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Is Social Commerce Disruptive or Intrusive?

References Kolsky, E. (2011, Is social commerce disruptive or intrusive? Customer Relationship Management, 15(8), 48-49. Retrieved from
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Abstract

The era of the commercial Web is littered with disruptors that found ways to commercialize inventions. For example, Netscape created a model to commercialize a not-ready-for-prime-time HTML reader and, with it, brought a disruption to communications and commerce. Fast-forward past multiple harebrained schemes designed to make money with advertising and profile data to e-commerce as the next candidate for disruption. Amazon disrupted traditional commerce by enabling, through a simple interface, the sale and inventory of 1,000 to 10,000 times more books than any bookstore could handle. Meanwhile, a new model for commercial applications comes through social channels. The question is: Can it be sufficiently disruptive? In addition to the uncomfortable feeling that may hit a user when a vendor interferes with his personal relationships, there is the issue of privacy and fair data use stemming from what information is exploited to target and promote products.

Full Text

Headnote

Issues like privacy and fair use of data pose a formidable challenge

THE ERA of the commercial Web is littered with disruptors that found ways to commercialize inventions. For example, a little company called Netscape created a model to commercialize a not-ready-for-prime-time HTML reader and, with it, brought a disruption to communications and commerce.

Yahoo disrupted the wild west of excessive chaotic content by developing a model to categorize, organize, and search the commercial Web in a way that no one could previously. In addition, the company ushered in an era of free applications and portals, leading to more content than most people had seen to that point. Finally, Yahoo created a marketing model that changed the Web.

Fast-forward past multiple harebrained schemes designed to make money with advertising and profile data to e-commerceas the next candidate for disruption. Here was the logic: If we could make money by selling, we could prove to the world that the commercial Web was

about much more than just finding and reading stuff.
The case for e-commercewas not made by the new channel, the commercial Web, or the presence of clients flooding to it daily. And it was not made by companies that wanted to do something in it, or by the new technologies that soon would enable commercial transactions online. The case for e-commercewas proven by a small, but highly disruptive, company in Seattle called Amazon.
Amazon disrupted traditional commerceby enabling, through a simple interface, the sale and inventory of 1,000 to 10,000 times more books than any bookstore could handle. The purchases would be delivered via courier services (UPS or FedEx, to name two). Amazon leveraged three things about e-commerceto disrupt the market, as follows:
* the ridiculously low costs of stocking enormous quantities of products in distribution centers located in critical points in the world, compared with the costs of high-end retail locations;
* a distribution network that was entirely outsourced to established couriers; and
* a simple interface that allowed customers to buy, at reduced shipping fees and without paying taxes, usually for less than at most other locations.
Even so, Amazon was not original. It basically enabled the online channel to replicate the catalog business - alas, with almost zero latency (when a customer wanted a book, he could easily turn to Amazon and buy it online).
The genius of Amazon, and the reason that e-commerceworked so well over time, was that it leveraged economies of scale and improved logistics. Selling books was never the goal; it was merely a proof of concept.
A few years later, another disruptor emerged in the entertainment industry. Netflix upended the movie rentals market with two killer differentiators:
* The company could send DVDs in a simple envelope that complies with USPS regulations, and it could do it at a reduced rate.
* It could charge a monthly subscription rate that was less than the cost of renting three movies, which effectively gave users access to a broader catalog.
Netflix also was hardly original, having built its model atop Amazon's: cheap warehouses in critical locations, shipping policies built into the business model, an extensive catalog of products that overwhelms the competition, and pricing to compete successfully. Most of those objectives had been achieved before, but Netflix found an uncharted territory where the model works very well.
Those examples demonstrated more efficient operations, ingenious thinking, and an approach that benefited both the company and the customer. Indeed, those companies found ways to disrupt existing markets and make them more efficient and valuable.
Today we see new candidates vying for the role of market disruptor. Take social commerce, which is built on top of e-commerceand leverages the socialchannels that has emerged in recent years. A new model for commercial applications comes through socialchannels. The question is: Can it be sufficiently disruptive?
Let's analyze it. The main advantage of social commerceis that it brings commercial activities to customers. On the face of it, the model for doing commerceor e-commercedoes not

represent an improvement.
Facebook, the largest socialnetwork, has more than 600 million users worldwide. Twitter exceeds 200 million users. Socialnetwork users tend to be digitally connected, already involved in e-commerceand aware of the value it brings. However, the core question is: Will these people make purchases online while using a socialnetwork? In other words, beyond the purchase of virtual goods to be used in online games, would a Facebook user actually buy something from within Facebook, while tending to her virtual farms and chatting with friends? The answer, according to my analysis, is no.
Saying that a user on Facebook would naturally feel inclined to purchase a product just because it is available is akin to saying that a person would purchase something offered to her in the middle of a phone conversation with a friend. While F-commerce, as it is known, could generate incremental revenue increases resulting from impulse purchases, it probably will not develop into an e-commerceforce in the near future.
In addition to the uncomfortable feeling that may hit a user when a vendor interferes with his personal relationships, there is the issue of privacy and fair data use stemming from what information is exploited to target and promote products. For example, have you ever received an email or phone call from a vendor you don't know asking you to order flowers for your spouse on your anniversary? Or for Aunt Judy on her birthday? That scenario would feel like spam, and both the vendor and Facebook could be slammed for improper use. As a possible result, users could opt to tighten their privacy settings, resulting in less information - and less value - provided to vendors.
History tells us that this model failed in the recent past with Second Life. In the case of Second Life, shifting from an interaction platform for users to communicate with each other and with brands to a commercial platform - where customized marketing and sales became the driving force - essentially forced users to abandon the network. Most did so with an uncomfortable feeling of betrayal.
Any company in history that distinguished itself as a market disruptor learned an early lesson: You cannot build a market without users. Alienating users would be the kiss of death for social commerce.

Sidebar

F-COMMERCE, AS IT IS KNOWN, COULD GENERATE INCREMENTAL REVENUE FROM IMPULSE PURCHASES, BUT IT PROBABLY WILL NOT DEVELOP INTO AN E-COMMERCEFORCE IN THE NEAR FUTURE.

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Esteban Kolsky is the president and founder of ThinkJar, a customer strategies advisory firm that works with vendors and organizations to understand and embrace the collaborative enterprise (hint. it's the model that comes after socialbusiness).

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