Social Commerce: Foundations, Social Marketing, and Advertising

7

Contents

Learning Objectives

Upon completion of this chapter, you will be able to:

1. Define social commerce and describe its roots and evolution.
2. Describe the scope, drivers, and content of the social commerce field.
3. Summarize the benefits and limitations of social commerce.
4. Describe the major models of social shopping.
5. Explain how advertising and promotions are conducted in social networking environments.
6. Describe how social networking can facilitate customer service, customer support, and CRM.

OPENING CASE: HOW SONY USES SOCIAL MEDIA FOR IMPROVING CRM

Sony, the giant consumer electronics producer, has been struggling during the last few years.

Now, by using social media, improvement is being realized.

The Problem

Sony Corporation (**sony.com**) faces fierce competition from Samsung (**samsung.com/us**), Sharp Electronics (**sharpusa.com**), LG Electronics (**lg.com/us**), and other large, global companies. This competition has intensified during the economic slowdown in recent years. As a result, total revenues for Sony have declined every year from 2008 until 2012. The company suffered heavy losses in 2009 and 2012, causing its share price to drop from $35/share in 2010 and 2011 to $9.57 in late 2012. In 2013, the stock rose mostly due to the recovery in Tokyo's stock exchange. Consumer electronic products are fairly mature, so the differences in quality and prices are not substantial. Therefore, the competitors in the field are promoting their customer service as a strategic differentiator.

Sony is trying to do this with the help of their social media communities and initiatives.

The Solution: Social Media Projects

Sony Corporation embarked on social CRM as a vehicle for improving customer service. According to Jack (2013), Sony combined a customer support and direct marketing program, mostly using social channels. The various initiatives are managed by Sony's Customer Experience Management Team. The team organized *Sony's Community Site* (**community. sony.com**), which is a central hub for customer information and support. It includes *idea boards, discussion groups, blogs, Twitter feeds*, and other content-generating channels. The site is used also for marketing campaigns.

The following are representative activities, many of which are done at Sony Europe (see Taylor 2013).

- Active social communities; some are for specific products, others are general for the entire Sony brand. The company's staff members and consumers are involved in these communities. Members of these communities are helping each other and providing feedback. Customer service employees are "listening" to the feedback and using the information to improve service.
- YouTube videos provide training for customers on the use of Sony's products.
- Using Lithium Social Web software (a SAP company), relevant sites are monitored for reviews and comments (positive and negative). This allows Sony to improve operations, resolve problems, and capitalize on opportunities.
- There is a special "Customer Relations" tab located on Sony's Community site, the company's central social network, for easy communication.
- The company created a "Facebook Support Community" within their Facebook page (**facebook.com/sony**), Twitter "Sony Support USA" (**twitter.com/sonysupportusa**), Tumblr Support (**sony.tumblr.com**), and a YouTube Sony Support Channel "Sony Listens" (**youtube.com/user/ SonyListens**).
- In the communities, the company's staff demonstrates how problems are resolved quickly and efficiently. For example, there is an "Experts" tab for "How To" videos and technical support, etc. See **community.sony.com/t5/ Meet-Our-Experts/bg-p/experts**.
- Sony is using all its social media channels, including LinkedIn, to proactively engage users and provide customer service in a timely fashion (see Sony 2016).
- Sony Electronic integrates Pinterest (**pinterest.com/sony-prousa**) to send information about its products to community members (see details at Eckerle 2013 and **blog. tailwindapp.com/lessons-from-sony-on-pinterest**).

Sony monitors social media conversations and conducts sentiment analysis (Brand24 2015) to improve customer service and product improvement and design. Note that Sony is using social media campaigns for customer engagement. For an overview of how Sony is using social networks, see Moth (2013). Finally, software from Reevoo.com helps Sony to automatically translate reviews from one language to another.

The Results

Significant results were realized in 2014/2015 after the deployment of most SC initiatives. However, some improvements have materialized in 2013. For example, according to Jack (2013), the improved communication resulted in a 22% increase in "clicks" (over 100% in some cases). Other results are:

- Customer trust in Sony increased (Jack 2013).
- Page views, conversation rates, and engagement activities (e.g., posting) increased by 100% (Jack 2013).
- Follower growth increased 200% with a charitable Pinterest board (Eckerle 2013).
- Customer service was combined with marketing promotions, which resulted in new sources of revenue for Sony.
- In March 2014, PlayStation had about 2.5 million followers on Twitter and 35 million fans on Facebook. For a case study about Plastation and social media, see Brand24 (2015).

Sony's share price recovered in 2015 and 2016.
Sources: Based on Jack (2013), Taylor (2013), Eckerle (2013), Reevoo (2014), Brand24 (2015), and Sony (2016).

LESSONS LEARNED FROM THE CASE

The Sony case illustrates that a company can use social media not only to advertise and sell, but also to provide outstanding customer service. Operating in a highly competitive market, customer service can be an important strategic tool. Sony has supplemented their traditional customer service with social networks, blogs (e.g., Twitter, and a Facebook fan page). They have concentrated on improving communication and interactions with customers. The customer service provided by social media tools and platforms is more interactive, timely, and direct. Furthermore, the system fosters a truly conversation-based communication. This kind of service is important to customers, and contributes to the company's success. In this chapter, we introduce social commerce fundamentals and describe its content and benefits. We also describe three major areas: social shopping, social advertising, and social CRM.

7.1   SOCIAL COMMERCE: DEFINITIONS AND EVOLUTION

The term *social commerce* was defined in Chapter 1. **Social commerce (SC)**, also known as *social business,* refers to e-commerce transactions delivered via social media.

Definitions

As it is a new field that involves several academic and professional disciplines, there is no agreed-upon definition or description of the content and boundaries of the social commerce field. Regardless of its definition, the field is growing rapidly both in the USA and elsewhere. For statics and trends for 2015 and 2016, see Bennett (2014). For the impact of the technology, see ShopSocially (2013). The magnitude of the field can be seen in Bennett's infographic (2014).

For additional discussion, see **bazaarvoice.com/research-and-insight/social-commerce-statistics**.

The Evolution of Social Commerce

Social commerce emerged from the integration of several fields, which are shown in Figure 7.1. For example, Marsden and Chaney (2009) show how social media contributes to sales, making it a social commerce application.

A major origin of social commerce (SC) was the development of Web 2.0 technologies, as previously mentioned. With these came commercial applications, which included activities in social networks and the use of social software such as blogs and wikis. A major driver of SC is the globalization of business. This prompted the need for collaboration of employees, partners, and customers, sometimes worldwide. Web 2.0 applications created an efficient and effective platforms for such collaboration. Web 2.0 is a major contributor to social media, which is the major driver of social commerce. For details, see Turban et al. (2016).

The development and rapid growth of mobile computing and smartphones have also facilitated social commerce. Mobile commerce is the basis for SC models such as location-based applications, social networks, and consumer/company networking.

A major emphasis of SC is its marketing orientation. Traditional marketing activities were applied to Internet marketing in the mid-1990s, when companies began building websites and using e-mail to advertise their products for sale off-line. As the Web developed, marketers applied the Internet to facilitate e-commerce *transactions*. Until that point, marketers controlled brand messages and continued their advertising and other communication monologs to customers and potential buyers (prospects). With the emergence of social media, marketing communication changed to a dialog with Internet users, and many marketing strategies evolved or completely transformed to support social commerce.

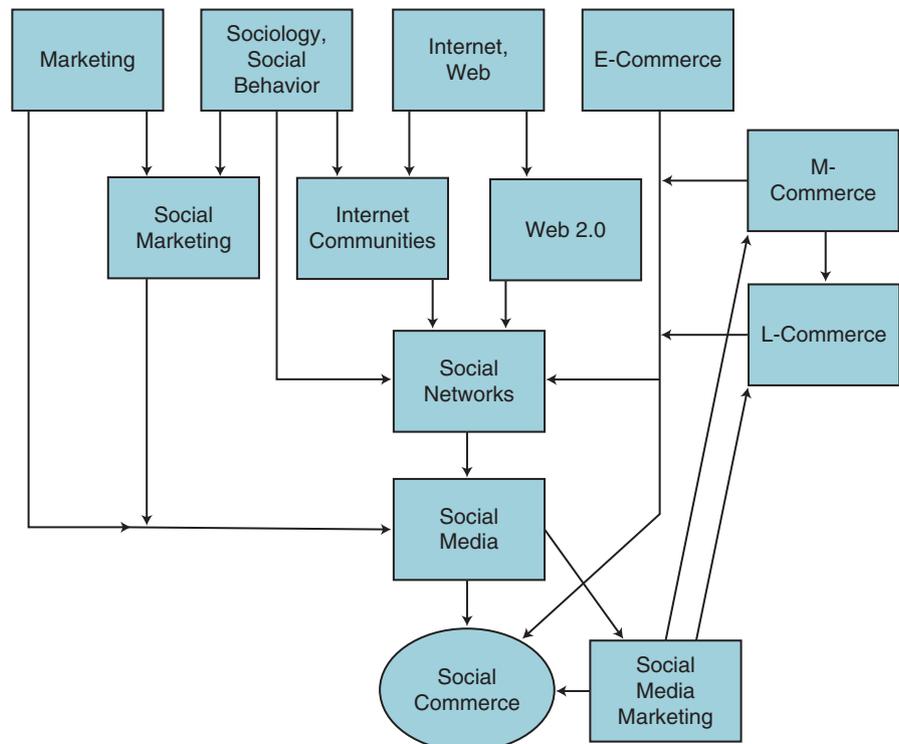**Figure 7.1** The major roots of social commerce

Table 7.1 The major differences between e-commerce and social commerce

Property	E-commerce	Social commerce
Major objective	Transactions	Social interactions
Major activity	Publishing	Engagement
Content	Company generated	User generated
Problem-solving	Company experts, consultants	Crowdsourcing
Collaboration	Traditional, unified communications	Web 2.0 tools
Product information	Product descriptions on websites	Peer product reviews
Marketplaces	E-tailers (e.g., Amazon.com) and direct from manufacturers' stores (Dell)	Social networks (f-commerce), collaborative markets
Targeting	Mass marketing, segmentation	Behavioral targeting, micro segmentation
CRM	Seller/manufacturer support	Social support by peers and by vendors and employees
Online marketing strategy	Website selling	Multichannel, direct at social network sites
Integration	System integration	Mashups and system integration
Data management	Reports and analytics	Analytics

For a complete guide to social commerce (free), see **pixlee. com/download/the-complete-guide-to-social-commerce**. The major differences between social commerce and e-commerce are illustrated in Table 7.1.

For a chronicle presentation and an infographic of historical milestones in the development of social commerce, see **socialtimes.com/social-commerce-infographic-2_b84120**.

SECTION 7.1 REVIEW QUESTIONS

1. Define social commerce and list its major characteristics.
2. Trace the evolution of social commerce.
3. Describe the major differences between e-commerce and social commerce.

7.2 THE CONTENT OF THE SOCIAL COMMERCE FIELD

The content of the SC field is very diversified. For example, Indvik (2013) provides seven species of the field.

The Landscape and Major Components of the Field

The landscape of social commerce is multidisciplinary (see slide presentation by Marsden 2010 and Liang and Turban 2011/2012). Most of the activities center around e-marketing conducted with social media, particularly marketing communication, techniques of advertising, sales promotions, and public relations usually expressed as *social media marketing*

activities. However, several other areas are emerging in the field, especially activities within organizations that are referred to as *social enterprise or Enterprise 2.0*. Liang and Turban (2011/2012) illustrate the social commerce landscape in Figure 7.2 and an infographic describes only some of the areas here. Discussions of the other activities of the figure are provided throughout the book.

For a detailed discussion, see Marsden's slide presentation "Social Commerce Opportunities for Brands" at **slideshare. net/paulsmarsden/social-commerce-the-opportunity-for-brands**. For statistics about social commerce and its use, see "Social Commerce Statistics" at **bazaarvoice.com/research-and-insight/social-commerce-statistics**. For a specialized textbook, see Turban et al. (2016). The two major elements in social commerce, social media marketing and Enterprise 2.0, are described next.

Social Media Marketing

Social media marketing (SMM) is the application of marketing communication and other marketing tools using social media. Social media marketing facilitates social commerce, builds brands, repairs brand reputation damage in social media, and fosters long-term customer relationships, among other things. For a free toolkit, see **act-on.com/resources/ social-media-marketing-toolkit**.

