

Chapter 7

Social Commerce

Learning Objectives

1. Understand the Web 2.0 revolution, its characteristics and the context of social media.
2. Describe the fundamentals of social commerce, its drivers and landscape.
3. Describe the major models of social shopping.
4. Explain how advertising and promotions are conducted in social networking environments.
5. Understand how market research is conducted in social networking environments.
6. Describe how customer service, customer support, and CRM can be facilitated by social networking.
7. Describe the major social commerce activities that can be conducted within and by enterprises.

Learning Objectives

8. Define crowdsourcing and describe its use in social commerce.
9. Describe the commercial applications conducted in virtual worlds in general and in Second Life in particular.
10. Review the social commerce activities and relationship with e-entertainment and gaming.
11. Describe and discuss the major implementation issues of social commerce including strategy, security, and ROI.
12. Understand the major risks, concerns, and barriers of deploying social commerce applications.

The Web 2.0 and Social Media Revolutions

- **WEB 2.0 AND ITS CHARACTERISTICS**

- **Representative Characteristics of Web 2.0**
- **user-generated content (UGC)**

Various kinds of media content that are produced by end users and are publicly available

- **New Business Models**

- **WELCOME TO THE WEB 2.0 REVOLUTION**

The Web 2.0 and Social Media Revolutions

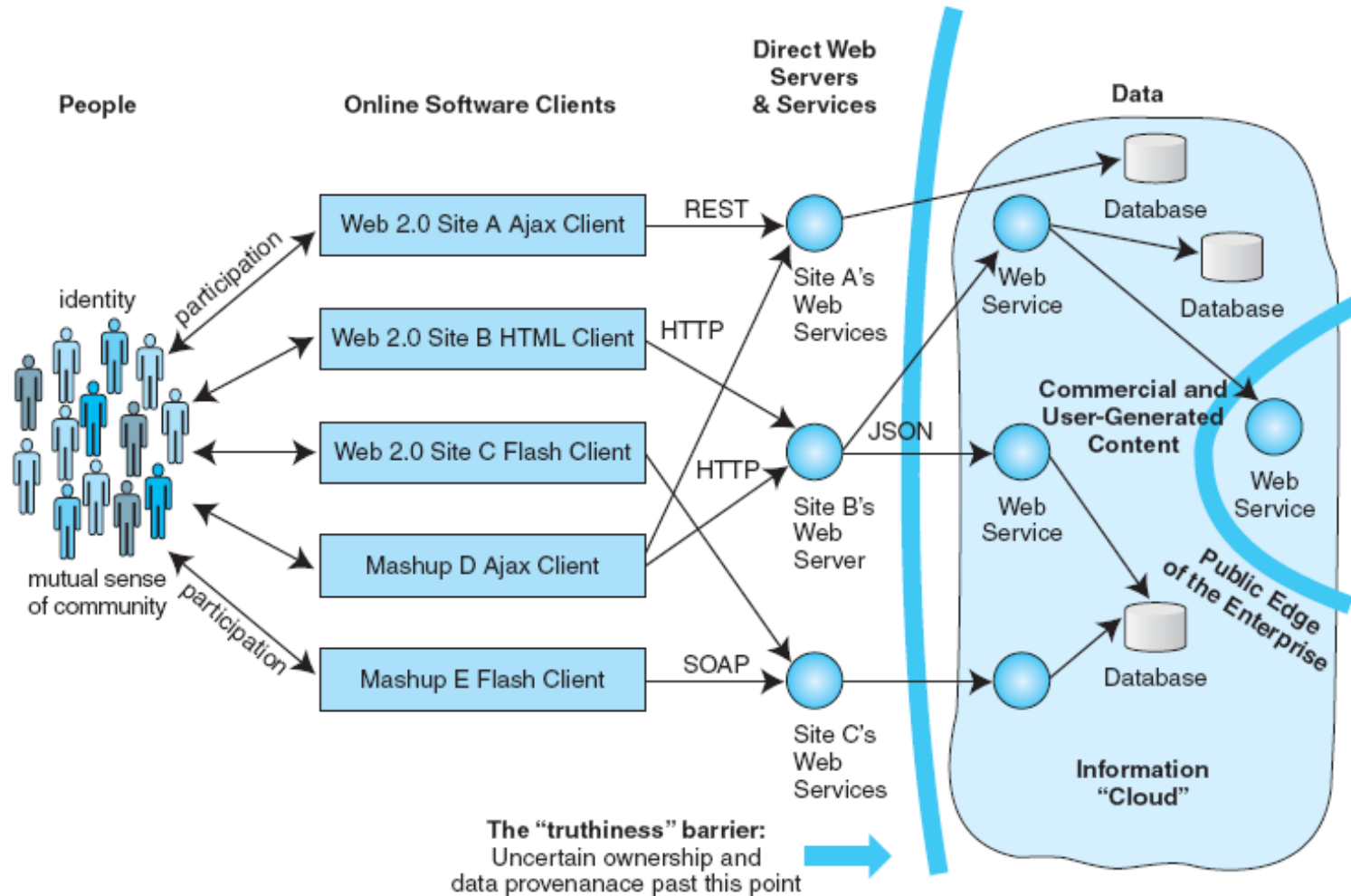
- **social media**

The online platforms and tools that people use to share opinions, experiences, insights, perceptions, and various media, including photos, videos, and music, with each other

- **social marketing**

A combination of social policy and marketing practices to achieve a set of social behavioral goals within a target audience

EXHIBIT 7.1 The Emergence and Rise of Mass Social Media



The Web 2.0 and Social Media Revolutions

- **social capital**

A sociological concept that refers to connections within and between social networks—the core idea is that social networks have value; just as physical capital or human capital can increase productivity (both individual and collective), so do social contacts affect the productivity of individuals and groups

- **social media marketing (SMM)**

A term that describes use of social media platforms such as networks, online communities, blogs, wikis, or any other online collaborative media for marketing, market research, sales, CRM, and customer service; it may incorporate ideas and concepts from social capital, Web 2.0, social media, and social marketing

