MaRS Market Insights

Merchants of 'Social':
Exploring the use of social technologies to drive commerce

Table of Contents

Social Commerce Market

Shopping has always been a social activity, whether it's shopping with friends for fun, asking colleagues to recommend a service provider or telling your family about a big sale. The only difference today is that these collaborative shopping experiences are being seamlessly shifted from the physical world into the digital world. This is the rise of what's known as social commerce.

Social commerce is the merger of what used to be two very distinct activities online: e-commerce, which has grown to be a $7 trillion industry worldwide,[1] and social networking, which now engages close to 20% of the global population.[2] Through social commerce, consumers can now *socialize where they shop*, or *shop where they socialize*.

The term social commerce is far-reaching, and involves the use of social networks — whether it be interactions amongst friends or strangers — to drive commerce, including the exchange of money, knowledge, goods or services. It's using reviews and recommendations to make purchase decisions, or tapping your friends for input. It's renting, swapping or sharing products with your neighbour or with someone halfway across the world. It's using the community at large to secure a group deal or spreading the word about a great buy.

Social commerce is a part of the larger e-commerce market and is estimated to be a $1-billion market in the US today.[3] And while Booz & Company projects social commerce to grow 1,300% over the next five years, it still makes up a very small portion of the total retail market today, as shown in Figures 1 and 2. An even smaller subset of social commerce is what's being coined F-commerce, or Facebook commerce. This involves the purchase of goods from directly within the Facebook platform.

FIGURE 1: US retail spending in 2011 ($US billions)
Commerce and e-commerce market sizes[4]
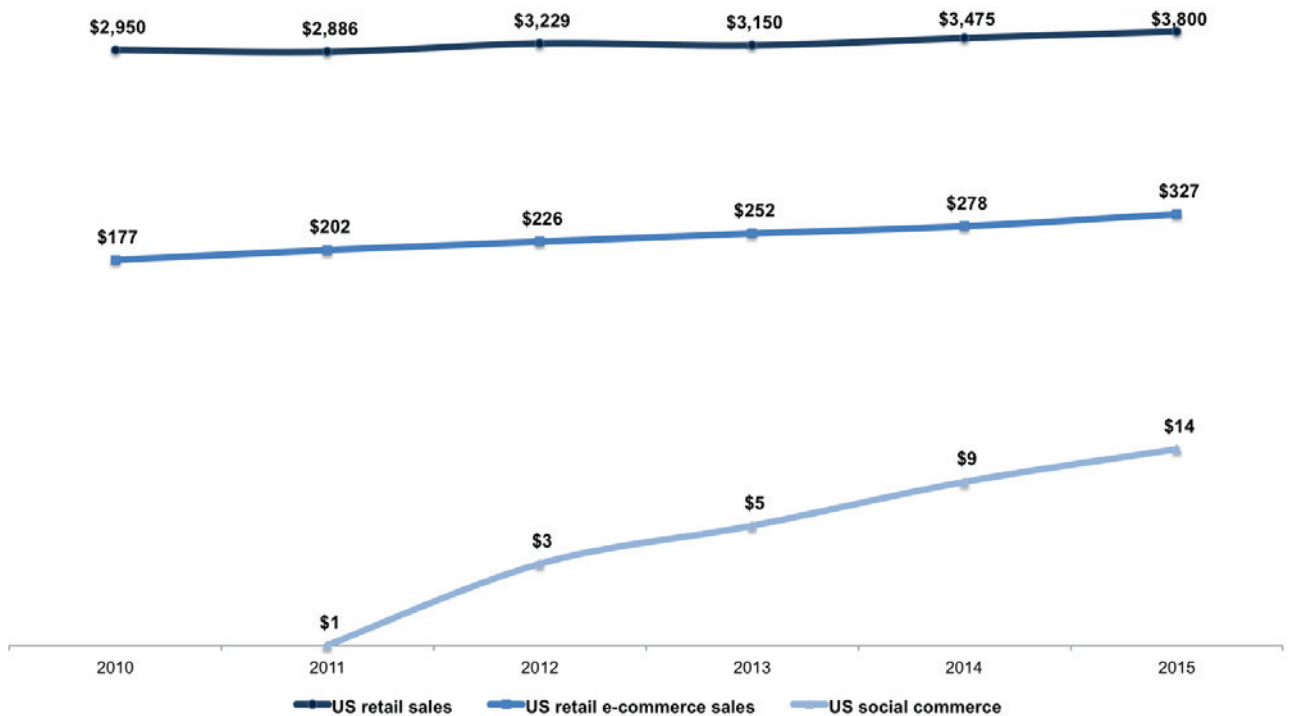*Social commerce market size[3]*

FIGURE 2: US retail spending forecast, 2010-2015 ($US billions)
Data displayed on a logarithmic scale