For the industries that benefit most from social media, see Carranza (2015). For predictions of 50 experts on the development of social media and social media marketing for 2016, see Gil (2015). The various topics of social media marketing are described in Chapters 4, 5, 6, and 7. For an infographic, see Wood (2014).
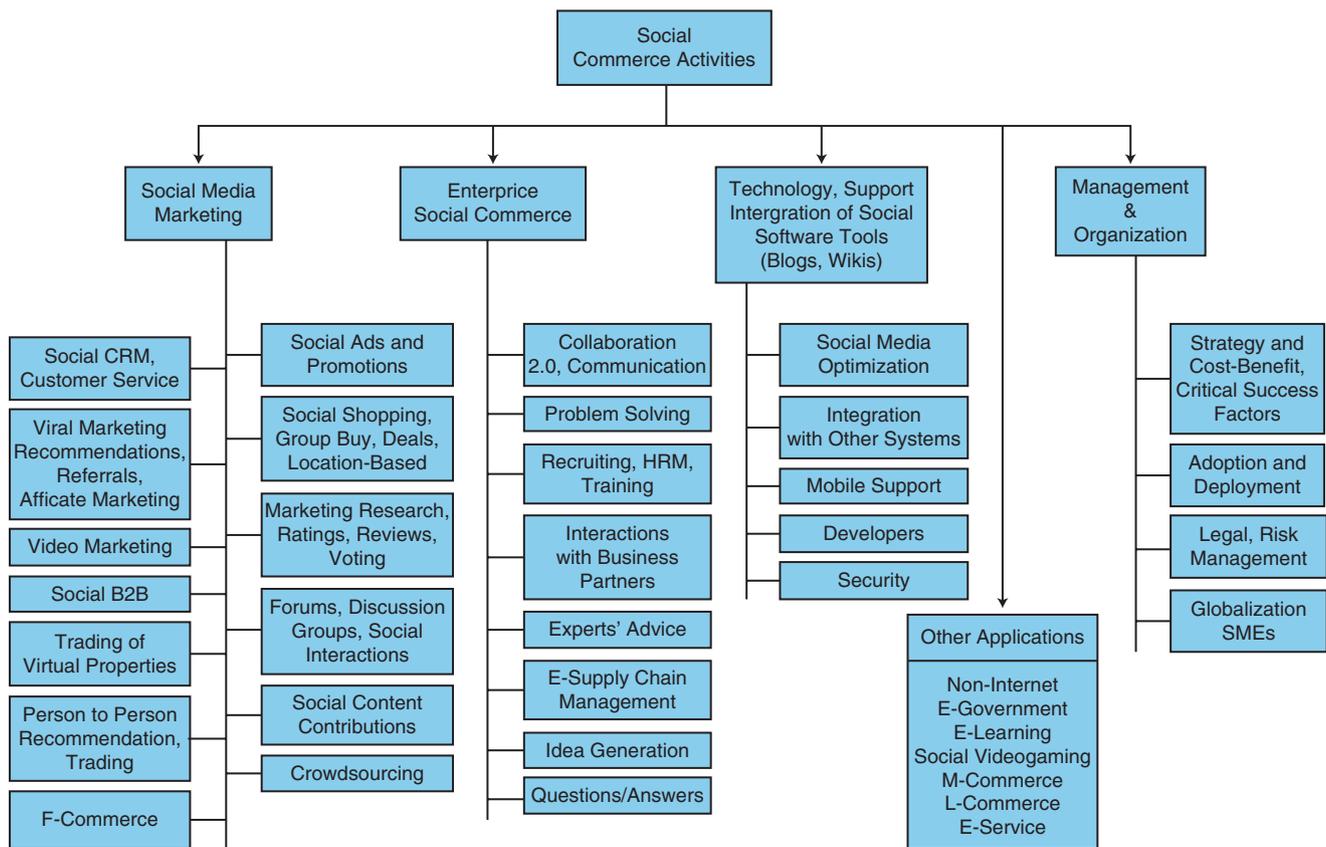
Figure 7.2   The major dimensions of social commerce

Enterprise 2.0

The second major type of social commerce is *Enterprise 2.0*, also known as *Social Media-based Enterprise*, which is used by an increasing number of companies to conduct several social media and social commerce activities inside the enterprises (e.g., idea generation, problem-solving, joint design, and recruiting).

There are several definitions of **Enterprise 2.0**. The initial definition connected the term to Web 2.0 and to collaboration. A refined definition is "…the use of social software platforms within companies, or between companies and their partners or customers" (per McAfee 2009).

Note: For more definitions and concepts of Enterprise 2.0 technology, see the slide presentation "What is Enterprise 2.0?" at **slideshare.net/norwiz/what-is-enterprise-20**. The following are the major characteristics of Enterprise 2.0: ease of information flow, agility, flexibility, user-driven content, bottom-up communication, global teams, fuzzy boundaries, transparency, folksonomies (rather than taxonomies), open standards, and on-demand (rather than scheduled) activities. Also important are flat organizations (rather than hierarchical) and short time-to-market cycles.

For a comprehensive article on the social enterprise, see **hbr.org/topic/social-enterprise**.

For more on Enterprise 2.0, see Chapter 8, and Chui et al. (2013).

Examples of Social Enterprise Applications

Some examples of social enterprise applications include the following:

- Dell, Sony, IBM, and many other companies solicit ideas from large groups of employees, customers, and business partners on how to improve their business operations (e.g., Dell's IdeaStorm site).
- More than 50% of medium and large corporations use LinkedIn and Facebook to announce available positions and to find potential employees.
- Best Buy provided state-of-the-art customer service via a Twitter-based system where thousands of employees were used to answer customers' questions, sometimes within minutes.

SECTION 7.2 REVIEW QUESTIONS

1. Describe the major components of social commerce.
2. What is social media marketing?
3. Describe Enterprise 2.0.

7.3   THE BENEFITS AND LIMITATIONS OF SOCIAL COMMERCE

According to many practitioners and researchers, social commerce is making significant impacts on organizations and industries. A major impact has been seen in the fashion industry.

Several surveys (e.g., Leggatt 2010) have confirmed that social commerce results in significant monetary and strategic benefits to businesses. SC benefits fall, in general, into three categories: benefits to customers, benefits to retailers, and benefits to other types of enterprises. Some are described in the following section.

Benefits to Customers

The success of social commerce depends on its benefits to customers. The major benefits appear in the following list:

- It is easy to get recommendations from friends and other customers (e.g., via Twitter, in social networks discussion groups, and on product review sites). Recommendations result in more confidence and trust helping customers decide about purchasing products and services.
- Customers are exposed to special deals (e.g., via Groupon) for large savings.
- Purchases are better matched with specific needs, wants, tastes, and wishes of customers; this increases satisfaction and reduces product choice decision time.
- It is easy for customers to use the SC technology.
- Social commerce fits the mobile device lifestyle well.
- Increased trust in vendors is developed (via closer relationships).
- Social commerce allows customers to help other customers (social support).
- Customers can get better customer service from vendors.
- Customers can meet new friends (e.g., for travel) and socialize online.
- Customers can get rich social context and relevancy during their purchase decisions.
- Customers can connect with individuals and businesses who otherwise are inaccessible to them.

Benefits to Retailers

Retailers are major benefactors of social commerce. For example, about 50% of businesses globally find new customers via social networks. In addition, about 30% of companies invest in social networking in order to acquire and retain customers.

Retailers may benefit from social commerce in the following ways:

- Consumers can provide feedback on market communication strategy and on product (service) design.
- Vendors get free word-of-mouth marketing (see Chapters 3 and 4).
- Increased website traffic (recall the Sony opening case), which increases revenue and sales.
- Increased sales as collaborative filtering and other social influence methods are used (see Chapters 3 and 4 and **trendwatching.com/trends/TWINSUMER. htm**).

For more on benefits to retailers, see the video titled "Social Media a Powerful Tool for Online Retailers" (4:08 min) at **youtube.com/watch?v=1ByDmQICXs4**. Also see Spencer et al. (2014).

Example: Beratta Inc.

Beretta Inc. increased its revenue in 2013 by 15% by introducing social commerce into its e-commerce store using ShopSocially's SC platform. For details, see the December 23, 2013 press release "Popular Firearms Manufacturer Beretta Hits the Bullseye on Social Commerce with a 15% Revenue Uplift" at **digitaljournal.com/pr/1655392**.

Benefits to Other Types of Enterprises

In addition to increased sales and revenue, enterprises can benefit from social commerce in several ways (see Chapter 8):

- Conduct faster and less costly recruitment with a larger reach to large number of candidates.
- Reduce costs via innovative methods such as using the collective intelligence of employees and business partners (see Crowdsourcing in Chapter 8).
- Foster better external relationships; for example, with partners and channel distribution members.
- Increase collaboration and improve communication within the enterprise and with business partners (e.g., by using blogs, microblogs, and wikis).

- Foster better internal relationships (e.g., by increasing employee productivity and satisfaction).
- Provide free advice to small enterprises by other enterprises and experts (e.g., via LinkedIn groups).
- Understand that it is usually not expensive to install and operate SC systems.
- Locate experts quickly, both internally and externally, whenever needed (e.g., see **guru.com**).
- Conduct market research quickly and inexpensively and get feedback from customers, employees, and business partners.
- Increase market share and margins.
- Build brands through conversations and social media promotions.
- Micro segment for reaching very small markets with brand offerings at a low cost.
- Manage company and brand reputations online.
- Build brand communities for positive word of mouth online.
- Enhance customer service and support.
- Increase traffic and sales at the company website and at physical retailers.
- Facilitate market research by monitoring conversations online.
- Increase company and brand rankings on search engine results pages.

The potential benefits in the previous list may increase productivity and value and could provide a *strategic advantage* and they encourage companies to at least experiment with social commerce. Successful applications are introduced in Chapters 4, 5, 6, 7, and 8.

The Social Business: An IBM Approach

The previously noted benefits to enterprises make it desirable for enterprises to transform to what IBM calls a *social business*. A **social business** is "a business that embraces networks of people to create business value" (IBM 2011). Many consider this term equivalent to social commerce and use the two interchangeably. However, IBM is more concerned with the structure and operations of enterprises.

IBM strategically integrates social media into various business processes (e.g., procurement) and is developing an organizational culture to support the integration process for delivering rapid and impressive outcomes. For details, see **ibm.com/social-business/us/en**.

New or Improved Business Models

Social commerce provides innovative e-commerce business models. Some are new while others are improvements of regular EC models (e.g., group buying). A large number of SC models are in the area of social shopping as described in Section 7.4. Several other new models are in the area of enterprise commerce (Chapter 8). Here are some brief examples:

- Shopping business models include widgets on social media sites to "buy now."
- Online software agents that put buyers and sellers together, such as when TripAdvisor refers users to online travel sites to purchase hotel rooms.
- Content sponsorship–selling advertising on a site that supports content development (YouTube).
- Crowdsourcing models that allow companies to design their products or logos by involving their customers.
- Sales promotions conducted in social networks that drive traffic to the company's site, such as contests, discounts, and downloading free music and software.
- Recruiting in social networks, as exemplified by LinkedIn.
- Collaboration models that are facilitated by blogs, wikis, and crowdsourcing (see examples in Chapter 8).

Many start-ups have invented these and other business models. For example, Webkinz (**webkinz.com**) created a huge business around virtual pets world for kids, and IZEA Inc. (**izea.com**; a pioneer of social sponsorship) created a marketplace for connecting advertisers with social media creators of content (e.g., bloggers).

For the opportunities for business created by social commerce, see Moontoast (2013). For new models in the fashion industry, see Knopf (2012) and **businessoffashion.com**.

Concerns and Limitations of Conducting Social Commerce

Although social commerce presents many opportunities for organizations, its implementation may involve some potential risks and possibly complex issues such as integration of new and existing information systems. Representative risk factors are difficulties in justification of SC initiatives to upper management, security and privacy issues, possibilities of fraud, legal concerns, quality of UGC, and time wasting

by employees during work hours. Companies also risk loss of control over their brand images and reputations in social media conversations and product review sites, which can affect product sales. The major barriers to adoption of Enterprise 2.0 are resistance to change, difficulty in measuring ROI, and difficulties of integration with existing IT systems and security.

SECTION 7.3 REVIEW QUESTIONS

1. List the major benefits to customers.
2. List the major benefits to retailers.
3. List the major benefits to companies other than retailers.
4. Describe new or improved social commerce business models.
5. Describe some concerns and limitations of social commerce.

7.4 SOCIAL SHOPPING: CONCEPTS, BENEFITS, AND MODELS

Involvement in shopping is a natural area for social networks. Although shopping in social networks is only beginning to grow, it has enormous potential. Leading the movement of social shopping are Facebook and Google (Knight 2016). In this section, we cover the essentials of social shopping.

Definitions and Drivers of Social Shopping

Shopping is, by nature, a social activity. **Social shopping** (also known as *sales 2.0*) is online shopping with social media tools and platforms including five social networks. It is about sharing shopping experiences with friends. Social shopping blends e-commerce and social media. Thus, social commerce takes the key features of social media (e.g., discussion groups, blogs, recommendations, reviews) and uses them before, during, and after shopping.

An overview of social shopping is provided by Turban et al. (2016).

