

Social Commerce Apps Look to Turn Online Conversations into Sales

With social network participants now more than half a billion strong, online merchants and software developers are scrambling to figure out how to harness social media's considerable buying power with compelling commerce applications that convert daily online conversations into sales.

"Anywhere you have a large group of people, you have an exchange of ideas, which leads to conversations that influence transactions," says Matt DeLong, president and CEO of CoreCommerce, a software developer of online shopping carts targeted at social network users. "Dollars may not be immediately exchanged, but the seeds are planted."

Though still in its infancy, the roots of social commerce were seen in sites such as Epinions, which allows consumers to post reviews of branded products and services in online recommendations or critiques. The jump to Fan pages and "like" buttons on Facebook and MySpace was the next step, with users signaling their preferences to their networks of friends.

Now, more and more online merchants are linking their websites to their Facebook pages to encourage consumers to make the leap into online sales. "Online conversations about products, wish lists and customer experiences will naturally lead to conversions, as consumers become more comfortable with the dialogue and offering of brands through social networks," says Henry Wong, CEO and founder of Adgregate Markets. The company's social commerce application, ShopFans, allows consumers to make secure transactions directly on Facebook.

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ShopFans is built entirely as a native Facebook platform application, enabling merchants to tie directly into all of the network's social applications, including news feed stories promoting "wish lists," "I want

this," "likes," "shout outs," gift registries and more. With more than 400 million active users, Facebook currently dominates the social commerce landscape. "Facebook has overtaken Google as the most trafficked site on the web," says Wong. "Our sights are fully set on developing the right tools and features that will make our Facebook clients successful."

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Henry Wong, Founder and CEO, Adgregate Markets

CoreCommerce's shopping cart software is used by several thousand Facebook merchants, according to DeLong, and has been available for about 18 months. It is designed as a SaaS platform, allowing merchants to register to use the application without having to download any software. The maximum price is \$24.95 per month based on the number of products the merchant is selling online.

PRIVACY CONCERNS FUEL CAUTION

But, there is some danger in putting all of your social commerce sales in the Facebook basket. Facebook's privacy issues have been well publicized, and the social network has experienced a backlash over its privacy policies and use of consumer information.

"The best business model right now is to link the user back to the merchant's website," argues DeLong. "Allowing your friends to see what and where you are spending money is a slippery slope when it comes to privacy."

"There is a delicate balance that must be struck between the privacy concerns of the community, marketing programs and social commerce," agrees Wong. To that end, Adgregate Markets has partnered with both McAfee and TRUSTe, which has certified Adgregate Markets' social commerce privacy practices.

There are also the unwritten rules around social network etiquette, where overt sales pitches can get burned by users pressing the "dislike" button or worse.

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“These sites will find a way around the etiquette issue by offering sales or marketing messages that have value to the user,” says John Jackson, president and CEO of DecisionStep, which markets a collaborative commerce application called ShopTogether. “Consumers won’t mind getting a tweet for a time-sensitive deal that they care about.”

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ShopTogether avoids Facebook altogether by working directly with merchants to allow users to shop online with friends and family through an instant message or link. Users can see which friends are on the merchant’s website with them, chat about products being viewed, build a group wish list and leave comments for offline friends. Launched in 2007, ShopTogether’s clients include footlocker.com, buy.com, Mattel and Clinique, among others.

“Our research shows that the vast majority of purchases aren’t made in isolation,” explains Jackson. “The bigger the purchase, the more likely there is more than one decision maker.” He believes Facebook and other social networks do a good job of tapping into friends and family for opinions about purchases, but don’t go far enough to stimulate actual transactions.

In addition, ShopTogether allows the merchant to own the customer relationship and data – a big advantage in Jackson’s eyes. “Retailers have spent years and millions of dollars to optimize their sites with personalized product recommendations for their customers. One of the dangers of Facebook and others is that someone else owns the conversation and the user.”

MARKET SET TO EXPAND

But as long as the social network audience continues to grow, online retailers will continue to seek ways to turn those consumers into buyers. “The opportunity is easy math for a marketer,” says Adgregate Markets’ Wong. “If only one percent of the \$210 billion eCommerce market shifted toward social commerce, that’s a \$2.1 billion market overnight.”

The opportunity to reach that goal should emerge in the next one to three years, as the social network audience becomes more comfortable with new commerce applications and the demographics of the audience expands. “We’re in the next stage of the adoption curve,” says ShopTogether’s Jackson. “We’ve crossed over from younger, early adopters to where the age band of the Twitter and Facebook audience is rising.”

And as the market expands, players like ShopFan expect to see more competition. “We are definitely seeing more players entering into our space,” says Wong. “We view growth in social commerce as validation of our business and expect to see more competition from more traditional advertising players, as well as emerging start-ups.” ■