Consumers are driving social commerce by gravitating toward more personalized, informative and engaging experiences online. With Facebook alone projected to reach 830 million people this year,[2] social exchanges are happening on a much larger and unconfined scale, and becoming deep-rooted in consumer culture. These experiences have created a shift in the consumer mindset, where consumption is no longer an asymmetrical activity but, rather, a dynamic push-and-pull of giving and collaborating in order to get what one wants.[5]

Brands and retailers are adopting social commerce by integrating social media into the buying process to drive sales either online or in-store. Marketers are eager to engage with consumers through inexpensive formats like Twitter and Pinterest to drive brand awareness and gain market share. For marketers, social commerce has led to the addition of a fifth "P" to the "4Ps" of marketing: product, price, promotion, placement, and now, PEOPLE.

Entrepreneurs are capitalizing on the rise of social commerce by developing the tools and platforms necessary to facilitate social shopping experiences. 8thBridge, ShopTogether and Zilok are just some of the vendors enabling Facebook shopping, collaborative browsing and peer-to-peer renting.

In this Market Insights report, we profile six Ontario startups, each with an innovative offering that is making the most of the growth of social commerce. These companies are disrupting the traditional commerce marketplace by enabling all players in the commerce value chain, from retailers to manufacturers to product designers, to engage with consumers in a more social context. Through the insights of these startups, we can learn first-hand about the opportunities and challenges that this newly formed market presents.

Social commerce ecosystem

Retailers and vendors take various approaches to integrate "social" into the buying experience. The following chart summarizes some of the technologies that have emerged, as well as the key players:

	TECHNOLOGY	DEFINITION	PLAYERS	DESCRIPTION
Shopping where you socialize	Facebook stores	Real goods can be purchased from within Facebook itself.	8thBridge Payvment	Adopted by very few retailers; it generates less than 1% of e-commerce revenue for these companies.[6]
	Fan pages	Products are displayed via links, pictures and catalogues.	*Brands:* Canadian Tire Anthropologie	Widely adopted by retailers. Fans are mainly engaging with fan pages for offers and discounts, and conversion rates at 2% are lower than industry standard.[6]
	Facebook credits	Virtual goods, such as games, can be purchased from within Facebook itself.	*Brands:* FarmVille Zynga Warner Bros.	Makes up the bulk of transactions that Facebook generates. Facebook takes a 30% cut on credits, so it is not an ideal payment mechanism for retailers selling physical goods.
Socializing where you shop	Co-browsing	Two or more people browsing through the same products online, together and in real time.	ShopTogether Fluid	At present, co-browsing is not a heavily adopted activity, but experts say it increases time on-site by 147% and page views by 59%.[7]
	Digital coupons	Retailer coupons available in digital format for sharing or redemption. Can be distributed via websites, texts or emails.	RedFlagDeals Simply Good	While the majority of coupons are still clipped from newspapers, close to 50% of Internet users redeemed an online coupon last year.[8]
	Group buying	A form of purchasing in which a large group of buyers agrees to purchase a product in exchange for a promotion or reward.	Groupon ideacious	Daily deals (one form of group buying) have experienced significant growth, with revenues of $1.25 billion in 2011.[9] However, the daily-deal business model is being criticized as flawed and unsustainable.[10]
	Local commerce	The use of mobile and social technologies to drive purchases in local stores or from local vendors.	Etsy Shopcastr	Local commerce is a market projected to grow since the vast majority of consumer spending—over 93%—is still happening in physical stores.[11]
	Open Graph	A Facebook user's social graph (people, photos, events and pages) is integrated with a retailer's e-commerce site.	TurnTo SocialGift	Widely adopted by websites. 50% of Facebook users say they will connect via Open Graph, and 50% say they will not.[12]
	Peer-to-peer (P2P) marketplace	The sharing, bartering, lending, trading, renting, gifting and swapping of products or services between users.[5]	Airbnb Zilok Uniiverse	P2P markets have yet to hit mainstream, but they're growing fast. The global P2P rental market is valued at $5 billion, while the second-hand goods market is estimated to be $500 million.[5]
	Ratings & reviews	Recommendations from friends, family or the community at large to help with purchase decisions.	Bazaarvoice TripAdvisor uknowa	One of the earliest forms of social commerce. Family and friends are the main driver of brand trust, followed by online reviews.[13]
	Social curation	The display, organization and sharing of products online.	Pinterest Polyvore	Social curation taps directly into consumers' interests for product discovery and social sharing. This is one reason Pinterest saw 500% growth over a four-month period.

What is and is not working

Shopping where you socialize: Transaction on Facebook

As socializing and shopping begin to mesh online, it remains to be seen what role Facebook, the world's largest social network, will play.