The Drivers of Social Commerce

The following are the major drivers of social shopping:

For more on social shopping, do a Google search for social shopping. Also see Kimball (2013) for an infographic and **webtrends.about.com/od/web20/a/social-shopping.htm**.

- A large number of people visiting social networks attracts advertisers
- The increasing number of recommendations/suggestions made by friends and the ease and speed of accessing them
- The need to compete (e.g., by differentiation) and to satisfy the social customer
- The emergence of social customers with knowledge and competence in using the Internet (e.g., in finding reviews and comparing prices)
- The need to collaborate with business partners
- The huge discounts provided by some of the new business models (e.g., flash sales)
- The socially oriented shopping models (e.g., group buying)
- The ease of shopping while you are inside some social networks (e.g., from Facebook's "Buy" button)
- The ease of communicating with friends in real time using Twitter and smartphones

Concepts and Content of Social Shopping

Social shopping is done in social networks (e.g., Polyvore, Wanelo), in vendors' socially oriented stores, in stores of special intermediaries (such as Groupon.com), and on social networks. The buyers are *social customers* that trust and/or enjoy social shopping. As will be seen later in this section, there is a wide range of social shopping models that utilize many of the Web 2.0 tools as well as social communities. The nature of shopping is changing, especially for brand name clothes and related items. For example, popular brands are sold by e-tailers such as Gap (**gap.com**), Shopbop (**shopbop.com**), and InStyle (**instyle.com**). In addition, fashion communities such as Stylehive (**stylehive.com**) and Polyvore (**polyvore.com**) help promote the season's latest fashion collections. Social shoppers are logging on to sites like Net-A-Porter (**net-a-porter.com**) to buy designer clothes online. They can also log on to sites such as ThisNext (**thisnext.com**), create profiles, and blog about their favorite brands. For practical issues of social commerce, see **digitalintelligencetoday.com/social-shopping-101-a-practitioners-prime**.

There are two basic practices for deployment of social shopping:

1. Add social software, apps, and features (e.g., polling) to existing e-commerce sites.

2. Add e-commerce functionalities (e.g., e-catalogs, payment gateways, shopping carts) to social media and network sites, where many vendors offer their stores.

Why Shoppers Go Social

Many shoppers like to hear from others prior to purchasing. Therefore, they ask for recommendations from friends or use the concept of communal shopping.

Communal shopping (also known as *collaborative shopping*) is a method of shopping where shoppers enlist friends and other people they trust to advise them on what products to shop for. This results in more confidence in decisions made to buy or not to buy (a phenomenon known as the "bandwagon effect"). For examples, watch the video "New Frontiers in the Communal Shopping Experience" (2:58 min) at **bloomberg. com/video/eden-s-communal-shopping-experience-ExvmRAIhTE2AZapKKd5aVA.html**.

The Roles in Social Commerce

The following roles people play in social media and e-commerce:

- **Connectors.** These are the people with contacts that introduce people to each other. Connectors try to influence people to buy. Consultants and connected people play this role.
- **Salespeople.** Like their off-line counterparts, salespeople's major effort is to influence shoppers to buy. They are well connected, so they can impress buyers.
- **Seekers.** These consumers seek advice and information about shopping and services from experts, friends, and mavens.
- **Mavens.** Mavens are recognized, but are unofficial experts in certain domains that can provide positive or negative recommendations to advice seekers.
- **Self-sufficients.** These people work on their own and do not like to be influenced.
- **Unclassifieds.** Most people do not belong to any one of the above categories.

The major influencers are friends, other consumers, salespeople, connectors, and mavens (experts).

Benefits of Social Shopping

Many of the benefits of social commerce (Section 7.3) apply to social shopping. Additional benefits are:

- You can socialize while shopping.
- You can discover products/services you never knew existed (e.g., see **thisnext.com**).
- You can interact with vendor (brand) representatives easily and quickly (e.g., feature available at the blog on **stylehive.com**).
- Your confidence and trust in online shopping may increase due to engagement and interactions with friends.
- You can get super deals via group buying, daily specials, and more. Join Groupon just to see the super daily deals.
- You can exchange shopping tips with your friends, fans, and others. Thus, you can learn from experiences of others.
- You can build and share wish lists.
- You can shop together with people like you.

Therefore, before you go shopping, consult social shopping sources. For more benefits, including for sellers, see Turban et al. (2016).

Note that social shopping sites may generate additional revenue from advertising, commissions on actual sales, sharing customer information with retailers, and affiliate marketing.

The use of social media marketing is justified financially in many cases. For a free e-book of examples, see Petersen (2014).

Note: Both Pinterest and Twitter are providing activities with some or all of these models directly and indirectly. For Twitter, see **business.twitter.com/twitter-101**.

What Elements to Expect in a Social Shopping Site

Depending on the social shopping model, on the products offered and related information, and on the supporting information systems, one may find a diversity of elements in a site. The following are the major elements that help shoppers in making purchasing decisions:

- **Visual sharing.** Photos, videos, and other images enable shoppers to visually share their product experiences.
- **Online discussions.** Ratings, reviews, interactions, recommendations, blogging, and comments facilitate discussions regarding features and benefits of products.

- **Journals of products and their use.** These demonstrate how to use products via videos, blogs, and step-by-step instructions.
- **Guides.** Guides are created by users who can be experienced consumers, experts, or employees. The guides are supported by case studies, testimonials, videos, and information.

Traditional E-Commerce Sites with Social Media Additions

In addition to pure social shopping sites, there are many traditional e-commerce sites that add social media tools. A prominent example is Amazon.com, which adds recommendations, reviews, ratings, and more. Another example from Germany is presented next.

Example: Nestlé Interactive Social Commerce Site

The global food and beverage manufacturer launched an interactive online social commerce platform in Germany in September 2011 to engage with consumers while providing greater access to its products (see **nestle.com/media/news-andfeatures/nestle-marks-largest-ever-investment-germany**). The *Nestle Marketplace* ("Marktplatz") website, according to **fdbusiness.com/tag/germany**, was the first social commerce platform of its kind in Germany from a food and beverage manufacturer of Nestlé's size and range. Consumers can purchase products online (including foreign Nestlé's products that are not available in most of Nestlé's physical stores, or the stores of retailers who sell their products) and also review, rate, recommend, and ask questions about each product. The site supports two-way communication. According to **nestle.com/Media/NewsAndFeatures/ Nestle-pilots-social-commerce-with-new-interactive-site-for-German-consumers**, people can leave ratings and comments about the products. Shoppers can submit suggestions for new products on the site. With more than 2000 products (February 2016) and 78 different brands available online, Nestlé Germany experiences about 2.2 million visits to the site each year.

The company wants to enable its customers to engage and to help Nestlé Marketplace to prosper.

Visitors to the Nestlé Marketplace can search for products using a variety of detailed criteria including taste, packaging, color, specific occasions, or diet preferences. Nutritional information can also be found for each product. The Nestlé Marketplace website is supported by a Facebook page, which provides space for discussion about the company's brands, foods, and cooking. For details, see **nestle.com/Media/ NewsAndFeatures/Pages/Nestle-pilots-social-commerce-**

with-new-interactive-site-for-German-consumers.aspx. To learn about the company's strategies, expectations, and experiences, see **e-commercefacts.com/background/5166-nestle-marketplace**.

The Major Types and Models of Social Shopping

A large number of social shopping models and strategies have appeared in recent years, many created by start-ups such as Groupon.com. Some are extensions of EC generic models; others are unique to social shopping. These models can be stand alone, combined, or used within social networks. We have grouped them into the following categories:

For these, there are several shopping aids, which we describe after we elaborate on some of these categories.

- Group buying
- Deal purchases (flash sales), such as daily special offers
- Shopping together in real time
- Communities and clubs
- Marketplaces
- Innovative models
- Shopping for virtual products and services
- Location-based shopping (presented in Section 7.5)
- Shopping presentation sites (e.g., on YouTube) and gaming sites
- Peer-to-peer models (e.g., money lending)
- Private online clubs
- B2B shopping

Group Buying

The group buying B2C model that was introduced in Chapter 1 was unpopular and seldom used in many countries, including the United States. However, in other countries (e.g., China), group buying has had good success. The problem with this model was the difficulty in organizing the groups, even with an intermediary. Furthermore, even if a group was organized, the negotiations about discounts could have been difficult, unless a very large volume was negotiated. In order to rally shoppers, group-shopping sites like LivingSocial and BuyWithMe offer major discounts or special deals during a short time frame. These start-up companies act as intermediaries to negotiate the deals with vendors. Group buying is closely associated with daily deals (flash sales). The social commerce approach revived the not so successful original e-commerce model, and frequently is combined with flash sales.

Note: The model is not so popular today (2016) in the USA, but is very popular in China.

Group Buying in China

Group buying is very popular in China ("tuangou" in Chinese). In December 2013, about 1000 companies were active all over China with an estimated 140 million shoppers. For example, Lashou.com (**lashou.com**) operates in more than 100 cities. Major companies are Wowo Ltd. and Meituan.

The Process

For several years, according to Madden (2010), Chinese buyers were organizing groups to buy a product (e.g., a car). Then, the group leader bargained with potential sellers. Sometimes the leader brought the entire buying group to a face-to-face collective negotiation (e.g., see a video [1:59 min] "Group Shopping Tuangou" at **vimeo.com/8619105**).

By 2014, all major Chinese Internet companies have launched, or plan to launch, group buying and flash deals. These include **ir.baidu.com**, **sina.com**, **tencent.com**, and **alibaba.com**.

Deal Purchases (Flash Sales)

Short period deals are practiced off-line usually to attract people who are already in a store; or vendors advertise a sale for a day, or for several days (in a newspaper, radio, and TV), or for "doorbuster" sales between certain hours on a certain day. There are several variations of this model when done online, and it is frequently offered together with other models.

A common strategy of flash sale sites is to focus on an industry. For example, **gilt.com** focuses on designer apparel, jewelry, bags, and upscale home furnishings.

Woot.com (an Amazon.com company) offers community information related to its deals. For example, there is a "discussion about today's deal," a Woot blog, top past deals, deal news, and what percentage of community members bought which product and what quantities of the products. Testimonials by members are also available. Woot is known as a favorite place for gadget geeks. Thus, Woot is not only a brand, but also a culture. Other interesting flash sale companies are Jetsetter (a TripAdvisor company) and Rue La La. Flash sales may offer discounts up to 80%.

Shopping Together Online in Real Time

Shoppers on social networks can invite their friends to shop online at the same time, while in different locations. Using Facebook e-mail (or other networks) or Twitter, they interact to discuss shopping-related subjects and provide opinions.

Shopping Together Sites

Dozens of sites facilitate shopping together models. For example, Select2gether allows you to join a conversation in a chat room; create a wish list; shop online in real time with your friends; find inspirations, ideas, and advice; start a live showroom with your friends; and get access to the latest fashion-related products in which the site specializes. For details and explanations, see **select2gether.com/about/help**.

Coshopping

Coshopping is an IBM software tool that enables two online shoppers to browse a store, view products, chat together, all in real time. It also enables employees in customer care centers to conduct live interactions with customers.

Online Social Shopping Communities

According to Lee (2014), "*shopping communities* bring like-minded people together to discuss, share, and shop." The community platforms and forums connect people with each other, with businesses and with other communities. To date, fashion communities are the most popular (e.g., Polyvore, Stylefeeder, and ShopStyle). However, other shopping communities are organized around food, pets, toys, and so forth. For example, Listia (**listia.com**) is an online community for buying and selling used or new items, along with fashion, in online auctions using virtual currency. DJdoodleVILLE (**djdoodleville.com**) is an online shopping community specializing in arts and crafts.

For a summary about social shopping communities, see **digitalinnovationtoday.com/speed-summary-ijec-social-commerce-special-edition-social-shopping-communities**.

Examples of Shopping Communities

There are many sites that can be classified as pure shopping communities. A prime example is **polyvore.com**, which is presented in Case 7.1.

CASE 7.1: EC APPLICATION POLYVORE: A TRENDSETTER IN SOCIAL SHOPPING

According to Polyvore's website and Crunchbase (**crunchbase.com**), **polyvore.com** is a community site for online fashion and style where users are empowered to discover and develop their style and possibly set fashion trends. Users do this by creating "sets" that are shared across the Web. The company collaborates with prominent brands such as Calvin

Klein (**calvinklein.com**), Lancome (**lancome-usa.com**), and Coach (**coach.com**) and retailers such as Net-a-Porter, to drive product engagement; the user-generated fashion products on its site are then judged by community members and by celebrities such as Lady Gaga and Katy Perry. Today, the company is also using mobile technologies. For example, it has an app for iPad with many capabilities (see **blog.polyvore.com/2014/02/new-ipad-and-iphone-updates-clip-to.html**). Note: Some celebrities, such as Lady Gaga, post their own products for sale on the site.