The Web 2.0 and Social Media Revolutions

- **SOCIAL NETWORKS AND SOCIAL NETWORKING**
 - **The Social Networking Space**
 - **social graph**

A term coined by Mark Zuckerberg of Facebook, which originally referred to the social network of relationships between users of the social networking service provided by Facebook—the idea was for Facebook to benefit from the social graph by taking advantage of the relationships between individuals that Facebook provides, to offer a richer online experience—this definition was expanded to refer to a social graph of all Internet users

The Fundamentals of Social Commerce and Social Networking

- **social commerce (SC)**

The delivery of e-commerce activities and transactions through social networks and/or via Web 2.0 software

EXHIBIT 7.2 The Major Roots of Social Commerce

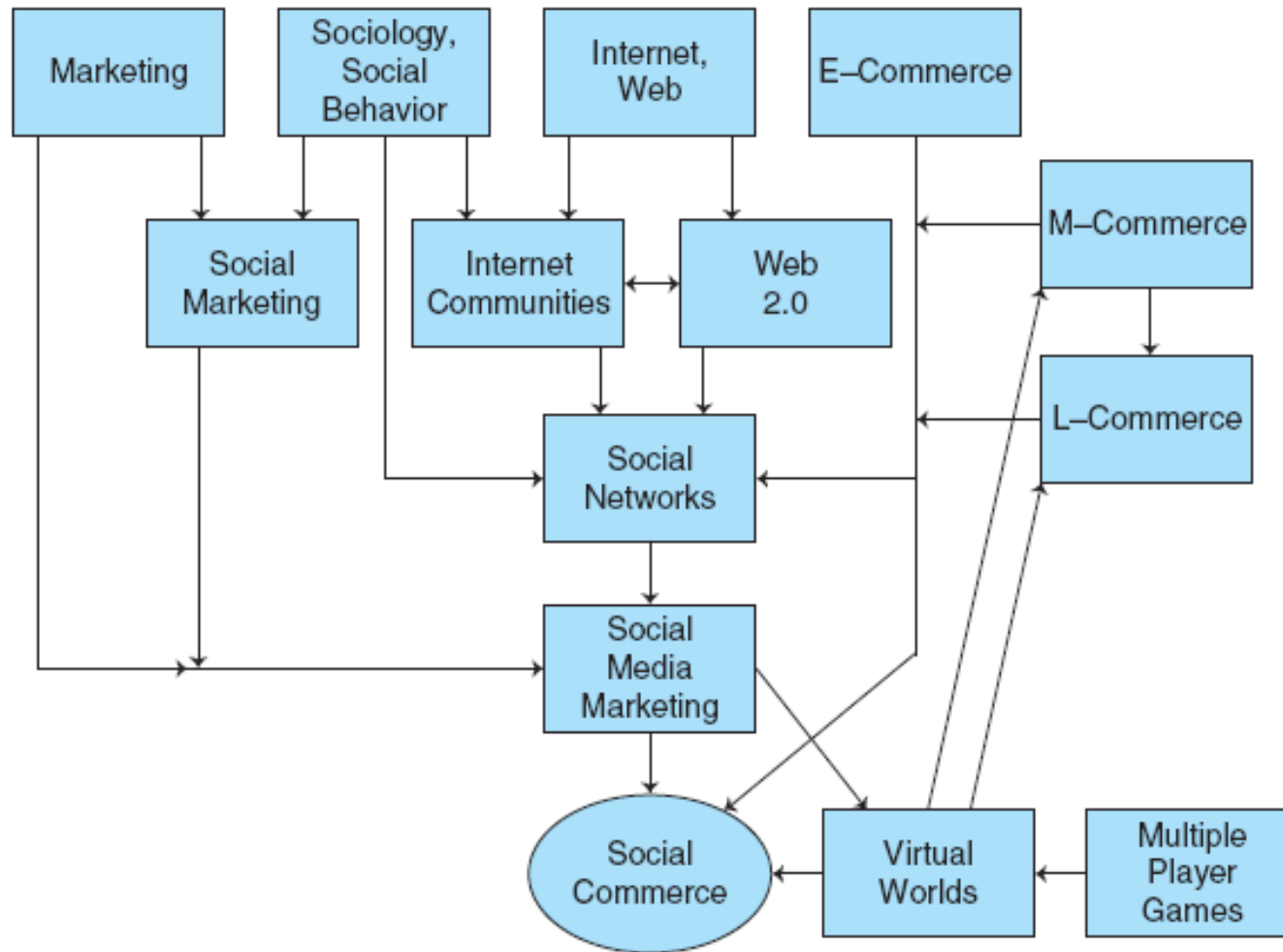
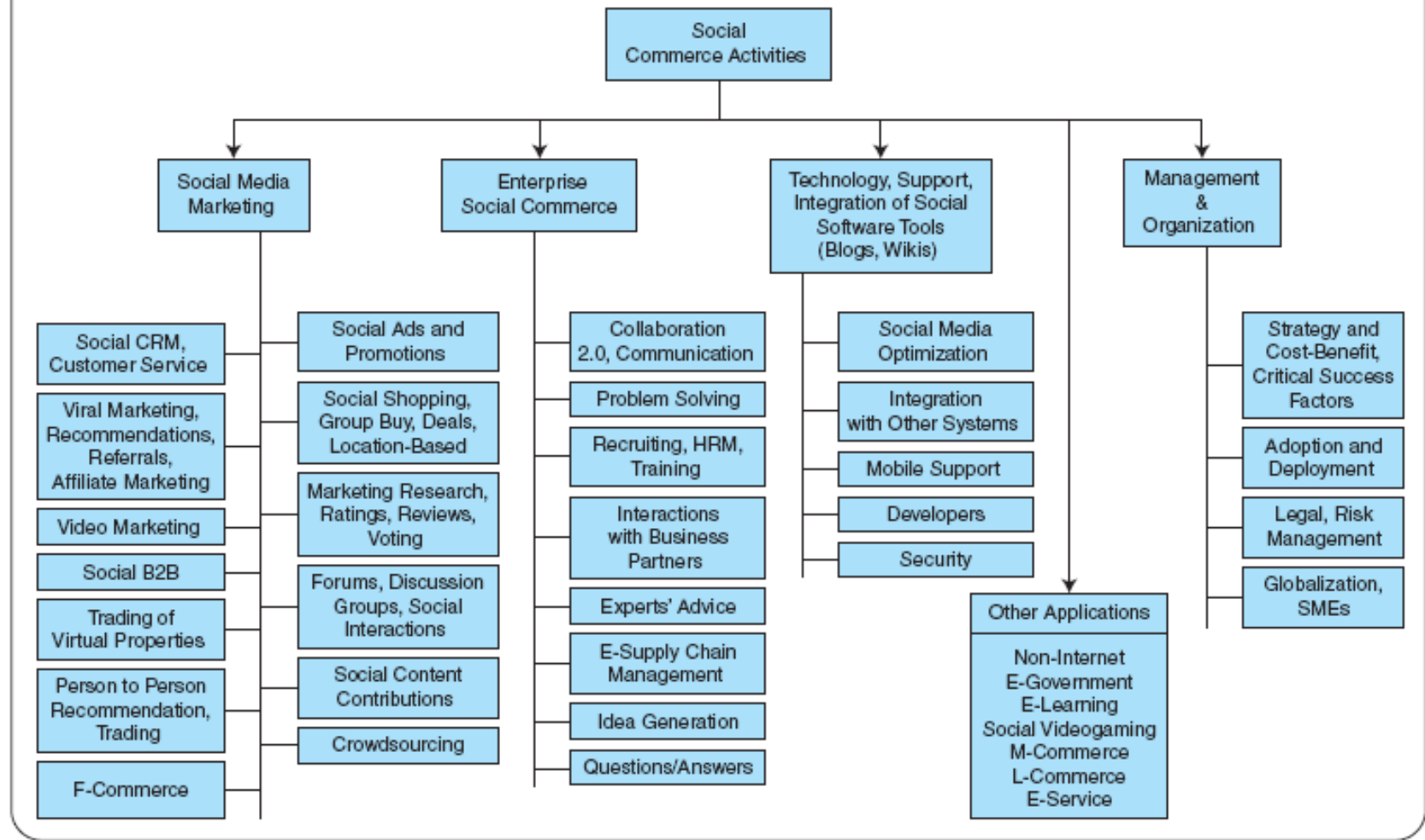