Do consumers want to use the same platform to shop as they do to make friends? Are they drawn to the convenience and social integration that a Facebook store would bring? Numerous studies are delving into this and finding that both Canadians and Americans feel largely opposed to the idea of purchasing products from within a social network like Facebook.[12, 14]

A number of brands have launched Facebook stores, the first of which was 1-800-FLOWERS in 2009. However, many of these companies, including JCPenney, Gap and Nordstrom, have since closed down their stores due to low sales volumes. Rather than purchasing products, Facebook users are primarily engaging with retailers' fan pages by "liking" brands and posting comments. But these "likes" and comments can be deceptive, as they are not necessarily an indicator of advocacy or even sales. In fact, most of the time, users are only "liking" a brand in exchange for some type of exclusive offer.[12] Some retailers are experimenting with product photos and catalogues on their fan pages, but are realizing clickthrough rates of a mere 1%—a figure much lower than other marketing tools such as an email campaign.[6]

When it comes to commerce, Facebook users mainly use the platform to share experiences about the products they use[12]—particularly products that can be digitally distributed, such as books, movies and entertainment.[6] Eventbrite, an online event organizer, estimates that every share on Facebook generates 11 visits back to their website and $2.52 in revenue.[6]

Overall, it's too early to say what role Facebook will play in driving commerce and expert opinions on this subject are growing increasingly varied. The majority of retailers are unclear as to what return on investment (ROI) F-commerce will offer, as they feel Facebook does little for them in terms of customer acquisition or retention.[6] However, it would be an overstatement to say that Facebook is entirely ineffective when it comes to commerce. Where retailers believe they will gain returns is in listening to and better understanding their customers.[6]

Fraser Harris, co-founder of social shopping company Willet, says, "Facebook is not an amazing platform for e-commerce. It's a medium where you can get people's attention and get them talking, but you really have to move them back to a site dedicated to shopping in order to drive a sale."

Socializing where you shop

The growth of sites like Groupon has been unequivocal; these companies capitalize on the power of social connections to drive commerce. Retailers like MAC Cosmetics are enabling friends to browse products online together, and Dell.com enables buyers to publish ratings and reviews of products. These instances of social commerce are proving much more successful for retailers in driving engagement than running a Facebook store. This paradigm is not difficult to believe. Consider this: as a consumer, offline, would you be more inclined to shop while socializing at a party, or to socialize while shopping at a mall?

One key element driving the success of these initiatives is "social proof," where people tend to adopt the actions of others based on the assumption that it is the correct action. Cue Facebook's Open Graph Protocol, which is building on this psychological phenomenon to enable social recommendations. The results from a 2010 Nielsen survey show the weight of these social recommendations. It found that reviews from family and friends are over 60% more likely to build brand trust.[13] While recommendations from the community at large

are also effective, consumers are aware that brands and merchants have figured out clever ways to manipulate review sites. Interestingly, product websites, news sources and search engines drive less than 15% of trust.[13]

Whether in the form of ratings and reviews, co-shopping or product sharing, social recommendations are a powerful mechanism. However, the ROI for these technologies is still unclear since shoppers are leveraging the online channel more for browsing and discovering products, and less for purchasing. In fact, over 70% of users who visit an e-commerce site are there for reasons *other* than to buy.[15]

Overall, the biggest contribution the Internet makes to commerce today is not as a sales channel but as a research tool for shoppers.[16] Looking for information about a product or service has now become the seventh-most popular activity online — more popular even than the use of social networking sites.[16] Brands and retailers that have yet to establish an effective way to curate products and drive brand awareness through social recommendations will miss out on an influential force.

Implications of social commerce

While helping retailers raise product awareness is a key aspect of social commerce, it is not the whole story. The following is also true of social commerce:

- It helps strengthen local economies, by giving mom-and-pop shops the ability to compete with larger brands. By showing their products on sites like Etsy, which have an enormous base of socially-active users, local merchants can appeal to a broader audience that they otherwise would not have the brand-power or real-estate to reach. As Shopcastr sees it, this is "levelling the playing field. It doesn't matter anymore whether your store is located at the top or bottom of the street, as long as you have beautiful products in your store, people will now make the extra effort to come in for it."

- It democratizes commerce, by giving power back to the user to dictate a standard of quality. Only the best products withstand the scrutiny of reviews, and only the best service providers earn positive recommendations from the community at large. And those vendors who choose not to take part in the conversation online will still be discussed, regardless of whether they join in.

- It is a throwback to the way commerce used to be: personal exchanges between individuals, in the way of traditional bazaars. Except now the exchanges happen online, and globally. With social commerce, consumers have input into products from functional, social and environmental perspectives, and the missing link between producer and consumer is restored. The mall-fueled conformity that created impersonal experiences will be challenged and replaced with more attuned interactions where networks of friends and strangers can unite to bring meaning back to commerce.