The story of the now-profitable Polyvore is described in detail by Jacobs (2010) as well as by Grant (2013; an Infographic). Users create "sets," of their wardrobe designs, using a special editor provided free on the site. These "sets" can then be posted and shared on Polyvore's site, Facebook, and Twitter. Merchants (e.g., designers) can use the site for free by (a) creating a profile, (b) uploading existing products, and (c) creating sets.

Once merchants create a profile and upload products, Polyvore encourages the merchants to engage with other community members by reviewing and evaluating the sets. Polyvore believes that the merchants' activity will be reciprocated. To facilitate actual shopping, the sets link to the creators' sites.

Polyvore can be viewed as a crowdsourcing fashion operation that reflects the creativity and opinion of many; thus, it can be viewed as expressing current fashion trends (they now do the same with interior design). In 2015, Remix created an app to help those who want to browse or buy, and not to create outfits (see Perez 2015b).

According to TrueShip (2016) Polyvore has over 20 million users importing 2.2 million items to the site each month, creating about 2.5 million fashion sets per month, and viewing sets 1 billion times a month. Users spend hours browsing, following favorite taste streams, asking questions, and sharing ideas. Polyvore is considered by many to be the best place to discover or evaluate fashion trends, which are facilitated by contests managed by the company. Polyvore was acquired by Yahoo in 2015.

Polyvore can be used together with Pinterest to increase traffic to the site.

Sources: Based on Jacobs (2010), Perez (2015b), **polyvore.com/cgi/about**, and **crunchbase.com/organization/polyvore** (both accessed March 2016).

Questions

1. How can one use the Polyvore Editor to create designs (see the short video [2:02 min] by Polyvore titled "How to Create a Set in the Polyvore Editor" at **vimeo.com/7800846**).
2. The company added supermodel Tyra Banks as an investor in 2013. Comment on the logic of such an addition.
3. Comment on the logic of creating Remix.
4. Read Jacobs (2010) and explain what and how people create at Polyvore. Also identify the critical success factors of this site.
5. Explain the statement made by Polyvore's vice president of product management: "Our mission is to democratize fashion."
6. Identify all the features of a shopping community in this case.

Private Online Shopping Clubs

Vente-Price of France (**us.venteprivee.com**) was the first private online shopping club. The club concentrates on designer products. In general, clubs run flash sale events featuring luxury brands at huge discounts (up to 80%). Luxury brands use the clubs to liquidate out of style items, overstock, or special samples. Consumers like the clubs due to the largest discounts.

The key to this business model's success is that in contrast with the Groupon model, *not* everyone is allowed to shop. The members-only model serves a myriad of purposes. Partially, it is a marketing device that makes members feel like VIPs; but it also helps the clubs manage a healthy growth.

Examples of Private Clubs

Some private (or "members only") clubs are: Beyond the Rack (**beyondtherack.com**; in the USA and Canada posts flash deals), Gilt Groupe (**gilt.com**), Rue La La (**ruelala.com**), Amazon's Buy VIP (**buyvip.com**; in Europe), Ideeli (**ideeli.com**), and BestSecret (**bestsecret.com**). Note that, to minimize conflict with department stores, luxury brands now offer select items at Internet prices in stores such as Target Inc. (**target.com**).

Other Innovative Models

There are hundreds of start-ups in social commerce. Here are some representative examples:

- **Wanelo.** This popular social shopping marketplace (especially with young shoppers) combines bookmarking and product sharing. Members can follow others to find trendy shopping. Wanelo (**wanelo.com**) "is an online community-based e-commerce site that brings together products from a vast array of stores into one pinboard-style platform. It also has an app on iTunes and Google Play as well as a Facebook Fan page. For more information about Wanelo, see **mashable.com/2013/11/05/wanelo-social-shopping**.
- **RealGifts.** Facebook had a service called "RealGifts" that allowed people to send real-life presents to their

friends. People were getting together on Facebook to buy each other gifts. (Wrapp enables you to send giftcards from your smartphone.)

- **Virtual gifts.** There is a rapidly increasing market on social networks for virtual gifts. Facebook sells virtual gifts in its marketplace.
- **Getting help from friends.** To get help from friends, you may go to sites such as **shopsocially.com**. You can post a question, share a purchase, and much more.
- **Shopping without leaving Facebook.** There are several ways to use Facebook Fan pages for shopping, so fans do not have to leave Facebook. Payment is one implementation issue, security is another (see **facebook.com/auctionitems**).
- **Social auctions.** Facebook now has a Store App for eBay sellers, called Auction Items (previously "eBay items"), where members can send private invitations to their friends to invite them to their store. The Auction Items app is available in several languages. For more details, see **facebook.com/AuctionItems**. Facebook also offers an app for Etsy stores.
- **Crowdsourcing shopping advice.** You can get advice from many people (the crowd), as is done by CloudShopper. CloudShopper allows users to organize the advice given by their friends. Users select products and start a conversation on Facebook about their items of interest. The company also provides price comparisons and price alerts about the selected items; see **cloudshopper.com.au** for details.
- **Helping sellers and bloggers sell products.** Etsy is socially oriented marketplace which helps bloggers and sellers (mostly artists) monetize their businesses by making it easy for them to sell products directly to consumer.
- **Event shopping.** There are many sites that will help you shop for a special event (e.g., a wedding) with the assistance of your friends. Many variations of this model exist.

Social Shopping Aids: From Recommendations to Reviews, Ratings, and Marketplaces

In addition to the typical e-commerce shopping aids such as comparison engines and recommendations in the Amazon.com style (see Chapter 3), there are special aids for social commerce.

Recommendations in Social Commerce

Online customers use shopping aids (e.g., price comparison sites like **nextag.com**), looking at product review sites such as **epinions.com**, and researching other sources. Examining

and participating in social networking forums is another way to compare prices and read product and service reviews. A variety of SC models and tools is available for this purpose. We present two major categories here.

Ratings and Reviews

Ratings and reviews by friends, even by people that you do not know (e.g., experts or independent third-party evaluators), are usually available for social shoppers. In addition, any user has the opportunity to contribute reviews and participate in relevant discussions. Some tools for conducting rating and reviews can be found at **bazaarvoice.com/solutions/conversations**. Examples are:

- **Customer ratings and reviews.** Customer ratings are popular. They can be found on vendors' product (or service) sites such as Buzzillions, or on independent reviews sites (e.g., TripAdvisor), and/or in customer news feeds (e.g., Amazon.com, Epinions). Customer ratings can be summarized by votes or polls.
- **Customer testimonials.** Customer experiences are typically published on vendors' sites, and third-party sites such as **tripadvisor.com**. Many sites encourage discussion (e.g., **bazaarvoice.com/solutions/conversations**).
- **Expert ratings and reviews.** Ratings or reviews can also be generated by domain experts and appear in different online publications.
- **Sponsored reviews.** These are written by paid bloggers or domain experts. Advertisers and bloggers find each other by searching through websites such as **sponsoredreviews.com**, which connects bloggers with marketers and advertisers.
- **Conversational marketing.** People communicate via e-mail, blog, live chat, discussion groups, and tweets. Monitoring conversations may yield rich data for market research and customer service (e.g., as practiced by Dell; see their social media command center).
- **Video product review.** Reviews can be generated by using videos. YouTube offers reviews that are uploaded, viewed, commented on, and shared.
- **Bloggers reviews.** This is a questionable method since some bloggers are paid and may use a biased approach. However, many bloggers have the reputation to be unbiased.

Example: Maui Jim

Maui Jim (**mauijim.com**) is a designer of high quality polarized sunglasses. The company is using Bazaarvoice Ratings & Reviews to enable customers to rate the company's sunglasses and accessories.

The company is relying on word-of-mouth marketing to advertise its products and help shoppers. Customers are invited to share their opinions on the style, fit, and quality of specific sunglass models. The invitations appear when customers are conducting a search. Maui Jim sends customers an e-mail asking them to review products and the company has reviews on its pages in selected social network sites.

Social Recommendations and Referrals

Recommendation engines allow shoppers to receive advice from other shoppers and to give advice to others.

Social shopping may combine recommendations in a social network platform with actual sales. Social recommendations and referrals are closely related to ratings and reviews and are sometimes integrated with them.

Example: ThisNext

ThisNext (**thisnext.com**) is a social commerce site where community members *recommend* their favorite products so others can discover desirable or unique items and decide what to buy. ThisNext uses WOM, social experiences, and personalization to facilitate shopping. To assist with discovery and help finalize shopping decisions, the community includes experts, bloggers, style mavens, and trendsetters. ThisNext has also developed a set of shopping tools for bloggers, designers, and shoppers. For further description, see **thisnext.com/company**.

It makes sense to combine recommendations with marketing communications and shopping. Sites in this category allow shoppers to receive and provide advice to specific friends, in contrast with traditional online product reviews that include advice provided by unknown shoppers. Furthermore, these sites sell ad space, provide coupons, and some offer automatic cash-back rewards for shopping with local merchants.

Sometimes, social recommendations are embedded in social shopping portals that offer shopping tools as well as bundling recommendations with ratings and reviews.

Common recommendation methods are:

- **Social bookmarking.** Recommended products, services, etc. are bookmarked so members of social networks can easily find them.
- **Personal social recommendations.** These are based on finding people with similar profiles. By using these customers' actual purchases, conclusions can be reached about general and targeted recommendations (e.g., see Apple's Near Me [**getnearme.com**]; applications that are popular based on a user's current location), Amazon Recommendations, and Snoox (**snoox.com**; "your friends' recommendations on everything").
- **Referral programs.** Affiliate programs (e.g., Amazon Associates [**affiliate-program.amazon.com**], Apple's iTunes Affiliate Program [**apple.com/itunes/affiliates**] pay people for referring new customers). For more about referral programs, see **slideshare.net/getAmbassador/building-an-effective-referral-program**.
- **Matching algorithms.** Consulting companies and vendors (e.g., Netflix) provide recommendations based on similarity algorithms (as described in Chapter 3).

Illustrative Example of Recommendation Sites

A typical example is provided next.

Buzzillions

Buzzillions (**buzzillions.com**) is a user-generated product review site. It gets reviews from its parent company, PowerReviews (acquired by Bazaarvoice), which provides customer review software to e-commerce sites. It also incorporates product reviews from companies that use other third-party providers, or have an in-house review system. The site provides several useful tools for tagging and researching the reviews. It also provides ranking. By 2016, it had over 17 million product reviews.

Buzzillions' business model is based on selling traffic, or product leads, from Buzzillions right back to the merchant network that uses PowerReviews. In other words, Buzzillions' readers read reviews imported from many other sites, and they can then click on products of interest, giving them the opportunity to read more about these products and possibly purchase them at the seller's site.

The company is unique because:

1. The rankings are based on feedback from customers. The company provides the tools to narrow down the search, but the consumers have to read the reviews to see if the product is right for them.
2. Positive or negative, all reviews are encouraged on Buzzillions. Unless a review is profane or violates the company's terms, it will be shown on the site.
3. Buzzillions does not sell products, although the company has retail partners listed on the site for direct contact by consumers.

Concerns About Social Reviews and Recommendations

Some people raise the issue of how accurate the reported reviews and recommendations are. Fake reviews and claims are suspected to be 30–40% of the total reviews in some sites. For example, see the "allegations against business owners" at **en.wikipedia.org/wiki/Yelp**. There is also a concern about businesses paying money to review sites to manipulate the reviews. Another concern is that in cases of small number of reviewers a bias (positive or negative) may be shown. For a discussion, see Barnett (2015).

Other Shopping Aids and Services

In addition to recommendations and marketplaces, there are several sites that provide social shopping aids, as illustrated in the following examples.

Yelp: The Shoppers' Best Helper

Yelp (**yelp.com**) is company that operates a local guide for helping people find in a specific city services ranging from mechanics to restaurants based on reviews and recommendations of users. In this way, it connects people with great local businesses. Community members, known as "Yelpers," write reviews of the businesses and then rate them. Yelpers also find events and special offers and can "talk" with each other (e.g., see **yelp.com/talk**).

The site is also a place for businesses to advertise their products and services (paying fees to Yelp for posting a "Yelp Deal"). Yelp is also accessible via mobile devices. The site offers several social networking features such as discussion forums, photo posting, and creation of groups and have followers. Yelp has a company blog (**yelpblog.com**), along with a community blog for Elite Yelpers worldwide (**yelpblog.com/section/yelp-community**). Yelpers who frequently become actively involved and engage on the site can apply to become an "Elite Squad" member (see **yelp.com/elite**).

How Yelp Works
Users look for a business in a specific location. Yelp's search engine finds available businesses and presents them with ratings and reviews as well as with accessibility and directions.

Yelp connects with Google Maps to show the business location and further aids in discovering related businesses.

Adding social features to user reviews creates a reputation system, whereby site visitors can see the good and the bad. For the topic of reputation management, see **seofriendly.com/search-engine-marketing-and-reputation-management**. For more on Yelp's operation, see "How Yelp

Works" at **computer.howstuffworks.com/internet/social-networking/networks/yelp.htm**. For further information, see **yelp.com/faq** and **en.wikipedia.org/wiki/Yelp**.