EXHIBIT 7.3 The Major Dimensions of Social Commerce



The Fundamentals of Social Commerce And Social Networking

- **THE POTENTIAL BENEFITS OF SOCIAL COMMERCE**

Benefits to customers

- Pay less for products and services (group buy, special deals).
- Better and faster vendors' response to complaints, since customers can complain in public (on Twitter, Facebook, or even YouTube).
- Unhappy customers can reach millions through crowdsourcing. (Power!)
- Be engaged, develop relationship with vendors.
- Customers can assist other customers (e.g., in Forums).
- Customers' expectations can be met in fully and quickly.
- Customers can find out quickly about new staff.
- Can easily search, link, chat, and buy while being in the social network's page.
- Better self-service is possible.

Benefits to vendors

- Save money on customer service (e.g., smaller call centers).
- Can test new products/ideas quickly and inexpensively.
- Learn a lot about the customers.
- Identify problems quickly; assess magnitude, alleviate anger.
- Compare items/services to competitors.
- Can learn from the customers' experience, get feedback.
- Turn user-generated content into user-generated commerce.
- Increase retail sales—when customers discuss products in a community or via Twitter.
- Increase trust via direct conversations.
- Improve customer service and increase loyalty.
- Create better marketing campaigns and brand awareness.
- Improve product/design (e.g., a test bed for products); match with customer needs.
- Use low-cost user-generated content.
- Get free advertisement (e.g., viral advertisement).
- Increase traffic to site, increase sales and profit.
- Target advertisements more accurately.
- Improve operations due to accurate demand forecast.
- Increase revenue via better customer acquisition and retention.
- Reduce marketing and advertisement expenses.
- Identify brand advocates—use and reward them.
- Create viral advertisements—happy customers will share feelings with their friends.
- Create a community of fans for your brand.

The Fundamentals of Social Commerce And Social Networking

- **Benefits to Retailers**

- Consumers can provide feedback
- Word-of-mouth marketing (i.e., *viral marketing*) is free advertising
- Increased website traffic brings more revenue dollars with it
- Increased sales can come from harnessing techniques based on personal preferences such as collaborative filtering and targeted advertisement
- Over 40 percent of businesses globally found new customers via social networks
- Over 27 percent of companies invest in social networking in order to acquire and retain customers

- **New or Improved Business Models**

The Fundamentals of Social Commerce And Social Networking

- **mobile social networking**

Members converse and connect with one another using cell phones or other mobile devices

- **CONCERNS AND LIMITATIONS OF CONDUCTING SOCIAL COMMERCE**

Social Shopping: Concepts, Benefits, and Models

- **social shopping**

A method of e-commerce where shoppers' friends become involved in the shopping experience; social shopping attempts to use technology to mimic the social interactions found in physical malls and stores

- **Concepts and Content of Social Shopping**

- **Why Shoppers Go Social**

- **communal shopping**

A method of shopping where the shoppers enlist others to participate in the purchase decision

Social Shopping: Concepts, Benefits, and Models

- **The Roles in Social Commerce**
 - Connector
 - Salesman
 - Seeker
 - Maven
 - Self-sufficient
 - Unclassified
- **Benefits of Social Shopping**

Social Shopping:

Concepts, Benefits, and Models

- **THE MAJOR MODELS OF SOCIAL SHOPPING**

- Social recommendations, ratings and reviews, comparisons, and conversations
- Group buying and shopping together
- Deal purchases (flash sales), such as daily deals
- Shopping communities and clubs
- Peer-to-peer models (e.g., money lending)
- Location-based shopping
- F-commerce; shopping at Facebook
- Shopping with Twitter
- Other innovative models

Social Shopping:

