mobile couponing, more immediate areas include 1) retailer adoption and 2) consumers' path to purchase. Retailers specifically will increasingly integrate digital coupons into their communications in order to engage with people and promote coupon redemptions in store. Coupons.com already powers coupon galleries for retailers spanning tens of thousands of locations to drive more shopping trips to their stores – and we anticipate this trend will continue to grow.

We also predict digital will change the game with regard to shopper marketing, introducing an entirely new opportunity for consumers and brands to engage with each other along the entire path to purchase. Engagement can begin with pre-planning at home and span all the way to on-the-go and in-store interactions. ▪

Coupons.com enables digital coupon programs – including online printable, save to card and mobile promotions – for the nation's top brands and retailers.

05 DAILY DEAL SITES

Daily Deal Sites

Everyone loves a good deal, but in today's fast-evolving digital space it's not just about saving money. Daily deal sites are becoming increasingly focused on creating a different type of value and have been sprouting up at a rapid pace in an effort to curate the best consumer experience.
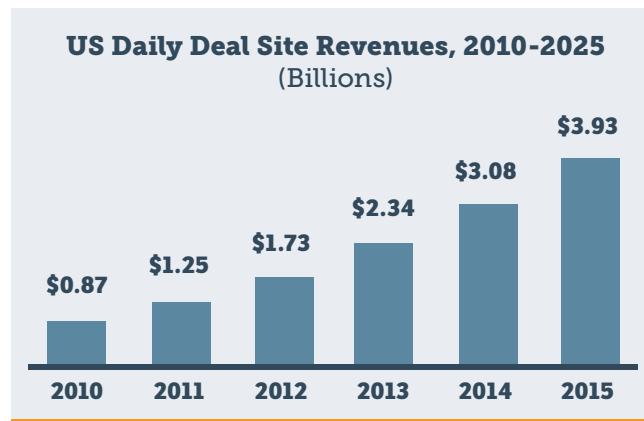
In this chapter, we'll discuss how daily deal sites are merging social networking and commerce to change the digital couponing landscape and review some of the ways brands are experimenting and succeeding in the space. ■

What's the deal with daily deals?

Most daily deal sites feature a limited-time offer on local goods and services. Often, users pay for the deal in advance and in return get a discount. By offering deals that aren't available everywhere, businesses are able to stimulate mass consumer demand in a short amount of time. This deal-a-day phenomenon has created a marketplace for buyers and sellers that is moving increasingly toward hyper-local targeting and real-time action.

Not only is this changing how people search for bargains, but it has also affected how consumers engage with brands on a national level. Consumer spending on deal-a-day offers is expected to grow

to $3.9 billion by 2015, according to a March 2011 forecast by BIA/Kelsey.

US Daily Deal Site Revenues, 2010-2025
(Billions)

- 2010: $0.87
- 2011: $1.25
- 2012: $1.73
- 2013: $2.34
- 2014: $3.08
- 2015: $3.93

SOURCE: BIA/Kelsey as cited in press release, March 3, 2011

Satisfaction with deals is also high, according to a Consumer Search survey. In fact, 64 percent of respondents had a positive experience with their deal – while 68 percent of those who had redeemed a deal subsequently returned to that business without having a deal. So, what drives people to daily deal sites?

A social buying experience – the idea that, "If I can get my friends to join, I'm going to reap the benefits." Driven by collective buying, some daily deal sites include social incentives with the offer to encourage sharing. Groupon, for example, requires a set number of participants to purchase the deal before it's "on." LivingSocial offers the deal to you for free if you get three of your friends to buy it.

The chance to try something new – enabling you to feel spontaneously indulgent. Consumers often opt in to daily deal emails because they're interested in purchasing goods or services, but they don't necessarily know which ones. This is why they rely on daily deals to curate content and experiences for them. And with most deals only lasting 24 hours or less, and some with limited quantities, consumers are enticed by more deals more often and check in on these sites on a regular basis.

Staying in the know – so that you never feel like you're missing out on a steal. Some sites offer restricted deals to members only. Gilt City, for example, doesn't have a minimum number of participants needed for a deal to become "activated." Instead, it offers limited quantities of deals from local businesses and events just three times a week. And, unlike other competitors, it uses deals for access to exclusive happenings, secret places and even an all-inclusive wedding for $30,000. This encourages people to come back just to see what's next.

Convenience – making it easy for you to get the best deal as quickly as possible. Market leaders in the daily deals space are doubling down on geo-social, mobile and real-time to make the experience more relevant to consumers. Both LivingSocial Instant and Groupon Now enable you to find timely deals based on your current location, with redemption facilitated directly from mobile. Sites like YipIt further streamline the process by providing additional value in offering breadth - aggregating local deals (like Groupon, LivingSocial and Gilt City) and eliminating the need for visiting multiple sources. ▪
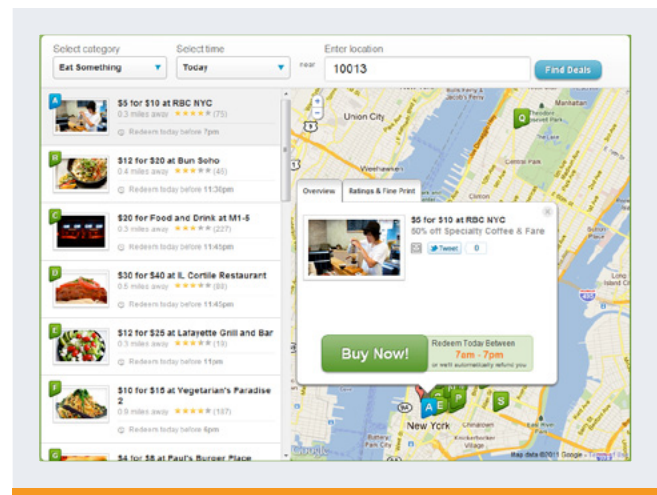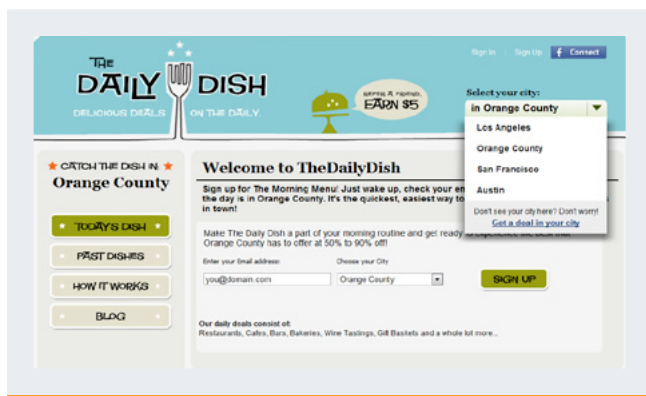

GROUPON NOW prompts you to enter your location and choose the type of local deal you'd like to see. Users have to present their Groupon to the merchant within the specified time.