At the other end of the buying spectrum, peer-to-peer marketplaces like Zilok are taking aim at hyper-consumption, offering a forum where consumers can rent, swap or borrow items. There is a trend underway where people are becoming less defined by what they own, and more defined by what they can access and how they share. As this evolves, it will have a positive impact on the environment, since for every garbage can of waste we produce, seventy additional cans of waste have been produced upstream.

Attraction of social commerce

Venture capitalists and investors are finely attuned to the benefits of social commerce and are betting big on this market. In the first quarter of 2011, $1.93 billion was invested in social commerce startups, with all ten of the top ten US venture capital (VC) funds making significant investments in this sector.[17, 18] Notable companies that received investment include Lockerz, Etsy, Epinions, BeachMint, MyLikes, Polyvore and Blippy.

Kleiner Perkins Caufield & Byers, a VC firm located in Silicon Valley, has teamed up with Amazon, Facebook and Zynga to launch a $250-million fund dedicated to startups in the social space. As Mark Zuckerberg sees it, "social commerce [will be] the next area to really blow up."[19]

Greylock Partners, one of the oldest VC firms, is excited by the innovation in what was a previously stagnant e-commerce market, where traditional e-commerce businesses were saddled with high customer-acquisition costs, low customer retention, and cash-consuming business models.[20] Greylock is banking on the addictive and compelling experiences created by social commerce, and on the reduced customer-acquisition costs that word-of-mouth promotion provides to retailers.[20]

Overall, the social commerce market, while yet to provide significant measurable returns, is undoubtedly poised for growth, since all the players in its value chain are aligned. Consumers are drawn to social applications that make their commerce activity more informed and engaging. Retailers are realizing the enormous upside of social recommendations in promoting their products. Entrepreneurs are innovating rapidly to develop unique experiences that combine "social" with shopping. And investors are betting on this market as being the next big thing – when an Amazon finally meets a Facebook.

While social commerce is doing wonders for facilitating the discovery and research of products online, the real win will occur when this browsing converts directly to sales. Entrepreneurs, consider this your mission.

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Appendix A: Companies profiled

ideacious

ideacious

Joshua Brassé

By leveraging the collective power of social networks, ideacious has made it possible for a designer to turn their ideas into real products. Here's how it works: consumers pre-order designs they like, and if a design achieves enough response, it is put into production using the funds raised.

Group buying

The joy of shopping includes the ability to browse, scrutinize and select products that meet your needs and style. While consumers have been empowered to purchase products they like, until now they did not wield direct input into what actually hit the shelves. Social media is disrupting the business model of many players in the commerce value chain, including designers and manufacturers. It's being used to shape product design, test demand and expedite design ideas into production.

Forrester Research sees the user-generated market as holding promise, as it has the ability to engage the most brand-loyal customers in a unique way. While still in its early stages, this sector is projected to grow over the next three to five years as voting on products, themes and concepts becomes more commonplace.[1]

What is the process like today for designers once they come up with a product idea?

Their initial step would be to talk to a manufacturer and figure out if they actually have a viable product. But finding a manufacturer that's willing to sit down and talk through your idea is not an easy thing to do.

The next step would be to find funding to manufacture the product. The cost of producing a product as simple as an iPhone case can be enormous – the tooling alone on it could run close to $10,000.

Of course, you could always put together a pitch and try to sell your idea to an existing company. The hard part, though, is that you don't even know if the product is viable and if there is a demand for it. Selling just an idea is not easy.

ideacious is enabling designers to test demand for their product before time and money is invested. How do traditional manufacturers accomplish this?

Typically, manufacturers use focus groups early in the product development cycle, which is a very expensive way of testing product demand. Some will also post a product on a portfolio or on a blog to see what the direct response is like. But one of the things our company has learned over the last year is that you can get a lot of people talking about an idea, but that doesn't necessarily convert to a sale. You can hold focus groups and have people say, "I'd pay $300 for this," but there's a huge difference between people saying that and people taking out their wallets and paying for it. This is something we have addressed head-on with ideacious. We're not basing our interests on conversation or speculation; we're basing it on actual pre-sales. By doing this, we've mitigated a lot of risk for the designers and manufacturers involved.

What is the motivation for consumers to support designers and their product ideas?

Designers are essentially giving consumers the right to pre-sell their product, and there's a commission consumers will earn on those pre-orders. Consumers do have to wait a while before they get the product, but just by pre-ordering they already earn commissions on future sales.

Apart from the monetary incentive, reading the story behind a product or its designer engages consumers. They feel like they are helping make a difference by investing in a designer's idea.

What is your biggest challenge?

Our biggest challenge is that a product online differs from actually being able to hold it in your hands. We're considering launching a bricks-and-mortar store to address this issue. Even if people do not come to the store, just knowing these products actually do exist somewhere in a retail setting will help.

