



SOCIAL COMMERCE AND YOUR E-COMMERCE STRATEGY

THE DIGITAL GRAND BAZAAR

Imagine yourself standing in the middle of Istanbul's Grand Bazaar—the world's oldest and largest covered market. There are 61 covered streets. Over 3,000 shops. The bazaar attracts nearly half a million shoppers on a daily basis. Imagine the smell of spices and leather goods. Imagine the vibrant colors of the fabrics and glittering jewelry, picture the ornateness of handmade ceramics. All around you, people are looking at the wares, haggling with the vendors, talking about this shop or that one. The noise is steady and unrelenting and the sheer amount of humanity is exhilarating/overwhelming.

The Grand Bazaar today is not much different than it was in the 16th century. Shops still sell similar items. Goods are still bargained for—no one pays what a seller is asking (you're expected to haggle and deal with the vendor face-to-face). It's been described as one of the best ways to "recapture the romantic atmosphere of old Istanbul."¹ And it represents the archetypical driver of commerce: social interaction; word of mouth.

Commerce has always been a social event. Word of mouth, for example, was one of the first and most powerful forms of advertising. And it still remains so today. According to global management consulting firm McKinsey & Company, word of mouth "is the primary factor behind 20 to 50 percent of all purchasing decisions."²

In the digital era, e-commerce has become the Grand Bazaar for the world. Social media is the modern word of mouth where instead of sharing opinions with just a small and close-knit group, people connect and share across the globe.

Marketers have long stressed the need for businesses to adopt savvy social media marketing tactics, but it's been a struggle to justify a significant spend in the social media space.

This white paper discusses some of the problems marketers wrestle with when it comes down to deciding how much, if anything, to spend in the social channels. We also discuss a few recent developments in social media that are potential boons for marketers in the e-commerce world, breaking down Pinterest in particular.



SOCIAL MEDIA
— IS THE —
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WORD OF MOUTH

TRADITIONAL METRICS DON'T FIT THE SOCIAL ANIMAL

Word of mouth directly influences up to half of all purchases made—and social media is like word of mouth on a broadcast scale. There's obviously massive power here.

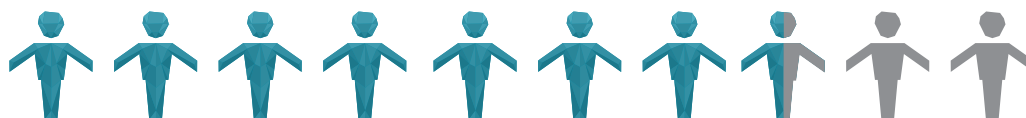
But using traditional measuring sticks to pinpoint social media's direct effects on marketing campaigns has proven difficult. Writing for Ecommerce Quarterly, Jay Baer, president of digital marketing strategy consultancy Convince & Convert, likened social commerce to a unicorn—a mystical, magical creature that's elusive to pin down definitively in terms of last-touch attribution.³

Marketing through social media channels may feel a little like the way physicists must have felt prior to discovery of dark matter—they knew there was something happening in the physical world to account for certain gravitational effects and phenomena, but they weren't sure exactly what was happening.

Part of the problem lies in attempting to use traditional metrics to justify the case for spending marketing dollars in social channels. Performance based on a percentage of total sales over the total spend, for example, leads to abysmal numbers, which only hurts the case for an investment in social media marketing. Consider: According to statistics from IBM, the percentage of 2012's Black Friday's online sales attributable to social media was only 0.34%.⁴ According to Ecommerce Quarterly's most recent data available at the time of this publication, social commerce averaged a conversion rate of just 0.71%.³ With numbers like that, it's no wonder traditional-minded marketers discount social media in marketing strategies.

While traditional metrics do not, as of now, justify the spend, consider this:

- » In 2011, worldwide social commerce revenue was estimated to be \$5B USD⁵
- » Come 2015—analysts expect social commerce revenue to grow to \$30B USD⁵
- » Of Facebook's 1.1 billion active users—39% (390 million) follow brands in order research products⁶



74% OF CONSUMERS RELY ON SOCIAL NETWORKS TO GUIDE THEIR PURCHASE⁶

There are metrics and analytics that help measure social media efforts—Google Analytics, for example, is able to break down the percentage of traffic coming from social channels. Klout is also useful for monitoring and measuring a brand’s social media activity.