Note that some shopping aids can be used for both online and off-line shopping. One such aid is the touch-screen PC available at kiosks in physical stores (e.g., Kohl's), where you can examine catalogs and place your order to be shipped to your home, while you are in the store.

Collaborative Reviews

Sites such as ProductWiki (**productwiki.com**) are structured like a wiki; thus, every user can contribute to the site. The goal is to create a comprehensive resource collection. The companies believe that a need exists for unbiased, accurate, and community-based resources for product information. These sites use *collaborative reviews*, a collection of pros and cons about a product submitted by and voted on by the consumers. The result is a comprehensive review that takes the opinions of many people into account and highlights the most important aspects of a product. A collaborative review is made up of two things—short statements and votes. Community members submit and vote on specific statements that are separated by pros and cons, making it easy to see what is good and bad about each product.

Dealing with Complaints

As seen earlier, customers have learned how to use social media to air their complaints. For a UK survey that shows that customers are more likely to complain via social media, see **xlgroup.com/press/new-survey-finds-customers-increasingly-likely-to-use-social-media-to-complain**. See also **wptv.com/dpp/news/science_tech/facebook-fb-twitter-twtr-used-to-complain-get-answers**.

Social Marketplaces and Direct Sales

The term **social marketplace** refers to a marketplace that uses social media tools and platforms and acts as an online intermediary between buyers and sellers. Ideally, a social marketplace should enable the marketing of members' own creations as Polyvore does.

Some examples of social marketplaces include:

- **Craigslist.** Craigslist (**craigslist.org**) can be considered a social network marketplace in that it provides online classified ads in addition to supporting social activities (meetings, dating, events).

- **Fotolia.** Fotolia (**fotolia.com**) is a social marketplace for royalty free photos, images, and video clips. In 2014, there were more than 31 million images available on the site. It serves a community of artists, designers, and other creative people who express themselves through images, forums, and blogs. Buyers can legally buy images (pay only one time for each or periodically) and then use these images and photos as they wish (e.g., resell them, modify them). For details, see **us.fotolia.com/Info/AboutUs**.
- **Flipsy.** Anyone can use Flipsy (**flipsy.com**) to list, buy, and sell books, music, movies, and games. It was created to fill the need for a free and trustworthy media marketplace. Flipsy does not charge commissions in order to increase the trading volume. Payment processing for items purchased is handled by a third party, such as PayPal.
- **Storenvy.** Storenvy (**storenvy.com**) is a marketplace for unique businesses and photos. At no cost to sellers, a simple way is made available (no programming experience is needed) to create personalized webstores. Sellers have the ability to make the sites as socially friendly as they wish, giving customers the chance to interact with the seller as well as other customers.
- **ShopSocially.** ShopSocially (**shopsocially.com**) is a consumer-to-consumer marketing communication and experience-sharing platform for shopping. This platform also enables shoppers to recommend products to their friends. ShopSocially combines the concepts of online shopping and social networks, creating a new business model of online social shopping. Users can solicit shopping information from friends via Facebook, Twitter, and e-mail. A combination of shopping questions, their answers, and purchases shared by friends creates a powerful experience and shopping knowledge base. For details and benefits to retailers, see **shopsocially.com**.

Direct Sales from Within Social Networks

There is an increased volume of direct sales, mostly on Facebook. Here is an example:

Example: How Musicians Sell Online via Social Networks
Many musicians and other artists used to invest money to make their own CDs, T-shirts, and other items before they sold them. Now there is a free social commerce solution. Audiolife Inc. (an Alliance Entertainment Company) provides artists with webstores (one per artist), where artists (sellers) can directly interact with potential buyers. This arrangement also allows artists to "make-to-order" and sell merchandise.

To entice fans to order products, artists post their own Audiolife selection on any large social network site (e.g., Facebook). Each order, even for one item, is then forwarded to the artist for production. Audiolife arranges payment and shipping to the buyers. By 2012, Audiolife powered close to 100,000 webstores worldwide, serving 300,000 artists, including those who are already established. Audiolife was acquired by Allince Entertainment in May 2012.

Example: How Buy Buttons Work
Following Facebook, other social networks and retailers introduced "buy buttons." Examples are: Twitter, Pinterest, Instagram (Kuchler 2015), Google and many more.

Socially Oriented Person-to-Person (P2P) Selling, Buying, Renting, or Bartering

When individuals trade online, they may do so with some social elements. For example, some consider **craigslist.org** to be a socially oriented virtual community and so is **altimetergroup.com**. Here are some more examples:

P2P Lending
P2P money lending is growing rapidly, enabling one person to lend money directly to another. In the process, they get to know each other. Another start-up created a community of people that rent goods to people in need, usually for the short term. **Snapgoods.com** helps these people connect over the Internet.

P2P Sharing (also Known as *Collaborative Consumption*)
SnapGoods facilitates P2P sharing. Some other sites like SwapBabyGoods.com (**swapbabygoods.com**) and Swapmamas (**swapmamas.com**) that help people share fruits that are growing in their yards or find fruit trees on public lands have a niche market. The sharing and renting trend is booming, especially during the economic recession; and there is a "green" aspect as well—saving on the use of resources. There is also the social aspect of sharing, allowing people to make meaningful connections with others (see Walsh 2010 for details).

Several variations exist. Some people share cars (ride sharing; e.g., Uber and Lyft), others invite travelers to stay free in their homes, or exchange homes (e.g., **homeexchange.com**) for a short periods and much more. LendingTree (**lendingtree.com**) is another company that allows prospective borrowers to get quick offers from multiple lenders. For a case study of P2P lending, see Online File W7.1.

In May 2013, Google invested money in the P2P investment site **lendingclub.com**. This company became a success in 2015, and it is listed on the New York stock exchange.

Shopping for Virtual Goods in a Virtual Economy

An increasing number of shoppers purchase all kinds of virtual products and services online. **Virtual goods** are computer

images of real or imaginary goods. These include, but are not limited to, properties and merchandise on Second Life (such as virtual mobile phones to equip your avatar), and a large number of items sold in multiplayer games on social networks (e.g., FarmVille on Facebook).

The Virtual Economy

A **virtual economy** is an emerging economy existing in several virtual worlds, where people exchange virtual goods frequently related to an Internet game or to a virtual business. People go there primarily for entertainment. However, some people trade their virtual goods or properties. A virtual property can be any resource that is controlled by virtual objects, avatars, or user accounts. For the characteristics of these properties, see **en.wikipedia.org/wiki/Virtual_economy**.

Why People Buy Virtual Goods

There are several reasons why people buy virtual goods. For example, many people in China buy virtual properties because they cannot afford to buy properties in the real world. According to Savitz (2011), there are four major reasons for such purchases made in any country:

1. **Generating special experiences.**
2. **Generating emotions.**
3. **Small purchases make people happier.**
4. **Virtual goods are low cost and low hassle.**

Real-Time Online Shopping

In real-time online shopping, shoppers can log onto a site and then either connect with Facebook or with another social network instantly from a smartphone or computer, or invite their friends and family via Twitter or e-mail. Friends shop online together *at the same time*, exchanging ideas and comparing experiences.

Some real-time shopping platforms are Facebook's social graph-based shopping platforms. Another player in this area is BevyUP (see **bevyup.com/resources** and **samesurf.com/about.html**). These empower multiple users to share their experiences in real time.

For more on how Facebook "likes" and social plug-ins help business websites, see **searchengineland.com/by-the-numbers-how-facebook-says-likes-social-plugins-help-websites-76061**.

Note: Facebook is considering building a shopping mall to compete with Amazon.com. Facebook will add a strong social flavor to the mall (see King 2015).

Social Shopping in the Near Future

Imagine this scenario: A retailer will ask you to log in with Facebook on your mobile device as soon as you step into a physical store. Many of Facebook's partners have custom Facebook applications (Partner Apps) that users can download through their app stores, including Blackberry and Windows Phone (see **facebook.com/mobile**).

In this way users can receive *customized recommendations* on their mobile phones. You can expect that your friends who have been in that store will indicate electronically, which clothes may be the best fit for you (e.g., using "likes"), then walk in and find what to buy. What about the risks? Privacy is a concern to many, but less important to "Millennials" who frequently share their experiences with others. In addition, sometimes people do not need to reveal their full identity on an in-store screen. See a related video titled "The Future of Shopping" (48 s) at **youtube.com/watch?v=R_TAP0OY1Bk**.

For example, when you walk into a dressing room in a department store, the mirror reflects your image, but you also see the images of apparel items (you like and certain) celebrities wear, all on an interactive display. A webcam also projects an image of a consumer wearing the item on a website, for everyone to see. This creates an interaction between the consumers inside the store and their social network (friends) outside the store. The technology behind this system uses RFID (Radio Frequency Identification), and has already been tried by the Prada store in New York City for showing customers which shoes and purses would go with the clothes they are trying on in the dressing room. You can watch a video titled Future Store "Smart Dressing Room" (2:53 min) of how a "smart" dressing room works at **youtube.com/watch?v=0VII-xdg5Ak&feature=related**. Note that due to privacy concerns, Prada (and others) discontinued their RFID experiments.

SECTION 7.4 REVIEW QUESTIONS

1. Define social shopping and describe its drivers.
2. List the major benefits of social shopping.
3. List the major models of social shopping. Briefly describe their functionalities.
4. Describe ratings, reviews, and recommendations.
5. Define group buying.
6. Define social communities and social clubs as they relate to marketing. How do they work?
7. Define social marketplaces. What is going on there?
8. Describe the major shopping aids.
9. Describe shopping for virtual goods.
10. Describe social shopping in the near future.

7.5   SOCIAL ADVERTISING: FROM VIRAL ADVERTISING TO MICROBLOGGING AND OTHER PROMOTIONS

The major current revenue source for many social commerce companies is advertising. The reason is that seeing the large number of members and visitors in the social networks, and the amount of time they spend there, has given advertisers the motivation and justification to pay a great deal for placing ads and running promotions in those networks. Like other SC activities, advertising is done both in public and in private company-owned social networks.

Many advertisers are placing ads on Facebook, YouTube, LinkedIn, Instagram, Pinterest, or Twitter. Although social media campaigns may have a small impact on actual online retail sales, they may have huge benefits with regard to increasing *brand awareness*. Millions of companies have pages and a presence on all major social networks.

Social Ads and Social Apps

Most ads in social commerce are branded content paid for by advertisers. These come in two major categories: *social ads* and *social apps*.

1. **Social ads.** These display ads and banners are placed in social games and discussion boards in social networks.
2. **Social apps.** These applications support social interactions and user contributions. These are more complex to implement than social ads.

Facebook features hundreds of thousands of third-party software applications on its site. One popular application area is travel. For example, one specific application is "Where I've Been," which includes a map of places where users have visited or hope to visit. You can plan trips, organize group travel, and find and rate paid or free accommodations (e.g., at Couchswap). This information can be sold to travel-oriented vendors, who in turn advertise their products to Facebook members. Of special interest is Tripadvisor's "Cities I've Visited" with its interactive map.

Viral (Word-of-Mouth) Marketing and Social Networking

Viral marketing refers to electronic word-of-mouth (WOM) method by which people tell others (frequently their friends) about a product they like or dislike. Viral marketing and advertising has several variations and it plays a major role in e-commerce and social commerce. For more, see Logan (2014) and Turban et al. (2016).

Young adults are especially good at viral marketing. If members like a certain product or service, word-of-mouth advertising will spread rapidly sometimes to millions of people at a minimal cost to companies' advertisers. For example, when YouTube first started up, the site conducted almost no traditional advertising in its first few months, but millions joined because of WOM. For the "power of WOM," see **bazaarvoice.com/research-and-insight/social-commerce-statistics** and Wilde (2013), for an example of using Instagram to acquire customers, see Smith (2015).

Viral Blogging

Many retailers are capitalizing on WOM marketing by using bloggers. When viral marketing is done by bloggers, it is referred to as **viral blogging**. Viral blogging can be very effective with the use of tools such as Twitter (e.g., do a Google search for "Dell Uses Twitter to Drive Sales").

Note that paid bloggers may be biased in favor of those that hire them. This could be a concern for the blogs' readers.

Other Viral Marketing Methods

Viral marketing is done in most social networks through internal e-mail, text messages, and forwarding of videos, stories, and special offers. In addition, there are other innovative ways to go viral.

Location-Based Advertisements and Social Networks

Location-based advertising and marketing is a business model for m-commerce. The model is based on knowing where a customer is via the GPS in her or his cell phone. Once the vendor knows that a person is near a certain business, the vendor can send a text, e-mail, or even a telephone call offering discounted products, coupons, or services. This targeted ad-based business model was not too successful in traditional e-commerce. Customers were not interested, and those with GPS shut it off due to privacy concerns.