Then again, we don't know how long this challenge will last. Five years ago, e-commerce made up only 3% to 4% of the total retail market. That figure has now doubled, so e-commerce is obviously growing and it's not going to stop. All of those barriers that we see today, such as low comfort levels with online shopping and online transactions, will slowly diminish.

What advice would you give to traditional retailers?

We think retailers should certainly take advantage of being transparent and having open conversations with their customers. Your customers are really the champions for your company and they believe in what it is you are doing. If they take the time to talk to you and ask questions and provide suggestions, they will likely also be the people who will take the time to tell others about what you've done.

For example, ideacious receives emails from people who are interested in more information than just when their product is going to ship or if they can get a tracking number. Our customers want to know the details of a product — information that in other circumstances would be irrelevant to them. So we created a section on the site that tracks how a product is doing, whether we have found a manufacturer for it, how long it will take to produce, what the production samples look like and so forth.

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Shopcaster

Jason Peddle, Matt O'Leary, Aron Jones, Judy Sims, Tom Bethune, Jodee Aguillon

Shopcaster makes it easy for retailers to show off their products, by making them available for people to 'window shop' online. Their goal is to drive foot traffic into local mom-and-pop stores and help uncover their hidden gems.

Local commerce

Shopping online is very convenient, but is it enjoyable? Features to consider include shipping fees, delivery hassles and not knowing whether the product will fit, work or be comfortable. Many of us value the tried-and-true experience of shopping in bricks-and-mortar stores, where you can try things on, support local business and relish a more personalized experience where shop owners can get to know you by name.

Although e-commerce has been hugely successful and online sales are growing, the majority of consumers still like to shop in physical stores. E-commerce makes up less than 7% of the total US retail sales market, and the growth of e-commerce is slowing.[1] The biggest contribution that the Internet is making to commerce is not as a sales channel, but as a research tool for shoppers who ultimately make a purchase at a local store.[2]

What problem is Shopcaster trying to solve?

A lot of retailers are struggling to get online, either because they do not have a website or the one they have is inadequate. Others feel pressure to be on Twitter and Facebook, but do not know what to post there. What we at Shopcaster have been teaching retailers is that some of their best content is the curated unique products that they have in their shops. If they take pictures of these products and share them online, Shopcaster will make it impossible for these stores to have an ineffective web presence.

On the consumer side, a lot of people do not know about the cool shops in their own neighbourhood, since there is usually an effort involved in going into these smaller stores. Through Shopcaster, people can use an iPad to peek inside these stores and discover what they have to offer.

Why not turn Shopcaster into an e-commerce play and let people purchase the products right from the site?

We already have people asking to buy the stuff they see online. There's no doubt that people are shopping online much more, and the idea of getting together to go shopping with friends is becoming less common. However, we're big believers that bricks-and-mortar stores will exist for a long time to come because people like to go into stores. I certainly would not buy a couch if I couldn't sit on it first, or a blazer if I couldn't try it on.

We feel that if you give people a bit of an idea of what's out there in their neighborhood, it will help drive foot traffic to the stores. We are trying to encourage people to shop like they did in the past, and to help the retailers fight back.

Why are these retailers not launching e-commerce sites?

A lot of retailers we've dealt with have experimented with e-commerce, and for the most part have failed. Why? Not because e-commerce doesn't work, but because there's a lot of overhead involved and running an e-commerce site as a retailer is basically a separate business.

Also, shop websites currently exist like an island, where a shopper has to know the store already exists in order to visit the website. This can be a challenge for small retailers, which is why we aggregate products together, and draw attention to stores through a network and community effect.

Why are consumers increasingly drawn to shopping locally?

We see consumers becoming loyal to some of the products they discover, and promoting these as being from "my neighbourhood." These consumers are basically acting like a sales agent for some of their local stores by supporting products on Twitter or on Pinterest.

Shopcaster has heard many stories about good customers saving restaurants and retail locations by turning their networks on to them. It's amazing what social sharing can do for a small independent retailer. Having your best customers as your sales force can be powerful.

What advice would you give retailers who have yet to embrace the social web?

If you are a bricks-and-mortar retailer, you need to have an effective web presence — and that doesn't necessarily mean an e-commerce play. You need to find some way to show off the products in your store. Take beautiful photos of them. Experiment with multiple platforms beyond just Shopcaster, such as Instagram or Pinterest. We realize a lot of retailers will say they don't have the time, but they need to make the time because it will help incredibly with traffic and with sales. For example, some of our more active retailers are using a combination of Shopcaster, Facebook and Twitter, and are ending up with over 10,000 product views in one week!