Daily deals sites find their unique place in the market

The daily deals space has differentiated into three main tiers: through branding with the market leaders, like Groupon or LivingSocial; networks that aggregate content, like Amazon Local; and industry verticals (e.g., travel, beauty and food), like Jetsetter or TheDailyDish.

Daily deal site **THEDAILYDISH** gives you $5 "Dish Dollars" when someone you invite gets their first voucher. There's no limit on how much you can earn.

Among many of the major daily deal players, various features like a "capped" number of sales (to activate a minimum number of purchases, or to make sure the sales don't go over), are common. Referral programs are also popular (users get a personalized URL and if a certain number of friends buy the deal, you get the deal for free). In addition, social sharing

capabilities (mostly for Facebook and Twitter) are a must, especially to spread word of mouth about the deal to a user's network.

Use our table on the next two pages as a guide to get to know some of the biggest leaders in the daily deals arena.

Site	What They Do	Membership Base	Competitive Advanatage
GROUPON	• Derived from "group coupon" • Offers deal-of-the-day discounted certificates usable at local or national companies	>115MM registered users; mainly 18-34 year-olds	Largest customer base of all deal services; serves 150 markets in North America & 100 markets in Europe, Asia and South America
livingsocial	Offers deal-of-the-day discounted certificates ("instant deals")	>26MM registered users; mainly 18-49 year-olds	Offers more than just certificates to venues, but also vacations, adventure experiences and family oriented activities
Google Offers	• Deal-of-the-day website that will be localized to major geographic markets in the US and abroad • Google's response after an attempted buyout of Groupon	Potentially all Google users (currently offered in Portland, New York & San Francisco)	Google already has the largest number of users with email, so targeting these users should be simple.
GILTCITY	Curators seek out luxurious events, services and experiences available in major cities and offer discounts and deals every Monday, Wednesday & Friday to Gilt Groupe members	>3 million	Exclusive deals to members only; offers large referral bonus

Site	What They Do	Membership Base	Competitive Advanatage
yelp	Deals feature from Yelp; offers discounted certificates to Yelp-reviewed restaurants	Potentially all Yelp users – the site draws about 53MM unique vistors each month	Venue reviews are organically built into the platform, which could prompt reason to buy a particular deal
bloomspot	Offers daily "flash sale" bargains for weekend getaways and unique local luxury experiences	Unknown; currently operates in 9 US cities	Loyalty program: earn one Bloombuck for every $1 spent over the total amount of the voucher, which can then be redeemed for discounts on future offers
POPSUGAR CITY	Feature of PopSugar; offers daily local deals that mostly focus on food and beauty services	Unknown; ~1MM unique visitors per month	Large user base reading their network of blogs (celebrity news & gossip sites)
amazonlocal	Daily deals (where buyers save at least 50%) from the world's largest online retailer, Amazon	Potentially all Amazon users (currently only offered in 5 West Coast counties)	Deal actually comes from LivingSocial (so it's aggregating deals from other companies); leverages Visa reward points
SCOUT mob	Location-aware, rapidly-expiring mobile deals from small mom & pop stores (no large chains)	Unknown; app is rated 4+ in iTunes store	Mobile app allows the coupons to be delivered directly without having to print or download (only pay for the deal when you use it)

How brands are getting involved

As daily deals grow in popularity, some marketers have experimented with branded integrations. Here are a few examples of successful daily deal campaigns that allowed brands to exchange value through an offer to increase purchases and engagement.

General Mills & Groupon

Overview:
» Groupon offered a daily deal in both the Minneapolis and San Francisco markets. For $20 customers would receive $40 worth of General Mills products, plus a $15 coupon book

Results:
» All of the 4,500 sample packs offered in each city sold out by mid-morning

Why it worked:
» First CPG to partner with Groupon (most daily deal sites typically work with restaurants and retailers)

GAP & Groupon

Overview:
» Groupon offered their first nationwide deal from Gap; $25 for $50 worth of apparel and accessories

Results:
» Broke all sales records for any Groupon offer, selling more than 441,000 Groupons in one day, totaling just over $11MM

Why it worked:
» This was the first nationwide deal offered by Groupon; deal was also promoted via Gap's email lists, as well as by Twitter's experimental @earlybird account

Fandango & LivingSocial

Overview:
» LivingSocial offered two movie tickets from Fandango for $9 (nationwide offering)

Results:
» Exact final numbers are unknown, but as of 4:45 p.m. ET on the day of the deal, more than 460,000 were sold

Why it worked:
» This deal not only helped promote LivingSocial & Fandango (both middlemen in their industries), but also the movie theaters where customers would actually see the movies

Amazon & LivingSocial

Overview:
» LivingSocial offered a $20 amazon.com gift card for $10 (nationwide offering)

Results:

» More than 1 million sold (limit one per person)

Why it worked:

» Amazon sells everything, so no matter the interests of the customer, anyone could take advantage of the deal

Volkswagen & Gilt

Overview:

» For three consecutive days, Gilt offered a new 2011 VW Jetta for $5,995 (the first day's sale was only offered via the Gilt mobile app, consecutive days were offered online and the app)

Results:

» All three cars sold instantly; profits from sales were donated to Dress for Success Worldwide (international nonprofit that helps economically disadvantaged women)

Why it worked:

» This was the first time a car was offered through a flash sale site; the steep discount also created a lot of press for Volkswagon and its new car

Lady Gaga & Amazon

Overview:

» For one day only Amazon sold digital downloads of Lady Gaga's new album for $0.99.