Concepts, Benefits, and Models

- **RATINGS AND REVIEWS, SOCIAL RECOMMENDATIONS, ADVICE, COMPARISONS, AND CONVERSATIONS**
 - **Ratings and Reviews**
 - Customer ratings and reviews
 - Expert ratings and reviews
 - Sponsored reviews
 - Conversational marketing
 - Video product review
 - Customer testimonials

Social Shopping:

Concepts, Benefits, and Models

- **Social Recommendations and Referrals**
 - Share with your network (social bookmarking)
 - Referral programs
 - Social recommendations
 - Innovative methods
- **GROUP BUYING, DEAL PURCHASING, AND SHOPPING TOGETHER**
 - Deal Purchases (Flash Sales)
 - Group Buying in China
 - Real-Time Online Shopping Together

Social Shopping: Concepts, Benefits, and Models

- **SHOPPING COMMUNITIES AND CLUBS**
 - Private Online Shopping Clubs and Retail by Invitation
 - Kaboodle, a Unique Social Community
- **OTHER INNOVATIVE MODELS**
- **social marketplace**

An online community that harnesses the power of one's social networks for the introduction, buying, and selling of products, services, and resources, including one's own creations; also may refer to a structure that resembles a social network but is focused on individual members

- **Direct Sales from Social Networks**

Social Shopping: Concepts, Benefits, and Models

- **WHAT COMPONENTS TO EXPECT IN A SOCIAL SHOPPING SITE**
 - **B2B Social Networking**
 - **Socially-Oriented Person to Person (P2P) Selling, Buying, Renting, or Bartering**
 - **Social Shopping in the Near Future**

Social Advertising

- **SOCIAL ADS AND SOCIAL APPS**
- **viral marketing**

Word-of-mouth (WOM) method by which customers promote a product (service) by telling others (frequently their friends) about it

- **viral blogging**

Viral (word-of-mouth) marketing done by bloggers

Social Advertising

- **LOCATION-BASED ADVERTISEMENT AND SOCIAL NETWORKS**

- **geosocial networking**

A type of social networking in which geographic services and capabilities such as geocoding and geotagging are used to enable additional social dynamics

- **geolocation**

The identification of the real-world geographic location of an Internet-connected computer, mobile device, website visitor, or other

Social Advertising

- **The Technology for Location-Based Social Networks**
- **From Foursquare to Facebook Places**
- **Strategy for Small Businesses**
- **Privacy Concerns**
- **Examples of Successful Location-Based Applications**

Social Advertising

- **USING YOUTUBE AND OTHER SOCIAL PRESENTATION SITES FOR ADVERTISING**

- **viral video**

Any video that is passed electronically, from person to person, regardless of its content

- **USING TWITTER AS AN ADVERTISING AND MARKETING TOOL**

Social Advertising

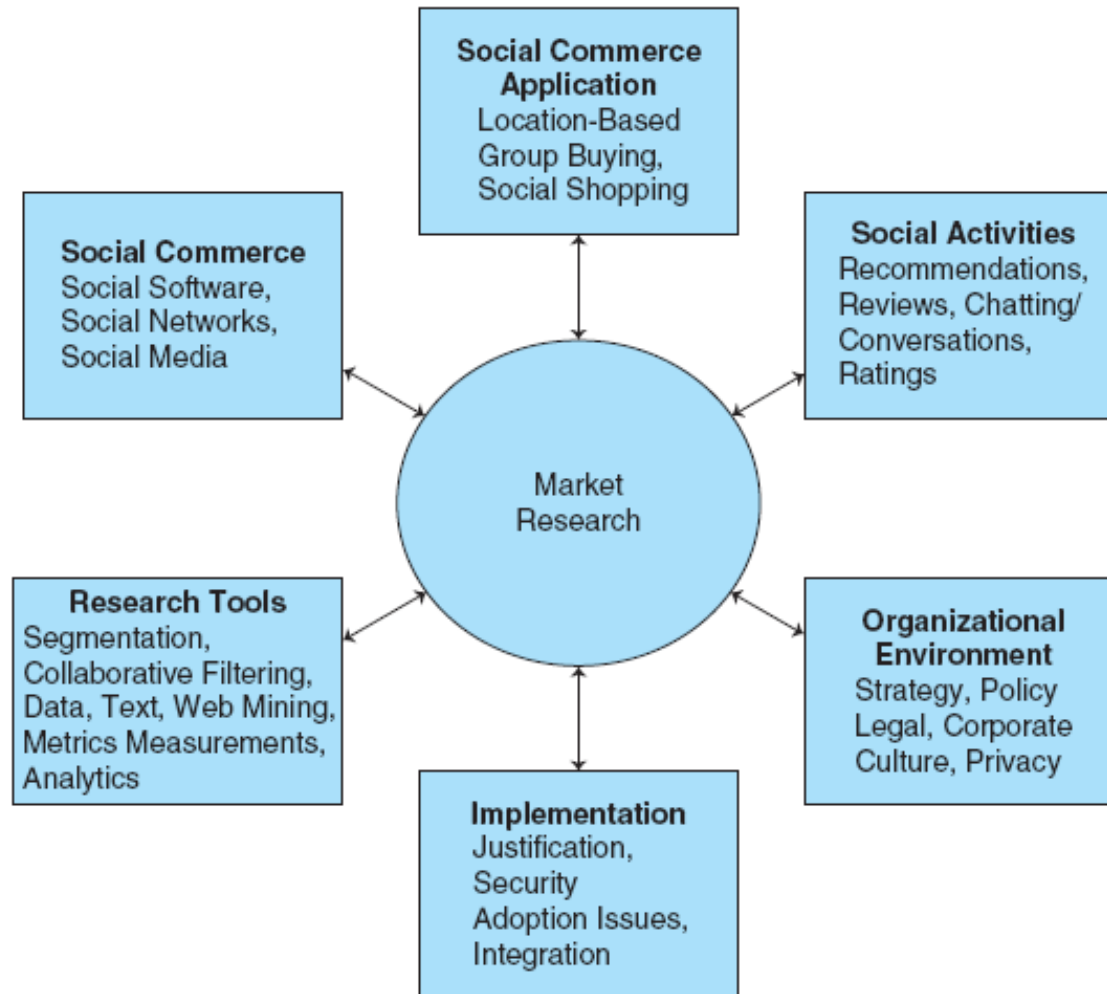
- **OTHER INNOVATIVE WAYS TO ADVERTISE IN SOCIAL MEDIA**
 - **The Changing Rules of Branding**
 - **Using Blogs**
 - **Special Advertising Campaigns**
 - **Mobile Advertising**