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Simply Good Technologies

SIMPLY GOOD TECHNOLOGIES

David Man, Winston Mok, Ambrose Choy

Simply Good Technologies leverages the use of coupons to propel customer acquisition and enhance existing customer relationships. To drive the viral effect, coupons are individually traceable, shareable and can be issued on the spot and in real time.

Digital coupons

Marketers know that the most effective and sustainable form of advertisement is word of mouth. Consumers readily advocate for products and services they love. On average, US Internet users make about nine recommendations per year, primarily promoting technology products, restaurants and leisure activities.[1] But the challenge marketers face is in knowing when their product or service has been referred – and whether those referrals actually led to in-store sales. In comes the concept of coupons: a measurable and trackable promotion that offers brands the data and insight they need about their campaigns.

Why the sudden resurgence of coupons?

The stats in the US show that the 2008 recession drove the use of a lot of coupons. People have become more mindful of not spending money frivolously. Beyond that, we believe the media has bolstered it with TV shows like *Extreme Couponing*. In a way, this show ridicules the coupon industry and shows people taking advantage of a very broken system where you can get away with a lot of interesting saving tactics! But when you see celebrities like Kim Kardashian participating in the activity, it makes couponing somewhat "cool."

Who do digital coupons appeal to the most?

Having been in the US, our impression is that couponing in the American culture is extremely different than in Canada. There's just a lot more drive for it south of the border.

That idea of your grandmother opening her purse and pulling out hundreds of paper coupons still exists, but the use of digital coupons is thriving among the younger demographic, i.e., people in their twenties to thirties. And these are people who are affluent, but still fairly mindful of their money. As for gender, we find it's an even split between women and men.

With so many competing advertisements and offers available, how do you achieve a viral effect through coupons?

Simply Good Technologies' intent is to maintain a certain level of exclusivity. We've found it's better to target promotions to one's own customer base rather than to use something as broad as an outdoor advertisement or even a Groupon. When a promotion spreads from your own customer base, the message carries more resonance with new customers when it is a friend who has passed it to them.

We've seen interesting data come back from the social spread of coupons. A brand's advocates, who make up less than 10% of the population, are the people who really want to share. On average, they provide two to three "shares" per person. So you have this multiplier effect where a small group of people bring in much larger numbers.

A lot of brands will focus on the value of their promotions to drive uptake. Digital coupon redemption rates are normally around 3% to 5%, and one might assume that a promotion of twice the value drives twice the redemption. The reality is is that it does not.

Why are users motivated to share the deals they come across?

If you give someone a promotion with a certain level of exclusivity built in, meaning it's not from the newspaper or found online, the motivation to share drastically increases. This motivation stems from recipients either feeling empowered or feeling like a messenger in getting the word out.

People are social by nature, and if they have the ability to share something, they will. We have proven this for weeks on end. To get people to share more, there are interesting levers you can start to pull. And messaging plays a large role in that, as do follow-up promotions to reward advocacy.

What advice would you give to retailers?

Right now, the biggest question every brand and retailer has to validate is whether their online or digital advertisements are driving in-store sales. If you visit any general retailer and ask them whether Facebook is helping drive their in-store sales, they will not be able to quantify it. This situation feels similar to the early days of the Internet, when the concept of analytics did not exist.

The first thing our company tells brands is to use something like coupons as a tracking mechanism to get this unique data. The second thing we tell them is to use this data to strengthen campaigns, in order to get a greater return. Pulling different levers in social media, distribution-list marketing or email marketing can do this. But acquiring the data is the very first step to optimizing digital advertising campaigns.

1.   eMarketer. (2012, March 5). *What Marketers Should Know About Brand Advocates.*

SocialGift

SocialGift

Raheel Govindji, Mo Govindji, Nathan Tam

SocialGift allows friends and family to pool funds together and purchase bigger, better and more meaningful gifts for their loved ones. It also helps merchants tap into the customer's social graph, all while increasing the average order value by selling higher-priced items in these transactions.

Social gift-giving

Social commerce is not only making shopping more engaging, it is also making it simpler. Activities that can otherwise be difficult to coordinate, such as giving a gift as a group, are becoming effortless through the use of web-based social technologies. Moreover, by tapping into one's social graph, gift-giving is reaching new heights with increased product selection, a larger pool of gift-givers, and deeper insight into the products and services a recipient would enjoy.

You originally launched as a destination site, where customers could shop for products on SocialGift itself. You've since repositioned as a business-to-business platform and target retailers. Can you tell me about this shift?

We made the decision to relaunch after receiving a lot of customer feedback. Customers told us that they really liked the idea of gift-giving, but that they'd prefer to do it at the online retail stores where they already shopped – where they got the big discounts, where they had free shipping and where they had familiar customer service and product selection. Because of this preference, we were having trouble scaling the site and, for any social site to work, it's got to have a certain critical mass.