Results:

» The site became so flooded it actually crashed, so Amazon extended the deal for an additional day for anyone who was unable to purchase the album during the initial offering

Why it worked:

» This deal gave customers a way to get an entire album for the amount they typically spend on a single track; it also helped promote Amazon's new Cloud Player

David Gray & Groupon

Overview:

» Musician David Gray debuted his new album "Lost and Found - Live in Dublin" through Groupon for $6 (compared to the retail price of $13)

Results:

» More than 1,600 digital downloads sold

» Started June 27 – tipped at 6:26 a.m. that day

Why it worked:

» The album was available exclusively on Groupon as a digital download, and not available as a CD version until a year later. ▪

Considerations

» **It's important to use daily deals less as a revenue stream and more as a promotional tool.** Some deal sites take anywhere from 20 percent to 60 percent commission rates – so when planning an offer, lay out clear objectives that are going to help build your brand's awareness (versus what will generate profit). Think about how you can leverage an offer to bring in new customers and keep your brand top of mind. As is usually the case in emerging markets, innovation is critical.

» **Let your objectives guide which type of deal site you use.** If you want to use an offer to get more visibility as a branding play, focus on daily deal sites that have good brand recognition. If you just want to get an offer out there (to move product, fill seats, etc.) use a daily deal site aggregator. If your offer has a specific target or focus, choose a niche, industry vertical daily deal site.

» **Marketers whose product mix offers high margins have the most flexibility and freedom in offering deals, while companies with tighter margins will find it harder to offer a good deal to consumers.** If you're looking at a local daily deal, think about how many you need to sell to make a profit. Have a short redemption period, limit the number of vouchers consumers can purchase and try bundling products for a higher shopping cart total.

» **To offer the most relevant experience to consumers, understand both the daily deal site and your brand's audience.** Certain daily deal sites skew younger or older, more female than male, or even toward special interests (kids, college, bridal, pets, etc.) – so check with Quantcast or comScore to determine which sites are best to use to reach the audience you're targeting. Tap into your brand's social communities to get a feel for your fans' interests when it comes to offers. Also, consider time of year for activating the daily deal. If your brand is retail or travel focused, holidays, events and seasonal-peaks could work better.

» **Have a long-term strategy in place so your audience doesn't become reliant on incentives for social commerce.** Create loyalty by connecting and engaging with consumers beyond the deal – whether at the point of purchase or through social communities. ▪

What's next for daily deals

Like any maturing market, daily deals will experience a period of consolidation, yielding two ➜

→ to three main market leaders. The winners will be those platforms or services that most accurately intercept consumer impulse – either through technological innovation or content curation. Real-time, mobile and personalization will be the primary trends. Keep in mind this is a very nascent market and only through experimentation will brands begin to understand the value daily deal platforms can offer their business.

Marketers skeptical of the value of daily deal sites can still learn from their success. For instance, marketers can create their own deals offered through their site or Facebook wall, create offers that increase in value the more they're shared, and tap into other forms of social commerce. ■

Ways to get involved with deals if you have less room to offer deep discounts

Think outside the box

Create new value in areas not tied to product

Bundle products to create more room for discounts

Focus on premium brands & products that offer higher margins

Use deals for closeouts & SKUs no longer being supported

What's on the horizon for daily deals?
Q&A with **Yon Nuta**, SVP of Product, comScore

What kinds of consumers are engaging with daily deals and group buying?

Research shows that the range of people engaging with daily deals and group buying is very broad. This group is not solely comprised of price-sensitive consumers. In fact, households making at least $100,000 tend to over-index on this behavior, and it is most popular among women age 25-54. It's possible that the economic downturn helped accelerate the adoption of this trend because people wanted to continue to experience luxuries, but were not willing to pay as much to do so.

In addition, the experience and game dynamics of the of the process make a group buy or daily deal appear much more like winning a contest than a pure discounting/coupon scenario. Given the rapid proliferation of deal sites, there seems to be a niche for every type of person.

Is group buying still a fitting term? Are these kinds of offers still social, or are they now just general discounts?

"Daily deal" is probably somewhat more appropriate than "group buying," as group buying is not involved with most of these sites. Group buying is of course the crux of Groupon's model, and often the industry-leader drives the accepted parlance.

Group buying and daily deal services ultimately offer niche approaches to a form of online discounting akin to "Internet-enabled discounting." Some sites focus on the "quantity" of people before authorizing a deal, some sites focus on the "duration" of the deal and some sites focus on the "location" of the deal. What all of these have in common is that they are disseminated via an Internet-connected experience in some capacity.

As daily deal sites continue to proliferate, do you anticipate consolidation?

Consolidation will have to happen, as it does in any commodity business – and we are already seeing some evidence of that occurring with BuyWithMe's recent acquisition of Scoop St. and a few others. This kind of specialization has happened more in the subject matter of the deal as opposed to the way a deal is handled.

Yet there has still been innovation in this ➔

→ space. It's great to see deals more laser-targeted to an audience or geography – deals that emphasize editorial quality, or deals that are based around time boxed redemption. While there will always be consolidation and economies of scale play strongly in this space, in the near term there is likely to be continued innovation and experimentation with specific models.

What types of metrics are marketers typically looking at to measure the success of their deal programs?

Marketers are largely focusing on traditional CRM and coupon metrics such as open rate, purchase rate and redemption rate, first time client via a deal or return visitation via deals. That aside, one should not underestimate the game dynamics and general exposure a deal can provide – sometimes without the use of a deal.

Final thoughts:

The Internet has made it harder for small business to differentiate themselves, advertise and find an audience. What was once the territory of primarily classified/yellow pages, the proliferation of daily deal oppurtunities has in effect helped replace that by providing a (potentially) cost-effective way for small business to reach an audience with quality editorial copy and metrics. Ultimately there is

potential for the customer to win with a great value and hopefully discovering a new location, the small business to win by growing their customer base, and the deal facilitator to win by facilitating the transaction. This is a model where, if done right, everyone can win – and for that simple reason we find it to be a growth sector and an opportunity for more innovation. ■

Ratings & Reviews

While 'social commerce' is fast becoming a 2011 buzz word, one of the earliest forms of social commerce has actually been around for the better part of a decade: Ratings & Reviews. From movies (Rotten Tomatoes) to food (All Recipes) to the service sector (Angie's List) to local business (Yelp) to travel (Trip Advisor), consumer-generated ratings and reviews power the decision-making process within nearly every vertical. Integrating ratings and reviews is an especially important tactic in the retail sector due to their tangible effect on e-commerce sales. In this chapter, we'll explore the psychology behind ratings and reviews, the effects they can have on SEO, conversion rates and order values and the recent changes to the ecosystem with the emergence of Facebook, Google+ and other social networking sites.