Market Research and Strategy in Social Networks

- **USING SOCIAL NETWORKING FOR MARKET RESEARCH**
- **FEEDBACK FROM CUSTOMERS:
CONVERSATIONAL MARKETING**
 - **Illustrative Examples**
- **SOCIAL ANALYTICS AND SOCIAL INTELLIGENCE
IN SOCIAL COMMERCE**

EXHIBIT 7.5

A Framework for Social Commerce Market Research



Market Research and Strategy in Social Networks

- **SOCIAL ANALYTICS FOR SOCIAL INTELLIGENCE
IN SOCIAL COMMERCE**
 - Social Intelligence and Its Components
- **ANALYZING CONSUMER CONVERSATIONS AND
OTHER USER GENERATED CONTENT**
 - Tools for Mining Social Media for Consumer Trends

Market Research and Strategy in Social Networks

- **CONDUCTING MARKET RESEARCH USING THE MAJOR SOCIAL NETWORKS**
 - Using Facebook for Market Research
 - Using Twitter for Market Research
 - Using LinkedIn for Market Research
- **PUTTING IT ALL TOGETHER**

Social Customer Service and CRM

- **HOW SOCIAL NETWORKING IMPROVES CUSTOMER SERVICE**

- **Methods and Guidelines for Service**

- **HOW TO SERVE THE SOCIAL CUSTOMERS**

- **social customers**

Members of social networks who do social shopping and understand their rights and how to use the wisdom and power of crowdsourcing and communities to their benefit

- **customer relationship management (CRM)**

A customer service approach that focuses on building long-term and sustainable customer relationships that add value both to the customers and the merchants

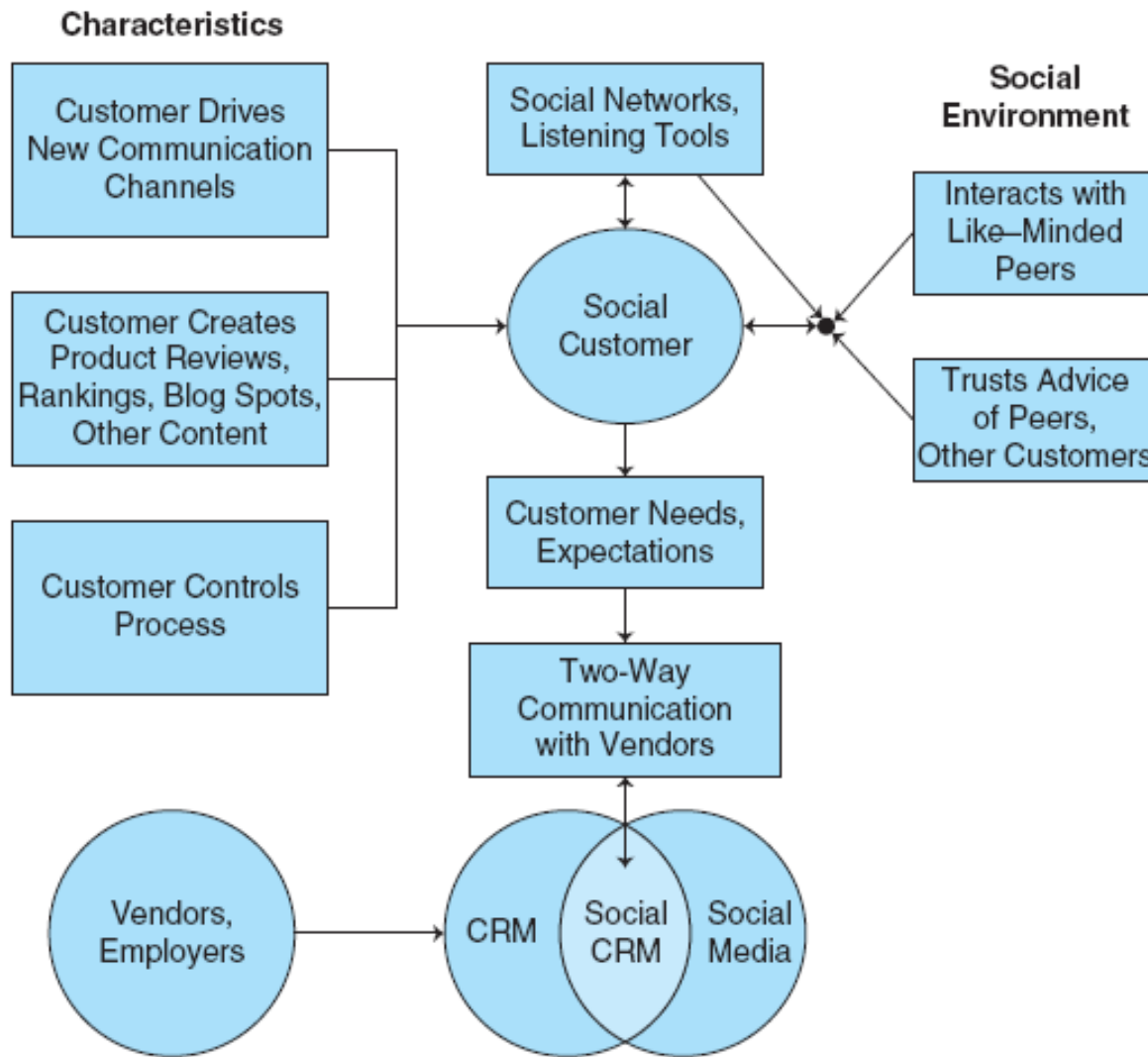
Social Customer Service and CRM

- **social CRM (SCRM)**

A customer engagement strategy in support of companies' defined goals and objectives toward optimizing the customer experience: success requires a focus on people, processes, and technology associated with customer touchpoints and interactions