As part of our relaunch, we identified a go-to-market channel that allowed us to reach this critical mass effectively and with minimum resources. This channel uses existing e-commerce platforms such as Magento and Shopify. On Magento alone there are over 100,000 retailers, including Christian Louboutin, Samsung and Tom Shoes. We're still weeks away from our launch and we've already signed up 25 retailers. Our goal is to sign up 700 retailers by the end of 2012.

Are you finding it difficult to prove the value of social gift-giving to retailers?

Some retailers are hesitant at first, especially the smaller ones or the ones that have dealt with flash-sale sites and have had a bad experience with respect to return customers. I think solutions like social-gifting get grouped into that category. But after we explain the value it provides, and how easy the plug-and-play technology is, it becomes an easy sell.

For example, every social gifting event creates an average of 1,300 Facebook and Twitter impressions. This stems from gift recipients thanking all of their friends through a "Hey guys, thank you so much for getting me this beautiful diamond bracelet from Macy's."

Who are the biggest users of social gifting?

In our initial consumer version of SocialGift, women initiated the group gift about two-thirds of the time. However, the spread of those who contributed was quite even across gender, which surprised us. We originally thought there would be more women participating than men.

How receptive are users to group gifting online?

The reaction we've had from consumers has been tremendous. We've seen some really interesting transactions happen, such as twenty people contributing toward a $50 Starbucks gift card, or thirty people contributing toward a pair of Christian Louboutin shoes for a 30th birthday. As far as what makes someone actually contribute toward an item? One reason is the social pressure that's created when you start tapping into people's online networks. People see who has been invited to an event and who has contributed, and it is this transparency that drives them to participate.

At one point we included a gaming mechanism, where the person who contributed the most would actually be rewarded with a gold medal. When we asked our users for feedback on this, we found the men loved the idea of competing. The women, however, felt this was absolutely offensive! So we ended up removing it.

Where do you see social commerce heading?

We see the future of social commerce as being focused on understanding a customer and paying attention to what they want, regardless of who is selling the products. This will give customers flexibility and create a more natural shopping experience. For example, we're working with a company called ShopyCat, which was started by @WalmartLabs. Using artificial intelligence technology, ShopyCat provides gift suggestions based on a person's online actions. What is impressive, however, is that even though ShopyCat is a subsidiary of Walmart, it will actually send a user to Sephora if it turns out the person wants Sephora cosmetics, or to Crate & Barrel if the person likes their furniture. Social commerce is building on this idea of retailers allowing a customer to shop more freely.

uknowa

uknowa is an online bidding marketplace for home renovations and repairs. Here homeowners can post their jobs and have contractors bid for their business. Through the power of ratings and reviews, uknowa helps homeowners find a contractor they can trust.

Ratings and reviews

Ratings and reviews embody some of the oldest forms of social commerce. Websites like Rotten Tomatoes, TripAdvisor and Allrecipes have been around for the better part of a decade, and their popularity is a testament to the fact that consumers value the opinion of friends, family and the general community when it comes to making a purchase decision. Feedback through ratings and reviews not only helps consumers cut through clutter, but it also adds an increased layer of transparency by making known others' experiences with the quality of a product or a service.

Why did you choose the home-renovation space to apply social technology?

The first thing people do when they're trying to find a contractor is to start asking around. But with the contractor industry being fragmented and localized, the probability of getting a "hit" on one's social graph is fairly low. Failing this, the next thing people do is they go online and search Google. This is when people run into even more problems, because of the vast amount of information they find and because they do not know the reputation of the people or the companies. Complicating this lack of transparency is the fact that some contractors go so far as to change their business name every year to circumvent a bad online review from organizations such as the Better Business Bureau.

Without any connection into the industry, people are faced with what is really a social problem.

Why not just use traditional review sites, like a Yelp or Angie's List?

What we found over the last few years is that people are starting to manipulate these review sites, as people were doing with search engines such as Google early on. For example, what you might find on these sites is a contractor with a suspiciously high number of positive reviews, all written within the course of a few months. How did he get these?

Moreover, rating mechanisms vary across all these different sites — how do four stars on one site compare with a thumbs-down on another?

Finally, people usually draw on their emotions when giving a review: they'll either really love a service or be really angry about it. Unfortunately, angry reviews tend to be more common, which is why you'll sometimes see good businesses receiving a disproportionate number of negative reviews.

uknowa is trying to disrupt this entire business model, because we feel like it is failing.

With home improvement being a very traditional industry, how concerned are contractors with exposing themselves to more open and honest reviews like those provided on uknowa?

No-one likes getting negative feedback. However, we help our contractors understand that if they're not part of the conversations online, the conversations will still go on without them and without their voice as part of it.

We strongly believe that what matters is not so much a negative review, but how it is handled. For example, we ask our contractors to provide an example of a "bad" job they have done, because in truth every business has one. Everyone has something that they have done wrong or done poorly! We then ask our contractors to talk about how they corrected the job. That's when integrity starts to show, and the honour of the trades starts to come back.