Understanding consumer behavior

Word of mouth recommendations have long driven consumer brand perception and purchase decisions, even as far back as 1912 with the founding of the Better Business Bureau. With the proliferation of user-generated content online beginning in the early 2000s, consumer dependence on the opinions of their peers has become even more apparent. A June 2010 Nielsen study revealed that while more than 60 percent of North American consumers trust reviews by family and friends and more than 40 percent trust online product reviews, only about 15 percent trust product websites themselves.

What drives consumers to review products or services they have tried? The adage that you're more likely to tell someone about a bad experience than a good one may not be that true after all. In fact, studies have shown that most reviews are quite positive in nature. Bazaarvoice, one of the leading technology providers for ratings and reviews in the world, has found that amongst its US clients, a full 80 percent of product ratings are 4 or 5 stars out of 5.

Why are consumers drawn to reading (and trusting) reviews? So what do consumers get out of reading reviews, if most of them are positive in nature? In short, the reassurance that the product or service they are thinking of purchasing is actually the right fit for them. A consumer who is searching for a digital camera might read the reviews of a dozen products before choosing which one to purchase; →

→ with no reviews available, he might not purchase any camera at all. As Josh Himwich, Vice President of e-commerce Solutions for Quidsi notes, "When presented with the tyranny of choice, reviews are like a beacon of light that cut through the options and clarify what the customer should click on."

And while positive or neutral reviews are the norm, consumers are strongly affected by negative reviews. According to a March 2011 survey by Lightspeed Research, 21 percent of respondents said two bad reviews about a product or brand can lead them to change their minds about a potential purchase, with 37 percent saying their threshold is three bad reviews.

The ROI of Ratings & Reviews

Customers are relying more and more heavily on product reviews before making their purchasing decisions. In fact, an August 2010 study by ChannelAdvisor found that a full 97 percent of consumers read and are influenced by product reviews.

Because they are dynamic and constantly updated, usually including many relevant keywords, consumer reviews on websites are a boon to SEO, helping to get customers to your site to begin with. And with that many people depending on product reviews during the decision making process, it's not surprising that retailers with rating and review functionality integrated into their websites are

seeing increased conversion and higher order value. Case studies of increased traffic, time spent on site, conversion rates and order value abound. In July 2010, Epson compared site visitors who had interacted with reviews on store pages vs. those who did not. Those who read reviews were found to be 67 percent more likely to convert to purchase, with a 25 percent higher average order value, leading to revenue per visitor of 98 percent higher for those who interacted with reviews (Bazaarvoice 2010).


While the ROI for non-e-commerce brands is less straightforward to measure, it is no less important. Third party retailers are some of the biggest review-generators out there, including sites like Amazon, Soap.com, Best Buy and countless others. Reviews are even becoming increasingly important for CPG products as well, including a recent addition to the space, Consmr.com, whose sole purpose is to generate reviews of CPG products online. ∎

The changing face of ratings & reviews

Consumer-generated reviews were one of the first forms of social media, but the landscape is changing considerably now that the Internet is evolving into a social web.

With the rise of social networking (within Facebook in particular) and its spread throughout third-party sites through social plugins and API's, ratings and reviews are rapidly taking on a new face. When a user goes on to TripAdvisor, she not only sees reviews that other, random people have left, but she's able to easily identify reviews that her own friends have left, making the opinions she's reading exponentially more valuable.
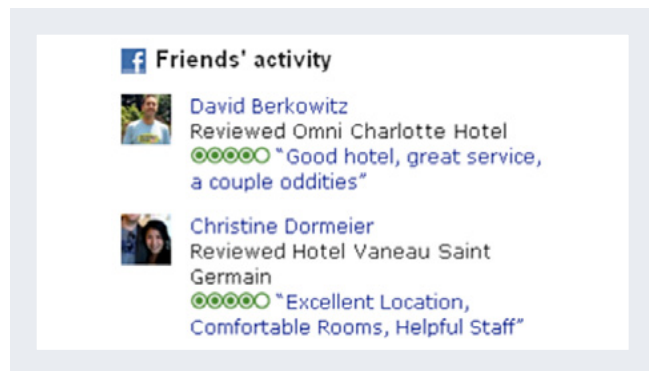
Now instead of, or in addition to, the classic star value, products, places and services can also get Facebook likes and Google +1's. There's little data at this time pointing to an increase in sales or brand perception with the integration of these buttons, but what's already clear is their positive impact on traffic. According to Facebook's own data, Levi's saw a 400 percent increase in referral traffic from Facebook after implementing the Like button in April 2010 and has maintained those levels since, American Eagle found that after implementing the Like button on product pages that visitors referred by Facebook spent an average of 57 percent more than non-Facebook referred visitors. Google's new +1 button is the latest addition to the space, and can be expected to have a significant impact on search results down the line.

Social conversations online can even act as informal, real-time reviews for products, TV shows, events, services and nearly anything else. Brands who keep their ear to the ground about what people are saying on Twitter and in the blogosphere have the opportunity to capture and react to sentiment even when consumers may not be consciously "writing a review." This type of listening can lead to even more genuine product feedback than one might find on typical review sites. ■

Opportunities & watch-outs

The Opportunity to Engage

While most reviews may be positive in nature, consumers who have a bad experience are now more likely than ever to go to the web to share it with others. Some manufacturers are finding that keeping track of reviews, either on their own site or on third party e-commerce sites, is a great way for them to address customer service issues as they arise, potentially turning unhappy customers into satisfied ones and even stopping a potential wave of negative buzz in its tracks.

Online listening tools such as Radian6 can help to aggregate mentions of your brand online, but with natural language processing still unreliable, it takes a human eye to identify negative reviews out of all the brand conversation out there. Dedicating the right amount of resources to the task, however, can be extremely effective.