- **Social CRM in the Enterprise and B2B Environments**

EXHIBIT 7.6 The Elements of Social CRM



Social Customer Service and CRM

- **IMPLEMENTATION OF SOCIAL CUSTOMER SERVICE AND CRM**
 - **How Social CRM Works—Problems and Solutions**
- **SOME MORE ADVANCED APPLICATIONS**
 - **Social Networking Helps Customer Service in Small Companies**

Enterprise Applications

- **business social network**

A social network whose primary objective is to facilitate business connections and activities

- **THE BENEFITS OF ENTERPRISE BUSINESS SOCIAL NETWORKING**

- ▶ To build better customer and employee relationships
- ▶ To increase revenue
- ▶ To facilitate recruiting and retention
- ▶ To increase business and marketing opportunities
- ▶ To build and nurture a community
- ▶ To reduce operation and travel costs
- ▶ To improve knowledge management (increase speed and access to knowledge)
- ▶ To gain expert advice (internally and externally)
- ▶ To improve knowledge management
- ▶ To reduce communication and improve collaboration

Enterprise Applications

Business-Oriented Public Social Networking

- Ryze
- The Business Social Network
- Yammer
- Viadeo
- APSense

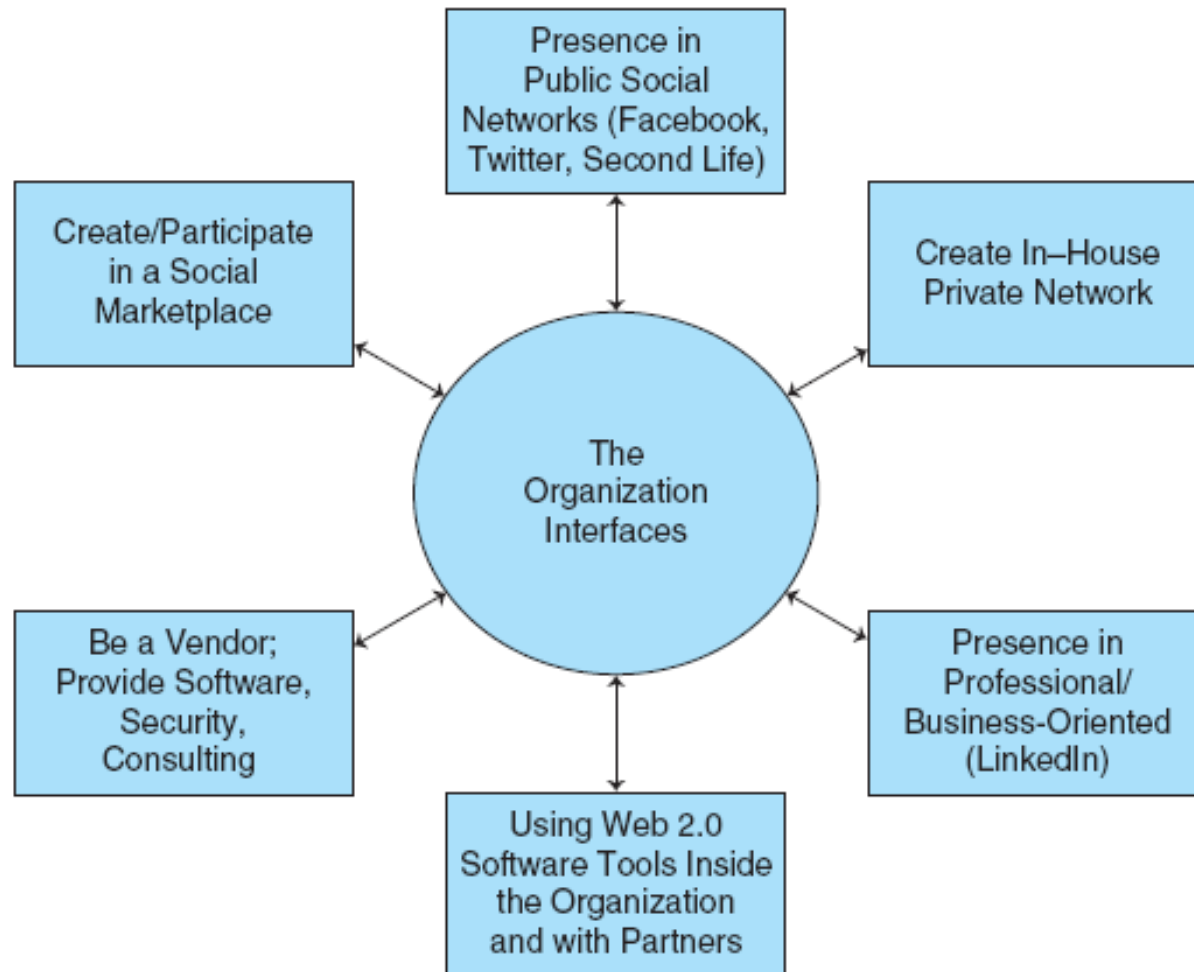
Entrepreneur Networks

- Biznik
- E. Factor
- Startup Nation
- Entrepreneur Co

Enterprise Applications

- **ENTERPRISE PRIVATE SOCIAL NETWORKS**
 - **Taxonomy of Social Enterprise Applications**
 - **Characteristics of Enterprise Social Networks**
 - **Guidelines for Effective Social Networking**
 - **An Example of Enterprise Networks**
 - **How Enterprise Social Networking Helps Employees**
 - **Support Services for Enterprise Social Networks**

EXHIBIT 7.7 The Major Interfaces with Social Networking



Enterprise Applications

- **HOW COMPANIES INTERFACE WITH SOCIAL NETWORKS AND NETWORKING**
- **COMMERCIAL ACTIVITIES IN ENTERPRISE SOCIAL NETWORKS**
- **SOCIAL HUMAN RESOURCE MANAGEMENT**
 - **Finding, Recruiting, and Training Workers**