How else do you see social technology being used to boost transparency?

What's interesting about the home-renovation market is that there are many layers to the trade. Behind a general contractor are usually many other tradespeople and companies, which rating and review systems don't expose. Our goal is to make these elements visible in order to help the customer see beyond the quality or rating of just the general contractor.

We picture this as being accomplished through an aggregation of online social proof, like a Klout Score, and this is where we see the future of social commerce headed. But it will be novel uses of social graphs and relationships, not just reviews, that will really drive transparency on the web. We believe this holds especially true for industries like home improvement, where transparency does not exist today.

Uniiverse

uniiverse

Ben Raffi, Adam Meghji, Craig Follett

Uniiverse is a person-to-person marketplace for activities and services. It provides a full value chain solution that connects everything from the creation to the booking, payment and review of experiences, in order to build a trust graph and enable people to connect in real life.

Peer-to-peer marketplace

Social networks are making it possible to leapfrog outdated modes of hyper-consumption and create innovative systems based on shared usage, such as bike- or car-sharing.[1] The rise of the sharing economy is by no means a fad; the truth lies in the numbers, through the explosive growth and success of companies like Zopa and Airbnb. This idea of collaborative consumption is hugely successful because people have an intrinsic desire to feel part of a community. Even big brands like Nike are shifting their focus away from traditional advertising (e.g., using celebrity endorsements) and are spending more on forming communities, such as the creation of the world's largest running club.[1]

What inspired you to build this product?

Uniiverse was inspired because we felt something was broken in the world. People's relationships are becoming more and more virtual. We use Twitter, Facebook and all these social networks, but it seems sort of disconnected. You may have 500 friends on Facebook, but what does that really mean and are you really connecting with them in real life? We wanted to create something that would have an impact and would improve people's lives by getting them to connect and actually do things together.

But are consumers ready to live collaboratively like this?

The past decades have been about hyper-consumption and singular ownership and have been somewhat materialistic. Looking ahead to next couple of decades, Uniiverse believes it is going to be more about joint ownership (access rather than ownership), and about experiences rather than things. We think we'll see a trend where new generations will be predisposed to collaborative consumption and to the sharing economy – it will be rooted in them. Deep down, everyone has a passion and an interest in sharing and in meeting new people.

What about the issue of trust? Does that deter people from embracing this system?

Historically, people have been very concerned about security when sharing activities and services online. For example, one would never book a babysitter through Craigslist, because with Craigslist it is anonymous, and one has no way of knowing who the person is at the other end or the quality of their offering.

This trust is one of our main challenges. Our aspiration is that, for example, you will be able to book a babysitter through Uniiverse because you can see that he or she goes running with your friends and teaches cooking classes, and that they have received great ratings and reviews from the community at large.

One of the biggest challenges in creating social networks like Uniiverse is reaching critical mass. Which marketing strategies have worked for you?

One program we created engages and brings onboard "ambassadors." To date, our vision has inspired over 70 talented young individuals to volunteer their skills in social media and street marketing. In return, our ambassadors gain experience with a growing startup, learn marketing techniques and build valuable references.

The sharing economy centres on facilitating local exchanges, yet Uniiverse launched globally right from the start. Can you comment on this?

We've seen many startups constrain their site to a specific city, only to discover that it's better to open it up more broadly. Learning from others' mistakes, we opened up our platform from the start.

Other marketplaces, such as Zaarly or TaskRabbit, are driven by the demand side (i.e., want ads). This means that in order to launch in a given city, they need to amass enough people to respond to buyers' needs.

Uniiverse is supply-side driven; it is about people posting what they can offer. This means that we don't need to achieve a critical mass for our product to be relevant. Someone can post what they wish to offer and then share it across their networks. For example, if someone in Australia wants to teach piano lessons, they can use Uniiverse as their storefront and state when they are available and how much it would cost, and then share their page with friends in order to get bookings.

Being supply-side driven means that, for buyers, there's an element of discovery. They might not realize that there is a drill next door for rent, or that someone down the street can teach you how to make gnocchi.

How would you suggest traditional retailers adapt to this rise of collaborative living and downsizing of hyper-consumption?

I think that the rise of the Internet democratized many different fronts. We saw it happen with the music industry and we are seeing it happen with traditional media like the large news outlets, where blogs are challenging the traditional market. I think the Internet has already affected commerce in terms of products, with the rise eBay. And now I think it's starting to challenge experiences, by encouraging activity and service providers to make experiences more authentic and more relevant for people at a very local level.

1.   Botsman, R., & Rogers, R. (2010). *What's mine is yours: The rise of collaborative consumption*. New York, NY: Harper Business.