A January 2011 study commissioned by RightNow found that of those consumers who received a response from the retailer after posting a bad review about a negative holiday shopping experience:

» 18% turned into loyal customers and bought more,

» 33% turned around and posted a positive review, and

» 34% deleted their original negative review.

Reviews in Paid, Owned & Earned Media

Some internet retailers such as Amazon and EXPO TV offer programs wherein marketers can seed product pages with consumer generated text or video reviews in order to jump start engagement with their products. Amazon's Vine program, wherein a select group of extremely active and peer-trusted Amazon users are invited to review new and pre-release items, is one example. Some marketers are also leveraging high ratings and authentic customer reviews in their paid display media. Amazon reports that ad units with reviews and ratings integrated have seen 40 percent higher click-throughs than those without. Domino's Pizza has taken this concept one step further by placing customer reviews from their website, unfiltered, onto a digital billboard in New York's Times Square (see image below). While risky (the reviews could be good, bad or ugly), this represents a change in the importance both consumers and marketers are placing on customer-fueled commentary.
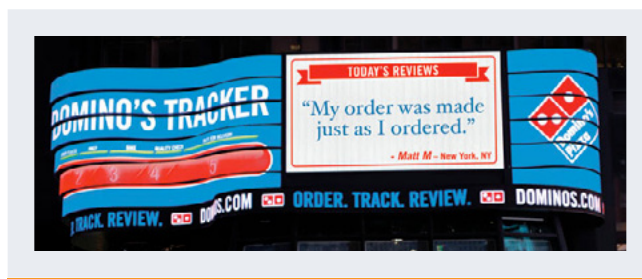
DOMINO'S displayed real-time customer feedback on a Times Square billboard.

What to Watch Out For

Fake reviews, both positive and negative, are more prevalent than one would like to believe. Authors and PR companies have long been known to post positive reviews for their books on Amazon, and a recent article in the UK's Daily Mail pointed out that "30 properties around the world have been blacklisted for suspicious reviews - and there is a thriving black market in hotels willing to pay people to write positive reviews," bribing them with discounts, free stays and other benefits. While this is a concern more for users than for brands, marketers should refrain from creating or compensating others for creating reviews of their products or services. Back in 2009, Belkin was exposed as paying consumers to write positive reviews on Amazon – a wave of negative buzz about the brand ensued. Besides being against the Terms and Conditions of most websites, facilitating fake reviews is against most ethical and legal standards that most marketers support.
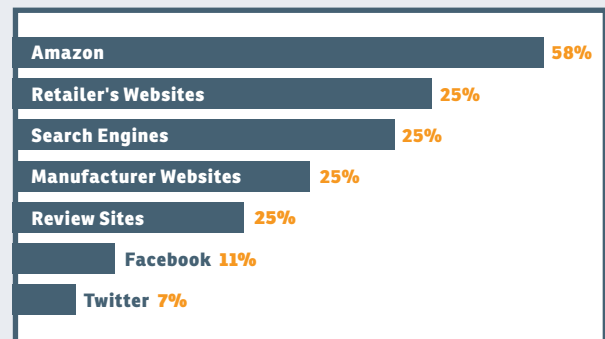
Cornell University has recently developed software it says is 90 percent accurate in detecting fake reviews from real ones, relying on similar technology to that which can detect plagiarism. As technology such as this becomes more readily available, we can expect websites to crack down even harder on inauthentic commentary. ■

Implications for marketers

Any marketer with a website that promotes products, services or places, and certainly any e-commerce retailer, should consider adding ratings and reviews functionality to their site. With the benefits ratings and reviews can provide to SEO, conversion, and basket size, there are few reasons not to implement this functionality into your website.

There are several technology providers which offer turnkey solutions to implementing this type of functionality, including Bazaarvoice and Power Reviews, among others. These partners have also begun to integrate their platforms with existing social networking sites, such as Facebook. In order to spark consumer reviews or to promote products that have acquired positive ones, paid media options abound.

Online Ratings and Reviews Sources that US Online Buyers Use Often, April 2011

Amazon	58%
Retailer's Websites	25%
Search Engines	25%
Manufacturer Websites	25%
Review Sites	25%
Facebook	11%
Twitter	7%

Retailers who do not manage e-commerce websites, and even those that do but also sell or promote their products on third party websites, may also want to consider setting up listening campaigns or entering into a partnership with large online retailers like Amazon, Best Buy, Consmr.com and others in order to keep track of consumer reviews of their products. This is a crucial piece given that, according to an April 2011 study by Power Reviews, retailers' websites are used only 45 percent of the time by consumers seeking out reviews. ▪

Mobile Social Commerce

Even while social commerce is still so new that it's taking its first wobbly steps, it's easy to see that in the coming years, much of it will transpire through mobile devices. While mobile social commerce is difficult to quantify, consider a few of these trends:

» Worldwide e-commerce sales via mobile devices are projected to reach **$119 billion** in 2015, up from $1.2 billion in 2009
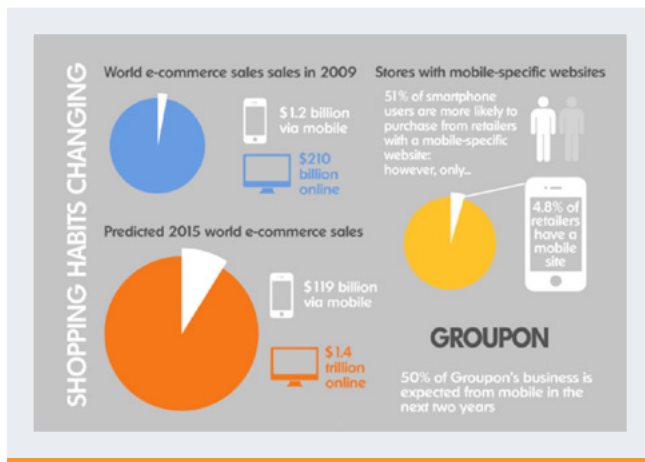
» **50 percent** of Groupon's business is expected to come via mobile in the next two years (source: Microsoft)

» Facebook has **more than 250 million** active users for its mobile properties (source: Facebook)