Enterprise Applications

- **MANAGERIAL PROBLEM SOLVING, INNOVATIONS, AND KNOWLEDGE MANAGEMENT**
 - Idea Generation and Problem Solving
 - Problem-Solving Sites
 - Social Networking and Organizational Knowledge
- **USING WEB 2.0 TOOLS FOR MANAGERIAL TASKS**
 - Using Blogs and Wikis Inside the Enterprise
 - Questions and Answers in Social Networks
 - A Suite of Tools for Social Collaboration

Crowdsourcing

- **crowdsourcing**

The act of outsourcing tasks, traditionally performed by an employee or contractor, to an undefined, large group of people or community (a “crowd”), through an open call

- **Crowdsourcing Models**
- **Benefits of Crowdsourcing**

Crowdsourcing

- **THE PROCESS OF CROWDSOURCING**

1. Identify the issue (problem) you want to investigate or solve
2. Identify the target crowd
3. Broadcast to the unknown crowd
4. Engage the crowd in an innovative and creative process
5. User-generated content is submitted
6. Evaluate the submitted material

Crowdsourcing

- **collective intelligence (CI)**

The capacity of human communities to evolve toward higher order complexity and harmony, through such innovation mechanisms as variation-feedback-selection, differentiation-integration-transformation, and competition-cooperation-coopetition

- **SUCCESSFULLY DEPLOYED CROWDSOURCING SYSTEMS**

- **ISSUES AND CONCERNS IN IMPLEMENTING CROWDSOURCING**

- **TOOLS FOR CROWDSOURCING**

- **Hypios: A Marketplace for Crowdsourcing**

Social Commerce:

Applications in Virtual Worlds

- **THE FEATURES AND SPACES OF VIRTUAL WORLDS**
 - **The Features That Businesses Can Leverage**
- **THE LANDSCAPE OF VIRTUAL WORLD COMMERCIAL APPLICATIONS**
 - **The Seven Dimensions of Virtual Worlds**
 1. Social space
 2. Entertainment space
 3. Transaction space
 4. Experimental/demonstration space
 5. Collaboration space
 6. Smart agents space
 7. Fantasy space

Social Commerce:

Applications in Virtual Worlds

The Major Categories of Virtual World Applications

1. Storefronts and online sales
2. Front offices or help desks
3. Advertising and product demonstrations
4. Content creation and distribution
5. Meetings, seminars, and conferences
6. Training
7. Education
8. Recruiting
9. Tourism promotion
10. Museums and art galleries
10. Information points
11. Data visualization and manipulation
12. Renting virtual world land and buildings
13. Platform for social science research
14. Market research
15. Platform for design
16. Providing CRM to employees
17. Commercial gaming
18. Virtual trade shows

Social Commerce:

Applications in Virtual Worlds

- **Applications in Virtual Worlds**
- **Additional Virtual World Applications Around the Globe**
- **Trading Virtual Goods and Properties**
- **THE MAJOR DRIVERS OF SOCIAL COMMERCE IN VIRTUAL WORLDS**
- **CONCERNS AND LIMITATIONS OF COMMERCIAL ACTIVITIES IN VIRTUAL WORLDS**

Entertainment, Multimedia Sharing, and Social Games

- **ENTERTAINMENT AND SOCIAL NETWORKS**
 - Mixi
 - Last.fm
 - Pandora
 - Internet Series and Movie Streaming
- **MOBILE WEB 2.0 DEVICES FOR ENTERTAINMENT AND WORK**
 - iPhone and Its Clones
- **MULTIMEDIA PRESENTATION AND SHARING SITES**

Entertainment, Multimedia Sharing, and Social Games

- **social game**

A video game played in a social network

- **Games on Social Networks**
- **Conclusions: The Business Aspects**

Justification, Risks, Other Implementation Issues, and Strategy

- **THE COMPLEXITY OF SOCIAL COMMERCE IMPLEMENTATION**
- **JUSTIFICATION, COST-BENEFIT, AND ROI OF SOCIAL COMMERCE SYSTEMS**
 - **Measuring Social Commerce ROI**
 - **Using Metrics**
- **RISK FACTORS AND ANALYSIS**
 - **Risk to Users**
- **OTHER IMPLEMENTATION ISSUES**
 - **Support Services**

Justification, Risks, Other Implementation Issues, and Strategy

- **REPUTATION SYSTEM MANAGEMENT**
- **A STRATEGY FOR SC SUCCESS OF IMPLEMENTATION**
 1. Learn and understand the environment inside and outside the organization
 2. Experiment with a small-scale project so you can observe and learn
 3. Assess the results of the experiment
 4. Develop or abandon the project