The situation changed with the introduction of social networks. The nature of location-based marketing changed to being social, entertaining, and rewarding; advertisement came as an add on service. Location-based ads generated significantly more interactions than non-targeted ads. The technology is based on geolocation and geosocial networks.

Geosocial Networking

Geosocial networking is social networking with location awareness capabilities. This enables social networks to connect

users with local businesses, people, or events. The location of people is found by tracking their mobile phones or receiving text messages from them that provide their locations.

The Technology for Location-Based Social Networks

The basic idea is that users who have a GPS-enabled smartphone can let their friends know where they are. Users can also examine locations recommended by friends or "check in" with them remotely. Users may give permission for ads to be sent to them.

Foursquare and Its Competitors

Several start-ups are competing fiercely in the geolocation market. A major one is Foursquare.

How Foursquare Works

Foursquare works with all major smartphones. Alternatively, one can use the Foursquare mobile website. Either way, Foursquare will find your location (with your permission) and provide a map, marking your location as "checking in." This information can be transmitted, with your permission, to your friends and to vendors. A detailed explanation of how Foursquare works and how to join is provided at **computer. howstuffworks.com/internet/social-networking/networks/foursquare.htm**.

You can check in at any participating location. When your friends are aware of your location, they can suggest what you visit or where to shop in the vicinity of your location.

Foursquare provides incentives to encourage users to digitally "check in" to specific locations. The check-ins show up on Twitter, Facebook, and other social networks.

Changes in the Business Model

In April 2014, Foursquare introduced a major change in its business model. The company changed its check-in capability to show users which of their friends are nearby (an app known as "Swarm"). The company also embarked on local recommendations, competing with Yelp. For an example, see Online File W7.2.

Privacy Concerns for LBS

There are some privacy concerns regarding finding the location of people or showing their profiles and shopping habits.

Opt-In Versus Op-Out

Location can be allowed with *opt-in* or *opt-out*. An "opt-in" is a permission-based system that requires a user to join or sign up. Foursquare (or a similar company) is then given per-

mission by friends or vendors to access the user's information and to contact him or her. An "opt-out" is an option which excludes the user from a group. Thus, users need to remove themselves from the system if they wish to be excluded.

Facebook's Place Tips App

This app uses your phone's location service to surface more information about places you visit. The app draws on posts created from a place's page and from your friends. Facebook also uses the app to make recommendations and may place ads. Now when you visit a location, the app will bring up posts and photos (see Tam 2015). Recently, companies started to use Instagram for advertising (see Smith 2015).

Using YouTube and Other Social Presentation Sites for Advertising

Using videos for advertising is becoming a major successful strategy. Sellers introduce new products or try to improve a brand image by attaching video clips to their product pages on social networks, or their corporate portal.

Viral Videos

A **viral video** is any video that is forwarded rapidly from one person to others, sometimes with a recommendation to watch it. Social networks are an ideal place to disseminate such videos, which became popular due to Internet sharing (mostly through video sharing websites, e-mail, texting, blogs, etc.). This method is inexpensive.

In Chapter 9 we will describe the use of videos for advertising, mostly via their viral impact. Here we briefly describe how viral videos work with social commerce. Social media can be most powerful when a video goes viral, because it is an attention grabber (e.g., funny). People forward videos or their URLs to their friends and acquaintances, and as a result, many watch a video that may contain an ad or show a brand logo. Certain videos can receive several million hits in less than a week. Of course, big brands dominate here. For example, among the most well-known viral videos of 2012 were those produced by Nike, Visa, Mattel, and Samsung.

Why It Works

Interesting videos seen on YouTube are usually shared through Facebook, Twitter, or e-mail. These posts are in turn shared through the same channels from the recipients.

Interesting examples are available at **blog.socialmaximizer.com/youtube-business-use-cases**.

Using Twitter as an Advertising and Marketing Tool

Twitter and some other microblogging sites have added social networking capabilities to their sites such as creating profiles and lists of fans and friends. Sellers can reach out to these friends to create strong WOM.

Twitter is becoming a little more of a business. The company launched its first ad product—"promoted tweets"—in 2010 and netted $45 million in ad dollars. That was due in part because brands like Virgin America, Coke, Ford, and Verizon were willing to experiment with the idea. Twitter earned about $2.2 billion in 2015, up from $1.4 billion in 2014. Companies can tweet about their business and product offerings, including promotions. This way, they can attract Twitter followers to visit their stores. Twitter may help disseminate ads resulting in increased sales. Twitter's software suites help merchants reach their Twitter followers by posting "tweets" when the merchants add new products or create promotions. For successful examples, do Google searches for "twitter simply speakers," and "twitter SBLpublishing." Twitter is already the world's second-largest social networking platform (about 1.3 billion registered users in August 2015), see reports at **mediabistro.com**. This may help the microblogging site compete with Facebook in attracting advertisers.

Finally, here are some more ways one can do business or advertise on Twitter. These are:

- **Recruiting and finding jobs.** These can be facilitated by direct contacts, or contacts via an intermediary.
- **Brand display.** A company's blog, display ads, and marketing communications can be displayed on Twitter. Bloggers can display their capabilities.
- **Market research.** By listening to tweets, companies can learn what customers and competitors say. Also, companies can actively participate in discussions.
- **Delivering offers.** Companies can offer promotions, coupons, and discounts to those that opt-in. For example, American Express synchronized their customers' accounts with the customers' Twitter account to provide discounts from participating merchants.
- **Collaboration.** Twitter provides for efficient collaboration within and between organizations.
- **Customer service.** As will be described in Section 7.5, Twitter can facilitate CRM and customer service.

- **Using professionals to enhance company presence on Twitter.** Twitter is used by many professionals, some of who are social commerce influencers. Companies can interact with these professionals and with active bloggers.
- **Cost effectiveness.** Interacting with customers and business partners using Twitter is very cost-effective. An example is American Apparel, which is using Twitter to solicit and discuss ideas for ads.

A major success factor is the mobility of Twitter. Most people tweet from mobile devices. As a matter of fact, the majority of its advertising revenue comes from mobile ads.

Other Innovative Ways to Advertise in Social Media

A major objective of social advertising is to increase traffic to the digital and or physical sites, as described in the Starbucks opening case in Chapter 1. There are many innovative ways to do this. 3dCart (**3dcart.com**) lists the following: Advertise your Facebook store on your company's Facebook Page, place a "Like" button linked to a customer story to your product page, and use social e-mail marketing on Facebook; advertise your store using customer stories through Twitter; advertise in videos on YouTube; use mobile apps; and social bookmarking will improve communications from your product page.

- Use a Facebook Page for your company, and add a Facebook Store. Customers will become "fans" of your business to check on updates and meet others with similar interests.
- Tweet about the business and any promotions/new products, etc.
- Blog to your customers to keep them updated about new products, etc.
- Integrate videos (e.g., YouTube) on your website.
- Add social bookmarking to your product's page for easy return.
- Embrace mobile apps.
- Add a Facebook "Like" button with its sponsored story to your product (e.g., Gatorade brand scored 1.2 million conversations in 6 months using their "Mission Control" campaign).

For details on each of the above and more, see **blog.3d cart.com/7-social-commerce-tools-to-increase-traffic** and Offerpop (2014).

For how ZIPCAR is using social campaigns on Facebook to drive traffic to their website, see Belosic (2015).

The Changing Rules of Branding

The December 2010 issue of *Harvard Business Review* is dedicated to the new rules of branding introduced by social media. Four articles there discuss how social networks can help you build—or destroy—your brand.

Using Blogs

Blogs are Web 2.0 tools known as being an effective means of market communication, information dissemination, recommendations, and discussions about products (including upcoming ones). For example, merchants can post ideas about new products to start a discussion and collect opinions. Blogs can be added to a company's Facebook page (or pages of other social networks) as well as to the company's in-house webstore. In addition, companies can place click-on banners on bloggers' pages.

Using Coupons

Coupons can be distributed in several ways in social commerce. One method is to distribute coupons by deploying LBS. Once a vendor knows your location and how to e-mail or text you, targeted coupons can be sent to you. Another way is to offer coupons on a company's Facebook Offers page. This is done via *Facebook Offers*. Coupons are used by Groupon (see the closing case in this chapter).

Facebook Offers

This feature allows companies to post coupons on their Facebook page. Fans as well as other users can "claim" the offers (click on "get offer") that come as a mobile newsfeed. Any offer that is claimed is e-mailed to the person who claimed it for printing or sharing with friends. Offers can be daily deals and other promotions.

Using Snapchat

This social network is emerging as a serious venue for advertising and sales. For an overview, see Quensenberry (2016).

Mobile Advertising

Mobile advertising is a rapidly developing area. It refers to advertisements on smartphones and other mobile devices.

The competition for mobile ad revenue is intensifying, especially with the increased use of smartphones. Advertisers are starting to attach ads to video clips (see Chapter 9). Finally, advertisers use microblogging, especially Twitter, to reach large audiences.

SECTION 7.5 REVIEW QUESTIONS

1. Describe advertising in social commerce.
2. Define social ads and social apps.
3. Define viral marketing.
4. Describe viral blogging.
5. Define geolocation and geosocial networks.
6. How does location-based advertising work?
7. List some concerns of LBS advertising.
8. Describe viral videos.
9. How is Twitter used for advertising?
10. Describe mobile advertising.

7.6 SOCIAL CUSTOMER SERVICE AND CRM

The customer service landscape is undergoing significant transformation. The change is reflected both in the way that customers interact with organizations and the manner in which the company's employees interact with customers. For an overview, see Goldenberg (2015).

These changes resulted from the introduction of social media; and at first, one may think that not much of a connection exists between customer service and social commerce. However, the opposite is true. Managing customer relationships is a major business challenge related to social business implementation.

How Does Social Networking Empower Customers?

It is said that one angry tweet can torpedo a brand, but one sweet tweet can correct a problem. Many customers have ended a relationship with vendors due to perceived poor customer service. Let us examine how Facebook helped change a policy for one company.

Example: How Facebook's Chorus Ended the Instrument Luggage Ban at Qantas Airways of Australia

Qantas Airways had a policy that required large musical instruments to be stored in the cargo hold, which would sometimes cause damage to the instruments. In Fall 2010, after suffering $1200 in damages to her saxophone, Jamie Oehlers of Australia organized a Facebook campaign to persuade the

airline to reverse the policy. When one person complains, the company's standard response is to send the customer a letter of apology, but usually the policies does not change. However, more than 8700 people (including members of the country's symphony orchestras) joined forces on Facebook by posting similar incidents and pictures of damaged instruments and saying they would boycott Qantas if the airline did not change their policy. Qantas announced that they listened to their customers, and indeed, amended the policy, by allowing any instrument in a hard-shelled case on board, provided it falls within the airline's length and weight restrictions. For information about Qantas's new policy, see **qantas.com/travel/ airlines/carry-on-baggage/global/en**.

This story is not unique; similar stories appear in the media frequently. A well-known case is "United Breaks Guitars," which also is published in a book and a video that has been watched by over 15 million people, see **youtube.com/watch?v= 5YGc4zOqozo**.

Social CRM

Customer relationship management (CRM) is a customer service approach that focuses on building long-term and sustainable customer relationships that adds value for both the customers and the merchants. When delivered online, it is referred to as e-CRM (Online Tutorial T1). A major area of e-CRM is social CRM.

Definition

Social customer relationship management (**SCRM**) (also known as **CRM 2.0**) is CRM supported by social media (e.g., Web 2.0 tools, social network sites), which is designed to engage the customer in conversations, sharing, and other interactions in order to provide benefits to all participants and increase trust. SCRM is based on social media, in support of companies' stated goals and objectives of optimizing the customer's experience, and building trust and loyalty. Success requires considering people, business processes, and technology associated with the interactions between customers and enterprises. Like CRM, a major goal of SCRM is building trust and brand loyalty.

SCRM is an extension of CRM, not a replacement. It adds two dimensions: social media and people. It is designed to engage customers in conversations using social media tools. An important goal of SCRM is to add benefits to the sellers (e.g., increased trust, loyalty, and sales from their customers) and to the customers (e.g., better and quicker service, and more engagement). SCRM is the segment of business strategy that addresses the issue of how companies adapt to the *social customers* and their expectations regarding the treatment by the companies with which they interact. For a detailed presentation of social CRM, download the free e-book by Fagan (2014). For comprehensive coverage of social CRM, see Lacy et al. (2013) and Goldenberg (2015).

The Components of Social CRM

The major elements and characteristics of SCRM are shown in Figure 7.3. As the figure illustrates, these characteristics are the foundations of a social customer who is driven by social networking. The social customer's needs are different from those of the customer who does not use social media. Social customers, for example, want to communicate with vendors by using the Internet. This communication is provided by social media, which is the major element of social CRM. The social environment is also a major element of social CRM, since it is the source of interactions with the social customer.