» ScanLife processes **one barcode scan per second** through its mobile apps alone (source: ScanLife)

Much of media consumption is shifting to mobile devices, social media is one of the top activities on mobile devices, and mobile commerce in the coming years will quickly jump from a rounding error to a significant revenue stream for marketers in the U.S. and worldwide. This chapter reviews how all of these trends are coming together and creating new opportunities for marketers. ∎

Where mobile social commerce fits within a marketing plan

Dentsu developed a five-step model to illustrate consumer behavior. Dubbed "AISAS," it starts with the passive stages of Attention and Interest and then – if the marketer is successful – progresses into the active stages of Search (searching for more information), Action (making a purchase or some ➔

→ other form of conversion) and Share (using social media to spread the word). The final stage of sharing can then trigger the cycle to start anew for other consumers.
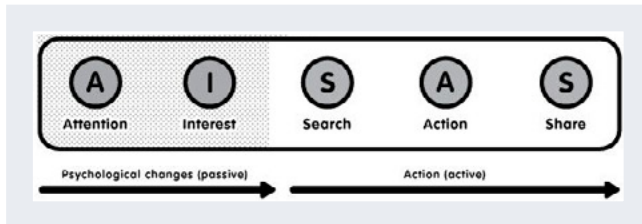
With mobile social commerce, much of the activity right now is focused on attracting consumers' attention and engaging them to drive more interest. Today, more of the searching and actions occur both offline and through the web, and when it's done through mobile devices, there's little that's social about it.

With mobile social commerce, marketers have the opportunity to encourage consumers to share experiences with their friends even before they've made a purchase. Additionally, once consumers make a transaction, marketers can leverage mobile devices to allow consumers to instantly share their purchases with their broader social networks. ▪

Mobile social commerce applications

There are many kinds of mobile social commerce applications, especially when taking a broad view of social commerce as we do in this Playbook. Below are some of the more prominent or interesting applications in various categories.

SOCIAL INTEGRATION

Marketers can incorporate social services such as Facebook, Twitter and Tumblr into their own apps to speed up registration, allow shoppers to provide feedback about products and also share products via social networks, blogs and other means. As an example, Steve Madden incorporated Facebook "Likes" into its mobile product pages and made it easy for shoppers to share shoes through the social network. Mobile Marketer reported that adding the feature increased the mobile site's traffic by 30 percent within 24 hours.

CHECK-INS

Apps like Foursquare can lure consumers to local businesses via friends' recommendations and merchants' deals. The field has narrowed here, with Foursquare reaching the 10 million user milestone and Facebook's mobile usage continuing to accelerate; few others offer enough scale to →

→ entice marketers to participate, though there are opportunities to experiment with niche apps. Other apps encourage engagement at physical locations, such as SCVNGR, which is focused on rewarding users for completing challenges rather than check-in activity.

REVIEWS

As discussed in Chapter 6, reviews are part of the backbone of social media and remain one of the most proven ways to influence purchase decisions. There are countless mobile apps and sites where people can peruse and add reviews, from veterans such as Yelp and Citysearch to newer entrants like SpotOn and Bizzy. Retailers that incorporate reviews into their websites also generally do so through their mobile sites and applications.


BIZZY lets users discover, share and review local businesses – mainly restaurants and bars.

GROUP BUYING AND DAILY DEALS

Groupon, LivingSocial, Scoutmob, Yipit and other deal sites and aggregators share offers through their mobile apps. For brands with mobile apps or robust mobile sites, it's possible to offer such deals directly.

Q&A

Local question and answer services allow users to get instant feedback from experts nearby or in a given location. ChaCha (see image below), typically accessed by sending text messages to CHACHA (242242), reports answering over 1 billion questions, though those questions aren't just locally-oriented. Startup Localmind specifically directs questions to local experts who have checked in at various locations.
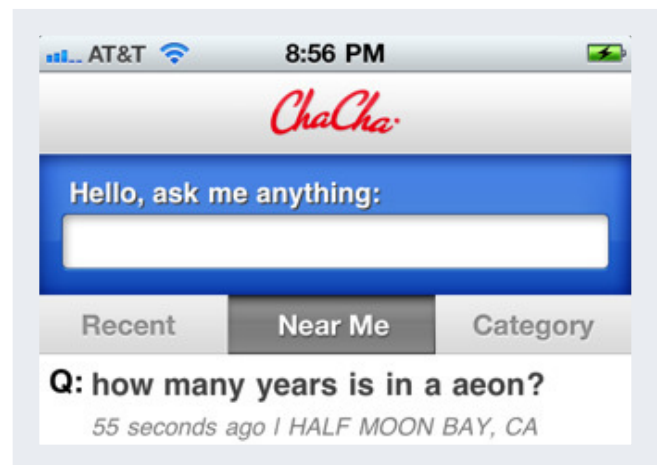
STYLE FEEDBACK

Go Try It On, Fashism and TriMirror are among an emerging class of applications that allow people to take photos of themselves trying on apparel and accessories, upload those photos and then get feedback from friends and others who can vote via mobile devices or the web. They typically target teenage girls and young women who use the app to seek advice, show off or both.

SHOPPING FEEDBACK

While apps mentioned above could be used just as easily in a retailer's dressing room as they can while rifling through one's closet, certain apps allow people to solicit feedback from friends while making purchasing decisions. For instance, MyShopanion is a barcode scanner that lets users ask friends' opinions on any items scanned. Another, Scandit, also lets users share any products scanned through social media channels.

COLLECTING

Pinterest has made "pinning" one of the hotter crazes online as people share images of what they love, from design to clothing to food to books. The mobile app allows users to take photos for their "pinboards" while browsing and sharing the latest images from boards they follow. Pose is mobile app

with similar functionality to the photo-sharing from Pinterest. Want! takes a similar approach to photo sharing, with a focus more on what you want than what you love.
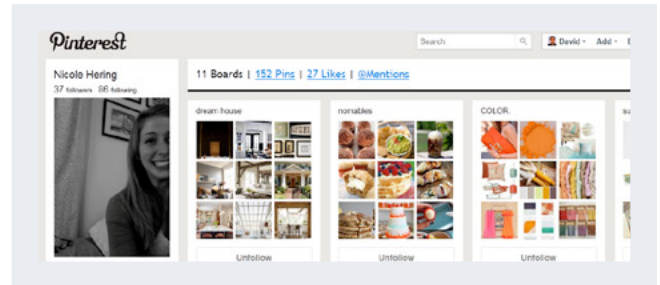
Case Study: Amex enables social offers for merchants

In a deal that is bound to increase the number of businesses running mobile social programs, American Express launched a program allowing its merchants to create Facebook and Foursquare deals through a centralized dashboard. Merchants can offer deals for Amex cardholders, and deals are redeemed automatically through the card, rather than requiring coupons or offer codes. Note: Facebook decided to shut down its Deals offering in August 2011.