Justification, Risks, Other Implementation Issues, and Strategy

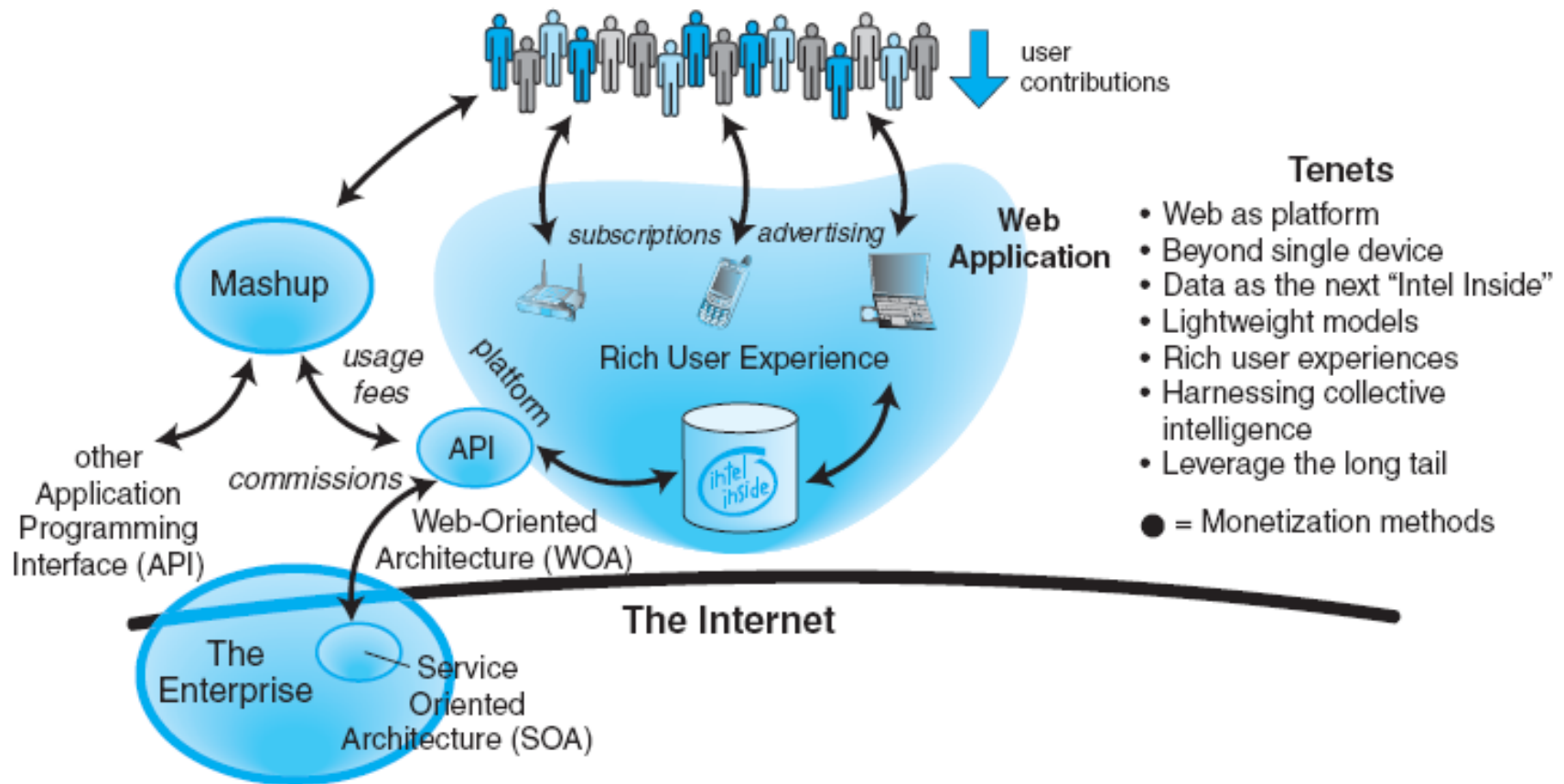
- **Examples**
- **Success in SMEs**
- **Some Other Strategy Issues**
- **Some Policies and Guidelines**
- **Internet Use and Social Commerce Policies**
- **Adoption Strategies**

Justification, Risks, Other Implementation Issues, and Strategy

- **REVENUE-GENERATION STRATEGIES IN SOCIAL NETWORKS**
 - Increased Revenue and Its Benefits
- **THE FUTURE OF SOCIAL COMMERCE**
 - Conclusion: IBM's Watson and Social Commerce

EXHIBIT 7.9

Generating Revenue from Web 2.0 Applications



Managerial Issues

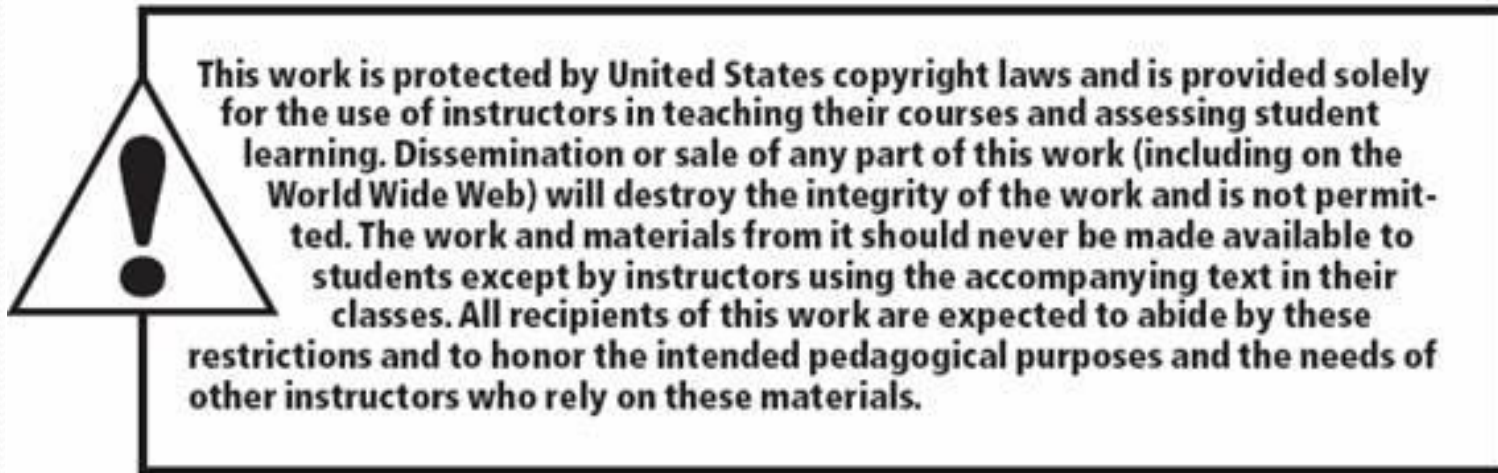
1. How will social commerce impact businesses?
2. Should we explore Web 2.0 collaboration?
3. How to deal with ethical and etiquette issues?
4. What are the ethical issues that may be involved in deploying social commerce?
5. Do we need to sponsor a social network?
6. How should we deal with social commerce risks?
7. Should we have an in-house social network? How do we get the employees to use it?
8. Is it wise for a small business to be on Facebook?
9. What shall I do now?

Summary

1. The Web 2.0 revolution and social media
2. Fundamentals, drivers, and the landscape of social commerce
3. Major models of social shopping
4. How advertisement and promotions are conducted in social networking
5. Conducting market research

Summary

6. Conducting customer service and CRM
7. Major enterprise social commerce activities
8. Crowdsourcing and social networking
9. Commercial application of virtual worlds
10. Social commerce, entertainment, and gaming
11. Implementing social commerce
12. Risks and concerns in deploying social commerce



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