Social commerce is growing, and it’s not going anywhere. Further, it’s only a matter of time before traditional metrics will be able to justify the spend. Some social media platforms, Pinterest in particular, may have found a way to do so—something we address below.

In the meantime, brands should still incorporate social media into any serious marketing endeavor. That’s also something easier said than put into action—but for e-commerce businesses, getting it right may be just a matter of timing. For e-commerce brands, that means knowing where in the purchase cycle social media is most effective.

SOCIAL MEDIA AND THE PLANNED-PURCHASE SALES CYCLE

So, how should brands use social media platforms like Facebook, Twitter, Tumblr and Pinterest so that they complement e-commerce efforts? The answer to that inquiry relies on understanding where social media “fits” within a traditional e-commerce sales cycle, especially for planned purchases.

Buying is typically done either on impulse or after a period of research (planned purchases).⁷ A planned purchase sales cycle involves the pre-purchase phase—a period of time for research and consideration, then moves to the actual purchase and then post-purchase activity, which may involve a number of different activities including writing a review of the product and sharing news of the purchase with others.

E-commerce purchases are often planned purchases—the nature of the Internet makes it easy for consumers to spend time researching products, shopping for deals and discussing the planned purchase with their network of friends and followers on Facebook, Twitter, et. al.

Social media most effectively influences the sales cycle for planned purchases at the pre-purchase phase and the post-purchase phase.

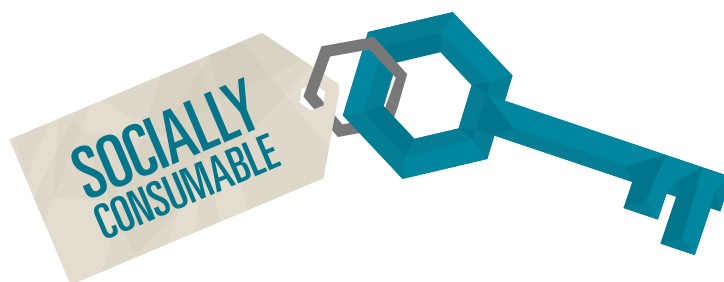


PRE-PURCHASE FOCUS

As mentioned earlier, according to Business Insider, a majority of consumers (74%) rely on social networks to guide their purchase behavior.⁶ If a brand is paying close enough attention by actively monitoring social media channels, monitoring brand keywords and using a combination of analytics software and other tools such as Google Alerts—those brands are in a good position to influence the sales cycle early on.

Consumers often head to the web to seek advice and guidance. Brands can easily join in those conversations help make recommendations and otherwise make themselves available to help spur along the purchasing decision. And in the end, that's a big factor toward making a conversion, because consumers behave much like water: they seek the path of least resistance and choose options that require the least amount of effort.

Participating in the conversations about and around your brand is an active way to influence the pre-purchase sales cycle. Brands can also be passive. The U. S. Small Business Administration notes the importance of making yourself available as a source of information, either by publishing a corporate blog, white papers, case studies and e-books or by producing webinars and video series. The key is to make the information socially consumable—*shareable*. Information should be concise, entertaining and informative. And conversational. Brands that are too overt about their sales intent turn consumers off.



POST-PURCHASE FOCUS

Especially for expensive, considered purchases, consumers appreciate efforts that reassure them that they've made the right decision. Post-purchase surveys, trial periods, prompt attention to customer service issues and exclusive incentives offered after the purchase are some tactics commonly employed to improve loyalty and brand advocacy.

And many of these post-purchase efforts are particularly suited for, or adaptable to, social media channels.

The extent of post-purchase efforts should match the degree of consideration needed for making a particular purchase. By that, we mean that the level of consideration and research that goes into making the purchase should be met by an equally involved set of tactics to aid the brand during the post-purchase cycle.