There will be hurdles here. Most notably, cardholders must proactively link their Amex credit cards with their social media accounts. Additionally, merchants run the risk of alienating shoppers by ➔

→ showing favoritism toward one payment method over another. Even with such challenges, Amex aims to stand out by providing value to its customers, who can then in turn use mobile social channels to attract more consumers. ∎
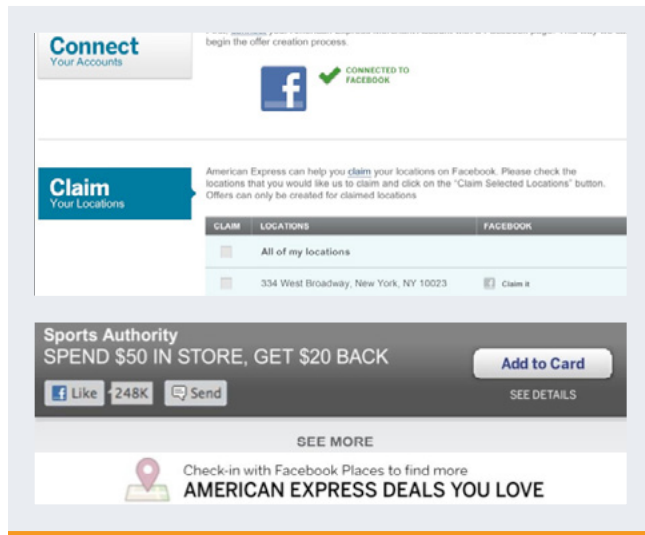

Image via **FAST COMPANY**

Marketer Implications

Mobile social commerce is just starting to find its footing. The number of mobile users has reached critical mass by any definition, social media is one of the most popular activities for people on mobile devices and on any device, and the majority of mobile users are tapping their handsets to help them shop in various ways.

The focus for most marketers now tends to be on tying together two of the three elements of mobile social commerce. As discussed throughout this series, social commerce in general is just starting to emerge as a viable way to deliver on marketers' objectives. Meanwhile, marketers are dabbling in various forms of mobile social media, though usually on an experimental basis. It's telling that the biggest social media platforms such as Facebook, Twitter and YouTube don't have significant, scalable mobile offerings for marketers, though that should change in 2012. Finally, marketers that sell products directly online still tend to be in catch-up mode in creating robust, user friendly sites and applications optimized for mobile devices.

Tying together all three pieces is especially challenging, but some aspects described here are already mainstream and others are quickly finding audiences. Even emerging areas like Style Feedback and Collecting can attract some of the most vocal, passionate, influential consumers, so such applications of mobile social commerce can reel in a valuable group of users that will spread the word to others. Marketers should look for suitable ways to tie together mobile sharing and shopping. These shifts in consumer behavior will have an increasingly significant impact on how people make transactions and engage in the word-of-mouth activities that influence purchasing decisions. ∎

The Future of Social Commerce

What's ahead for social commerce? Flying cars? Settlements on Mars? These predictions aren't quite as out there, but our team of strategists and analysts expects a tidal wave of change ahead for brands over the next three to five years.

01 **Near Field Communications (NFC)** will make it easier to link mobile commerce activity with social sharing, allowing consumers to quickly spread the word about their purchases and become advocates for those brands. Brands and retailers will be able to offer incentives to fuel the advocacy.

02 **Facebook Credits will create ripple effects for social commerce.** At a minimum, it will make it far easier to buy products directly through Facebook. Retailers will choose to offer it as a payment option if consumers demand it, and a major benefit to retailers will be the fluid process for consumers to share their purchases with their Facebook friends. It should in time facilitate buying through mobile devices as well. This new era of Facebook commerce will prolong Facebook's relevance for consumers and brands.

03 **Twitter will partner with a payment service to enable commercial transactions directly through the service.** For instance, when an airline posts a flight discount through a Promoted Tweet ad, Twitter users will be able to book the ticket without ever leaving Twitter's site or mobile application. This will encourage more marketers to offer specials through their Twitter ads as it ushers in a wave of "t-commerce" experiments.

04 **Circle Shops will create new forms of group deals customized to the Google+ Circles in which the deals run.** Such deals will spread to Hangouts (video chat), and will gain more relevance with location targeting, especially through Android devices.

05 **Social currencies will evolve into global currencies.** The Economist's Big Mac Index measuring exchange rates and purchasing parity will soon give way to indexes measuring social currencies. What's the difference between the value of a Facebook credit in China and Nigeria? Entirely new global and very social businesses will emerge to add new value to such global marketplaces.

06 **Tagging brands and products in images will proliferate, especially in the fashion and apparel categories.** Consumers will come to expect that when they see photos of celebrities or products in digital fashion and lifestyle publications, they will be able to click any product for more information and easy links to buy it. There are already technologies to facilitate this, such as Luminate and Coolspotters, and they will soon become far more mainstream. Advances in image recognition will allow more distinct brands and products to be automatically tagged.

07 **Brands will start offering customers deals based on what they know about their shoppers' Facebook friends.** The potential is far greater than using a simplified activity score like Klout. The deals will be customized so that someone who is influential around a certain topic and has a disproportionate share of friends in the brand's target demographics will be given more perks. Social reference will become the new loyalty card.

COOLSPOTTERS lets users identify and tag styles worn by their favorite celebrities.

08 **The future of social commerce will be crowdsourced.** Expect to see this play out in many ways: crowdsourcing pricing (the more people want it, the cheaper it becomes), design (let's all design this together, then buy it), and product development (the community invests to have the prototype developed, and then anyone can buy it).