How to Serve the Social Customers

Empowered customers are referred to as **social customers** (see Chapter 1). These are customers who usually are members in social networks, do social shopping, and understand their shopper's rights and how to use them to their advantage. Social customers select the mode of interaction with companies. These customers are influenced by friends, mavens, and family. Merchants must understand how social customers differ from conventional customers, and provide them with socially based customer service (see Goldenberg 2015 for details).

Methods and Guidelines for Social Customer Service

How does a company serve the social media customer?

Companies are looking for an answer to this question not only because they are afraid of the negative comments posted by social network members, but also because they see an opportunity to involve customers in providing feedback and ideas on how to improve customer service and operations. Furthermore, companies can solicit feedback from customers to improve customer loyalty and make their own customer service people more satisfied at work. For how this is done, see Fagan (2014). Procedures, guidelines, and software are available for social CRM (e.g., see Goldenberg 2015).

The Benefits of Social CRM

Social customers place new demands on organizations. However, social media tools meet these demands nicely, usually at a low cost. Social media provides for engagement and collaboration that eventually results in a competitive advantage to the organization if implemented properly (see Turban et al. 2016).

Figure 7.3 The elements of social CRM
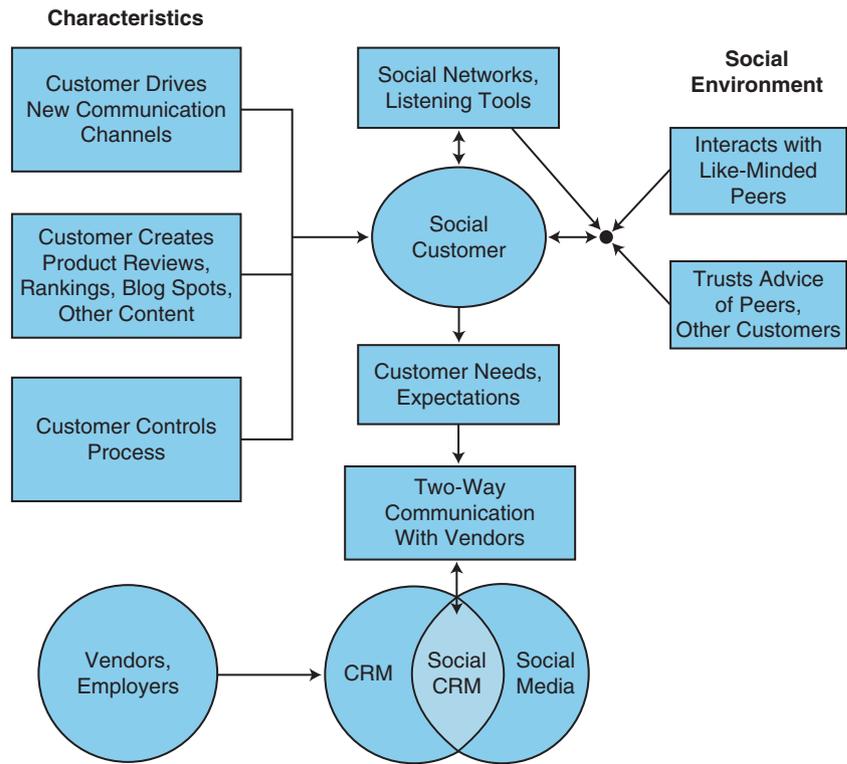
Social CRM offers the following potential benefits to customers ("c") and enterprise ("e"):

Note: Several of these are illustrated in Case 7.2 (iRobot, presented later in this chapter). These benefits to iRobot are marked with an [i].

For additional benefits, see Fagan (2014).

- Drives quick resolution of customers' problems (c).
- Provides for effective and efficient business-customer collaboration (c), (e).
- Improves the reputation of companies (e), (i).
- Provides better understanding of customer needs and wants (e).
- Provides focused, intuitive, and easy-to-use CRM applications (e).
- Provides better marketing, better targeting, and improved products/services due to customers' creation of content, and WOM (e).
- Provides customer input for market research at a quicker rate and at a low cost for improving products and customer service (e).
- Provides customers with more information about products/services quickly (c), (i).
- Increases trust and loyalty (e).
- Provides a more complete view of the customer than what traditional CRM can provide (e).

- Decreases overall customer care costs (e.g., through self-helping communities) (e).
- Enables salespeople to find sales leads quickly and easily (e).
- Develops new revenue opportunities and turns new customers into repeat customers (c).
- Increases CRM staff productivity by teaching them to use analytics and collaboration 2.0 techniques (e).
- Improves employee performance by benefiting from knowledge sharing gained in social networks (e).
- Improves customer satisfaction by providing them with opportunities for engagement using social media platforms (c), (i).
- Converts leads to opportunities with more effective campaigns (e).

CASE 7.2: EC APPLICATION iROBOT USES SOCIAL MEDIA FOR MULTICHANNEL CRM

iRobot (**irobot.com**), which was founded in 1990 by three roboticists at MIT with the vision of making practical robots a reality, designs and builds some of the world's most important

nonmilitary robots. According to their website, in 2015, iRobot generated $617 million in revenue. iRobot makes robots for the government, defense and security, military and civil defense forces worldwide, commercial applications, industry, and home use. The public is mostly familiar with the Roomba vacuuming robot. Due to the technical nature of its products, the company's customers may require specialized support and service. On their customer care website, the company provides self-diagnosis, support videos, live chat, product FAQs go to "customer help" and (type in a problem and receive automatic answers), and more (e.g., see **homesupport.irobot.com/app/answers/list/session/L3RpbWUvMTQwMDQzNjk4NS9zaWQvODJsX1ZBVWw%3D**). However, there are home market customers who may need more technical assistance since many are new at using robots. The company's objective is to expand the sale of home market products. Therefore, they must provide extensive assistance to inexperienced customers. The company supports a community and provides discussion boards, community search capability, and live chat.

Social CRM: Serve the Customers While Learning from Them

iRobot utilizes a CRM system with the help of Oracle RightNow Inc. (see Oracle Service Cloud at **oracle.com/us/products/applications/rightnow/overview/index.html**). The system enables customers to contact iRobot's service group via several different communication channels, including e-mail, live chat, social networks, and Web self-service. This way, iRobot can respond to any online customer communication in a timely manner, regardless of the channel used. All this needs to be done at a low cost; therefore, it is necessary to automate the services.

Specific Social Media Activities

iRobot customers can post service and support requests or complaints on **homesupport.irobot.com** or they can contact the help desk. Customers can also communicate with each other. The company monitors these messages and tries to provide immediate responses. iRobot tries to find the identity of the customers that have problems by monitoring relevant conversations in the various social channels (e.g., in forums on social networks). Once identified, iRobot communicates with the customers privately to resolve the issues.

The social media-oriented activities are integrated with documents and videos in a knowledge base managed by RightNow. The company uses RightNow's monitoring tools to identify the customers who post the comments. Some customers may provide their real names. Anonymous customers

are encouraged to contact iRobot directly. For how the company listens to social media, see **informationweek.com/software/social/roomba-robots-listen-to-social-media/d/d-id/1100404?**. For a podcast, see **moneybasicsradio.com/2013/04/irobot-social-media**.

Responding to issues quickly is important because, as discussed earlier, customers can attract a considerable amount of attention using YouTube or Twitter (the company runs promotions, such as giveaways and games on Twitter), to publicize their complaints. In addition to problem resolution, the company gets valuable feedback from the customers, so it can improve its products and services.

iRobot has a presence on Facebook, Twitter, Pinterest, YouTube, and Tumblr. The company uses these sites to disseminate information and collect customer feedback and complaints.

Sources: Based on **irobot.com/About-irobot.aspx** (accessed March 2016).

Questions

1. What is meant by the term *multichannel service support*? What is the benefit of multichanneling?
2. What are the activities related to social media at iRobot? What are their benefits?
3. Describe how the company listens to their customers' complaints, and how they resolve the problems.

The Evolution of Social CRM

Now that you have a basic understanding of CRM, e-CRM, and SCRM, we can look at the evolution of SCRM as well as some differences between SCRM and e-CRM. SCRM can be viewed as an extension of e-CRM. Most e-CRM software companies, such as Salesforce Inc. (**salesforce.com**), offer social media features in their products. However, there are some significant differences between e-CRM and SCRM. These differences can be seen at **slideshare.net/JatinKalra/e-crm-112520123741** and Turban et al. (2016; Chapter 7). Social CRM today is delivered in many cases by mobile devices (see Goldenberg 2015).

Cipriani's Multidimensional Presentation

Fabio Cipriani (2008) outlines the difference between CRM and SCRM (referred to as CRM 1.0 and CRM 2.0) along the following dimensions: landscape, customer touch points, business processing modeling, technology, and organizational mindset. The differences between CRM 1.0 and CRM 2.0 are illustrated in Figure 7.4.
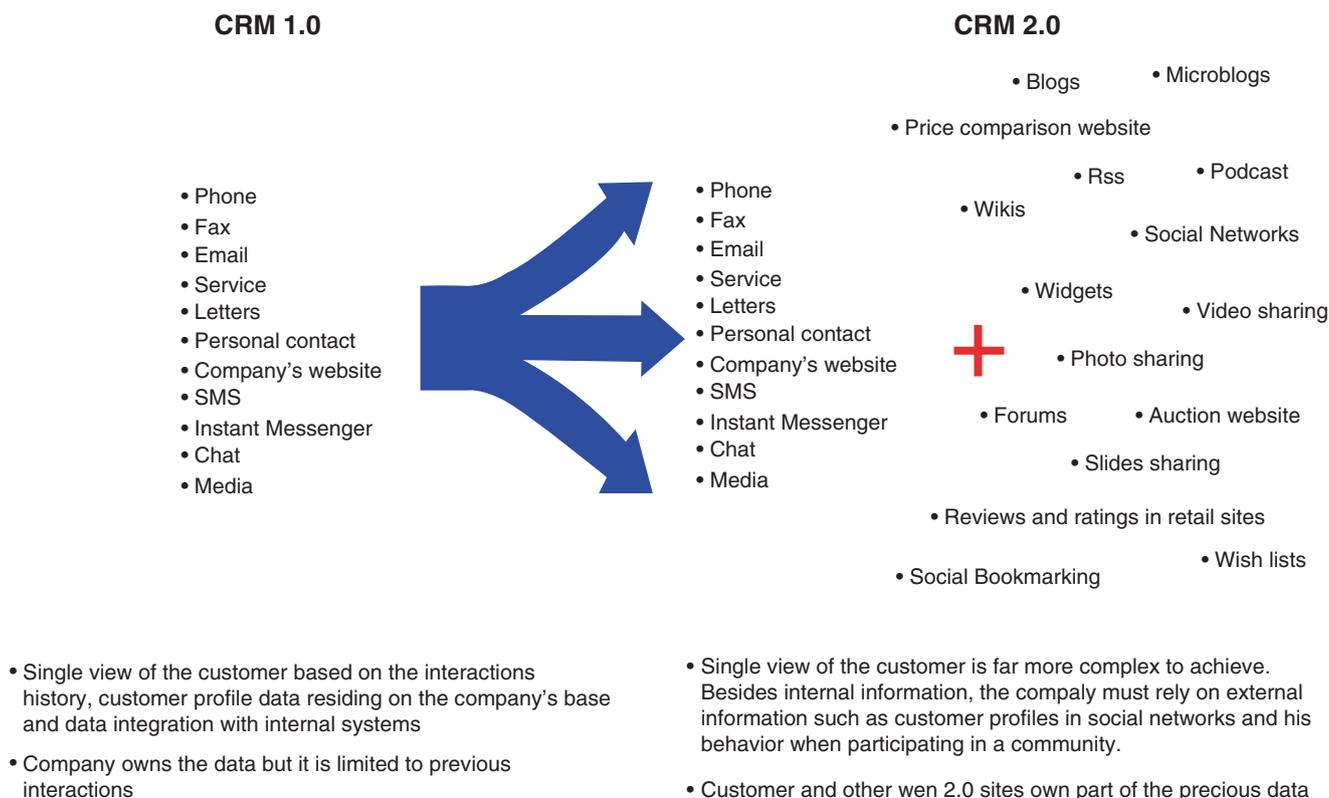
CRM 1.0   **CRM 2.0**

- Blogs   - Microblogs

- Price comparison website

- Phone   - Phone   - Rss   - Podcast
- Fax   - Fax   - Wikis
- Email   - Email   - Social Networks
- Service   - Service
- Letters   - Letters   - Widgets
- Personal contact   - Personal contact   - Video sharing
- Company's website   - Company's website   +   - Photo sharing
- SMS   - SMS
- Instant Messenger   - Instant Messenger   - Forums   - Auction website
- Chat   - Chat
- Media   - Media   - Slides sharing

                                                                         - Reviews and ratings in retail sites

                                                                                           - Wish lists
                                                                  - Social Bookmarking

- Single view of the customer based on the interactions history, customer profile data residing on the company's base and data integration with internal systems

- Company owns the data but it is limited to previous interactions

- Single view of the customer is far more complex to achieve. Besides internal information, the compaly must rely on external information such as customer profiles in social networks and his behavior when participating in a community.