Consider a big ticket automobile purchase. Consumers in the market for a new car spend a significant amount of time considering the purchase. Matt Murray, the director of enterprise sales for Dealer.com, notes that social media is absolutely a big factor in the post-purchase success of auto brands and dealers, and that social media is an excellent vehicle for efforts aimed at lowering the costs of ownership—providing not only incentives and deals, but also information on attaining greater fuel efficiency, invitations to drives and rallies and other special events.⁸ Does this create reassurance and loyalty? Of course.



Post-purchase efforts add a natural conclusion to the sales process and can even help make future sales. If post-purchase efforts are effective in fostering brand loyalty, satisfaction and excitement (sans any buyer's remorse anxiety), the purchasers are more likely to become advocates, announcing and essentially broadcasting their excitement and pride to the social-sphere. These new post-purchase advocates become resources for new consumers who are in the pre-purchase research phase, which can then help lower the time and effort it takes to close new business.

REFERRAL TRAFFIC AND SOCIAL MEDIA: PINTEREST'S RICH PINS

Check your Google Analytics and look at your web traffic. Your content marketing, natural search and paid media still account for the majority of traffic directing consumers to your e-commerce site.⁹ But social media can also play a part in this equation.

Let's drill down to a specific platform and take a look at Pinterest.

Pinterest launched in 2010, and quickly received a surge in popularity. In three years it's grown to become the third largest social media network and now boasts 70 million users. Facebook still accounts for the social media platform responsible for the most referral traffic overall, but Pinterest is quickly making up ground. And it's arguably better suited as an e-commerce driver than some of the other more popular social media sites.

Consider that Pinterest users spend about 14 minutes on the platform each visit. Additionally, they:

- » Are (mostly) between 30 and 49—a demographic typically associated with “considerable disposable income”⁶
- » Spend more on average (recent data from Business Insider suggests Pinterest users spend about \$169 per order, versus those on Facebook who typically spend less than \$100⁶

More important than the above statistics, perhaps, is that it appears Pinterest is committed to adding features to better facilitate traffic to e-commerce brand sites.

In 2013, Pinterest introduced product “Rich Pins.” Rich Pins contain certain information relevant to a consumer, including ratings and reviews for movies, and real-time inventory and pricing information for products.

The Rich Pin feature works naturally within the social media platform because Pinterest is, essentially, a collection of user-generated catalogs. Pinterest users create boards based on their interests: apparel-specific boards and populating them with outfit ideas; recipe-specific boards and populating them with recipes, etc.



Later in 2013, to further incentive e-commerce opportunities on this platform, Pinterest introduced more functionality to its Rich Pins, enabling Rich Pins to automatically notify Pinterest users whenever the cost of a product they've pinned on their board drops, or the brand introduces some other new incentive.

Features like this will presumably position Pinterest as a significant e-commerce driver, perhaps evolving over time to become a social media marketplace and the first platform to actually nail down social commerce and tie it to traditional metrics like conventionally calculated return on investment.

Time will tell, of course, but brands that capitalize on Pinterest now will be in a better position than others that stand pat.

IT'S STILL "SOCIAL" MEDIA

Even though traditional metrics don't (as of yet) make the case for a significant spend in social media, other statistics and the overall importance of word of mouth say that social media needs to be a part of any comprehensive digital marketing strategy.

We'll leave you with one final point:

Never forget the purpose of social media. It wasn't built to be a sales platform. At the heart of it is simple, genuine interaction between people who know each other, who might live a neighborhood away, or an ocean apart. Brands don't need to use social media to haggle with consumers, but they should be mindful about how they interact with their target audience. Genuine efforts win the day.

ABOUT ONEUPWEB

Oneupweb is a 17-year innovator in digital marketing—creating integrated online marketing plans that incorporate search, social, design and mobile services. Heralded by an independent research firm for their leadership team, work ethic and solid experience in optimizing complicated sites, Oneupweb has been named a Top 20 Search Marketing Agency by *Advertising Age* for five consecutive years, and CEO Lisa Wehr is recognized as an Ernst & Young Entrepreneur of the Year.

Oneupweb is a privately held company located in Traverse City, Michigan. For more information on Oneupweb, please call 1.877.568.7477, or visit OneUpWeb.com.



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