09 **Personalization will pervade social commerce.** Brands will figure out what each consumer wants and when she wants it. It's starting with offerings like personalized recommendations, Amazon's subscribe and save feature, and Levi's and Smashbox's "friend stores" (see below) based on Facebook activity, but it will go far further from there. Services like Hunch, which offers social data, will be in high demand.
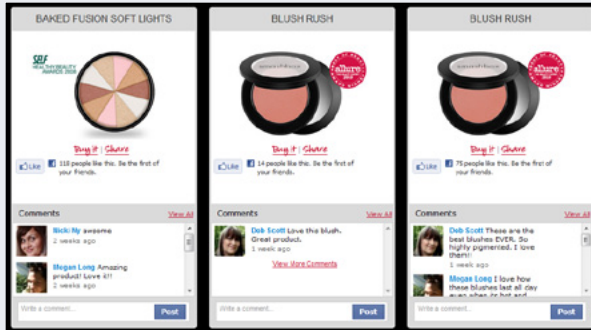
13 **Social commerce will provide newfound relevance for marketers and agencies focused on social media.** CMOs will increasingly demand to tie their investments in social media with bottom line sales. Marketers and agencies that do so will be rewarded in turn. ▪

10 **In-store will become just as social as online.** When a shopper goes into a store, he will be able to share what he's buying online, get advice in real time, and see what others have bought, liked or engaged with.

11 **Marketers will roll out social gifting programs, allowing consumers to buy gifts for friends in their social networks.** Using shoppers' social graphs paired with other social data sources, recommendations will improve and friction will ebb to the point of making this a significant revenue stream for many brands.

12 **Government regulations will create new challenges for social commerce.** Whether it's an influencer getting freebies or group deals sold at a discount, tax codes will be updated and enforced to minimize the likelihood of consumers getting something for nothing.

Concluding thoughts:
12 Implications for Marketers

01 **Define your objectives up front.** Remember the Strategic Lens. Is your goal to acquire new customers? Are you trying to launch a new product? Are you trying to convert your customers into advocates? You must determine why you're doing it and structure the program accordingly. Of course, beyond determining objectives, the rest of the Lens applies as well.

02 **Any brand can find success with social commerce.** There is little in common with some of the more robust examples to date, like Disney, Heinz, and jcpenney. All these brands provide value to their consumers, rather than putting up a templated store and hoping people find it. They have all also aggressively promoted their social commerce programs. Social commerce won't work in a vacuum.

03 **Consider scaling back.** Offering fewer products for limited times, possibly with preferred pricing, can help motivate consumers to make an impulse buy. Consumers can also be your best curators. Give them a say – whether implicitly through back-end analytics or explicitly through votes and reviews – what should be available. In the latter scenario, consumers who are given an emotional stake in the program's success will be more likely to advocate for the brand.

04 **Create a promotional strategy.** For Facebook commerce, using a brand's Facebook page to promote the program is a given. What else will you do? Will you promote it on your site? Will you promote it via Facebook advertising? Will there be a digital word of mouth and public relations push? The Field of Dreams "If you build it, they will come" approach has never worked in social media, and it won't work for social commerce. The same is true for other kinds of social commerce programs, like social shopping sites. Unlike on Facebook or other more mainstream social networks, there's usually little opportunity for organic growth or awareness, making paid media even more important to growing your brand's presence. Media integrations on social shopping sites run the gamut and can be creatively designed to meet the needs of a particular brand.

05 **Create engaging content.** A strong content strategy is essential for succeeding in social shopping, where users are constantly looking for sartorial inspiration. Every website has unique tools to engage with its audience, and brands' content strategies will vary accordingly. On Polyvore, where the main vehicle for expression is creating fashion-inspired sets, brands have begun to create sets of their own based on popular trends or timely topics. Chictopia and others allow brands to upload "outfits" with a description and tags, which users can comment and vote on. Many social shopping sites have poll or ask-and-answer functionality, through which brands can engage users. This can be done either by leading the conversation (asking fans for their opinion), or by jumping into existing conversations and adding value or a unique perspective.

06 **Marketers should place more emphasis on optimizing the overall user experience** to establish scale and consumer preference. SEO becomes the new "good location with foot traffic," and navigation becomes the new "aisle merchandising."

07 **It's important to use daily deals less as a revenue stream and more as a promotional tool.** Some deal sites take anywhere from 20% to 60% commission rates – so when planning an offer, lay out clear objectives that are going to help build

your brand's awareness (versus what will generate profit). Think about how you can leverage an offer to bring in new customers and keep your brand top of mind. As is usually the case in emerging markets, innovation is critical.

08 **If you're looking at a local daily deal, think about how many you need to sell to make a profit.** Marketers whose product mix offers high margins have the most flexibility and freedom in offering deals, while companies with tighter margins will find it harder to offer a good deal to consumers. Post a short redemption period, limit the number of vouchers consumers can purchase and try bundling products for a higher shopping cart total.

09 **Have a long-term strategy in place so your audience doesn't become reliant on incentives for social commerce.** Create loyalty by connecting and engaging with consumers beyond the deal – whether at point of purchase or through social communities.

10 **Any marketer with a website that promotes products, services or places, and certainly any e-commerce retailer, should consider adding ratings and reviews functionality to their site.** With the benefits ratings and reviews can provide to SEO, conversion, and basket size, there are few reasons not to implement this functionality into ➔

→ your website.

11 **Emerging areas of mobile social commerce can attract some of the most vocal, passionate, influential consumers,** so such applications of mobile social commerce can reel a valuable group of users that will spread the word to others. Marketers should look for suitable ways to tie together mobile sharing and shopping. These shifts in consumer behavior will have an increasingly significant impact on how people make transactions and engage in the word-of-mouth activities that influence purchasing decisions.

12 **It's the perfect time to test and learn.** Last year, most technologies and media offerings were premature, with few having enough scale to appeal to most marketers. Right now hundreds of major brands are testing various aspects of social commerce. By the end of next year, the most effective marketers in certain verticals will have built up strong competitive advantages in using social commerce for consumer acquisition and retention. There is a window now for marketers looking to learn from best practices, while still leading the way in providing value to their target audiences. ■