- Customer and other wen 2.0 sites own part of the precious data

Figure 7.4 Touch points in CRM versus SCRM (Source: Courtesy of F. Cipriani, "Social CRM: Concept, Benefits, and Approach to Adopt," November 2008. **slideshare.net/fhcipriani/social-crm-presentation-761225** (accessed March 2016). Used with permission)

Example: Get Satisfaction for CRM

Get Satisfaction (**getsatisfaction.com**) is a platform where customers can interact with one another and voice their opinions and complaints. Using a forum, they can quickly get resolutions to their problems. Each community is organized around four topics:

1. **Ask a question**. Customers can answer one another's questions.
2. **Share an idea**. Aggregated feedback is provided from customers (by topic, product, vendor).
3. **Report a problem**. Search to see if anyone posted a similar problem. Post yours.
4. **Give praise**. Customers can praise a product or vendor.

Get Satisfaction provides information on the customers' conversations to interested vendors at no charge.

For an example of a Get Satisfaction Support Community, see **getsatisfaction.com/safarichallenge**.

Conclusions

Implementing social CRM requires empowering the employees, which means that a new set of employee skills may be needed. For a long time, marketers have said that everything starts with the needs of consumers. With social CRM and all the social media product discussions, marketers must now learn how to incorporate this philosophy in their strategies.

Examples of Implementation of Social Customer Service and CRM

There are several models and methods for implementing social customer service. First let us look at what Safeway is doing in this area.

Example 1: How Safeway Provides Social Customer Service

Safeway, a large grocery chain, has a virtual customer club. Members can get in-store discounts as well as e-mails with coupons and a description of what is on sale. An online newsletter with health news and recipes, shopping tips, etc. is also available to members. To extend this service, Safeway invites their customers to become Safeway Fans on Facebook and follow the company on Twitter. This allows customers/members to know about exclusive promotions. Also, members can connect and share information with other Safeway shoppers.

In their "Just for U" program, shoppers can get digital coupons and personalized deals when they click on a certain

coupon, say for milk; then, when they buy milk they get a 10–20% discount. There is no need to clip coupons anymore. For more information, see **safeway.com/ShopStores/Justforu-FAQ.page**.

Additionally, customers can visit the company's blog, *Today at Safeway!*, where the company's team members post items from Floral, Bakery, and other departments throughout the store. Safeway's experts also publish information about nutrition, environmental sustainability, and more. Members of the virtual customer club can comment on the blog and are asked to post original content only.

Example 2: REI Adventure

This fast-growing adventure travel company has a trip planning division that sells outdoor clothing and gear. For customers who want to travel to a specific destination with others who share similar interests, REI Adventure puts together groups of people and fully plans the group trip. The planning documents are prepared manually and shipped to the customers. A fully computerized solution is initiated around Salesforce Sales Cloud. The system has two parts: One for employees and another one for customers. This is basically a social CRM system on both parts. It permits customization of trips to individuals in the groups. The system has a friendly interface, and all documents are sent quickly online. Overall, the system makes customers very satisfied, the employees can serve more customers, the customers can communicate with each other as they discover their adventure destinations. For details, see Brown (2016).

Example 3: How Best Buy Uses Twitter to Provide Real-Time Customer Service

Best Buy is a large appliances retailer. The company uses their Twitter account @twelpforce to interact with customers.

Best Buy empowered its technical support service (called Geek Squad) and other corporate employees (total 4000 participants). There, any employee who finds a relevant tweeted question can answer the customer. The answers are visible on the website, allowing other employees to add information.

For additional examples, see **socialmediatoday.com/tags/customer-service**.

Social Networking Helps Customer Service in Small Companies

Most of the examples provided so far have dealt with large companies. What about the small ones? Obviously, there are some applications the SMEs cannot afford. But many other applications can be deployed.

Example: Teusner Wines

Teusner Wines (**teusner.com.au**) is a small three-person boutique winery in Australia. Using Twitter, the company's one-person marketing department:

- Initiates online conversations about wine with influential people in the wine industry.
- Sends tweets to people he finds talking online (e.g., in communities) about Teusner Wines, praising them for trying the wines.
- Starts to build trust with customers via online conversations.
- Invites people to tour the winery and taste the wines.
- Advises potential customers in the United States and Canada where they can buy the Australian wine.
- Monitors real-time online feedback from customers.
- Encourages customer-to-customer social media conversations.
- Posts customer reviews using Twitter.
- Shares all information with Twitter followers.
- Use Instagram to show photos and get "likes."

All this is done in a tiny company at virtually no cost. For details, see **dottedlinecollaborations.com/social-media/case-study-using-twitter-attract-new-customers**.

For large companies, it is necessary to integrate marketing, customer services, and social networks.

Reputation Management System

Not all postings in social networks are positive. The problem is what companies do when they see negative comments (see Christman 2014 for an overview).

Companies cannot block people from posting negative comments on social platforms, including Facebook pages. If a company blocks such postings, it eliminates the potential positive comments from its fans, losing the positive WOM and customer feedback. If companies delete posts, the poster and others may retaliate. A possible solution for reputation management is to design the space for comments in a way that encourages positive ones. Reputation systems should:

- Build trust in the sellers.
- Promote quality of the products and services.
- Sustain loyalty.

For comprehensive coverage, see **reputationinstitute.com**.

SECTION 7.6 REVIEW QUESTIONS

1. Define the social customer and describe their characteristics. (Consult Chapter 1.)
2. Why and how are customers empowered by social networks?
3. Define social CRM.
4. What are the needs of social customers?
5. List 5–8 benefits of social CRM.
6. How does social CRM differ from traditional CRM?
7. Describe a reputation management system.

MANAGERIAL ISSUES

Some managerial issues related to this chapter are as follows.

1. **How will social commerce influence businesses?** The impacts of social marketing can change the manner in which many shoppers make purchasing decisions. Social commerce will change both B2B and B2C by increasing interactions, engagement, and collaboration. The impact will change business processes, the manner in which companies treat customers and employees, and may even restructure some organizations. A strong impact will be felt in advertising, viral marketing, collaboration, and brand recognition. The impact will also be strong on delivering customer service, conducting market research, and organizing collaboration. For more information, see Jamieson (2014).

2. **Do companies need to sponsor a social network?** Although sponsoring a social network might sound like a good idea, it may not be simple to execute. Community members need services, which cost money to provide. The most difficult task is to find an existing community that matches your business. In many cases, the cost of a social network may be justified by its contribution to advertising. However, social network service providers need to create various revenue models to maintain sustainable services. Creating revenue is the most challenging issue to social network service providers.

3. **Is it wise for a small business to be on Facebook?** The answer depends on the business and on what you are trying to achieve. It could be helpful for those that need to constantly reach customers and/or suppliers. Facebook, at present, may not be very helpful for direct sales. However, just having a presence costs little and therefore should be considered. A major issue for SMBs is the loose security in social networks. See **entrepreneur.com/article/239539** for comprehensive coverage of this topic.

4. **How to deal with false reviews and fake followers?** Unfortunately, there are many fake followers. Some are paid by companies to boost their image; others are paid by competitors. It is possible to use software to detect some fake accounts. These fictitious data can mislead companies when deciding, for example, where to advertise. This issue is discussed in Chapter 8.

5. **Should we embark on selling via social networking?** For most cases the answer would be yes. Just view it as an additional channel to increase sales. Which model to use will depend on the product, the competition, and the potential risks. See Chapter 12 for strategy and implementation. For justification, see cases by Petersen (2014).

SUMMARY

In this chapter, you learned about the following EC issues as they relate to the chapter's learning objectives.

1. **Social commerce definition and evolution.** Social commerce (SC) refers to conducting EC in the social media environment. It can be viewed as a subset of EC where activities are done in social networks and by using social media tools. It operates at the intersection of social media, EC, e-marketing, and supporting theories from several disciplines including social psychology, marketing, sociology, and information technology.

2. **The scope, content, and drivers of social commerce.** Social commerce is a comprehensive field comprised mostly of social media marketing (advertising, market research, and customer service) and social enterprise (problem-solving, recruiting, and collaboration). It also includes social entertainment, social games, and crowdsourcing. Social commerce is driven by the existence of giant social networks, Web 2.0 tools, and the emergence of social customers.

3. **Benefits and limitations of social commerce.** A large number of benefits are available for customers, retailers, and other businesses. Customers can get better prices, improve customer service, and also receive social support (e.g., product recommendations) from friends. They can find new friends as well, and establish new contacts. Retailers can reach more customers, get quick feedback, improve relationships with customers, go global, and use free word-of-mouth marketing communication. There are also benefits to businesses. Businesses can conduct fast and inexpensive market research, recruit employees from all over the globe, innovate, collaborate, and locate experts when needed.

4. **Describe social shopping.** Social shopping refers to online shopping that is supported by social media and involves friends and online social media communities. The major drivers are the large number of people who are engaged in social networking, reliance on friends' recommendations, the potential of receiving large discounts for the buyers, the increase of sales volume for the sellers, the socially oriented shopping models, and the rise of the social customer.

5. **How advertisements and promotions are conducted in social networking.** The major driver of SC is the money spent by advertisers who see a huge potential market. Advertising can be done in many ways. Using word of mouth is almost free for companies, but it can be dangerous (e.g., negative comments). The use of banner ads and other paid advertisement and social search models generate billions for social networks (mostly to Google and Facebook). Large numbers of advertising apps exist. Also, bloggers can provide positive (but sometime negative) comments. Many companies have developed special campaigns that engage community members in advertising-related activities (play games, vote, generate ideas, etc.). In addition, advertising on Pinterest, Twitter, and YouTube is becoming popular.

6. **Conducting social customer service and CRM.** When the CRM platform involves social media (e.g., Web 2.0 tools and social network sites), CRM is referred to as social CRM (SCRM). SCRM provides many benefits for customers, vendors, and public institutions that include an improved relationship between the empowered customers and the vendors, and service providers as well as providing better service to customers. The evolution to SCRM can be described along the following five dimensions: The landscape (e.g., structure and focus); the touch points (e.g., the use of social media tools); business processes (e.g., how to listen to customers); the technology (e.g., socially oriented tools); and the organizational mindset (e.g., patterns of interactions). This evolution is driven by the explosive use of social network sites, the rise of the social customer, and the importance buyers place on social recommendations. Customers are empowered by social networks, so they can get attention quickly for problem resolution. Organizing a Facebook complaint blitz is not difficult. Customers can make suggestions for improvements and vote on them.

KEY TERMS

Communal shopping (collaborative shopping)
Customer relationship management (CRM)
Enterprise 2.0
Geosocial networking
Social business
Social commerce (SC)
Social customer
Social customer relationship management (SCRM; CRM 2.0)
Social marketplace
Social media marketing (SMM)
Social shopping (sales 2.0)
Viral blogging
Viral marketing
Viral video
Virtual economy
Virtual goods

DISCUSSION QUESTIONS

1. Compare social computing to traditional computing.
2. Discuss the social element in social media.
3. Discuss the contribution of social commerce to e-commerce.
4. Compare Polyvore to Pinterest.
5. Discuss the reasons why people buy virtual goods.
6. Discuss how traditional online vendors can add social networking capabilities to their sites.
7. Under what circumstances would you trust an expert's recommendation rather than a friend's?
8. How can marketers use social networks for viral marketing?
9. Why are advertisers so interested in social networks?
10. Discuss the issue of possible fraud in P2P transactions.
11. Discuss the shortcomings of user-generated reviews and recommendations.

TOPICS FOR CLASS DISCUSSION AND DEBATES

1. Debate the privacy dangers to social shoppers.
2. Debate: "Is the social media influence on purchasing overrated?" Start by viewing the slideshow titled "Social Media Influence on Purchase Overrated" (McCafferty 2011) at **baselinemag.com/c/a/Intelligence/Social-Media-Influence-On-Purchasing-Overrated-660095**.
3. Debate: One day all e-commerce will be social.
4. Daily deals are being offered today by many off-line and online retailers and other organizations (e.g., newspapers). Only on the Internet are these offers common. Is there a need for intermediaries? Debate.
5. Discuss how trust is affected in social shopping. (Consult: Bazaarvoice.com 2011).

6. Why do you think that Wanelo is popular?

7. Examine Facebook Offers. What is the potential of the viral service? What is the advantage of mobile newsfeeds? Explain the competition with Living Social.

INTERNET EXERCISES

1. Enter **smartmobs.com**. Go to the blogroll. Find three blogs related to social commerce, and summarize their major features.

2. Enter **thisnext.com**. What are the features of the site? What do you like? Dislike? Why?

3. Enter **salesforce.com** and identify all SCRM activities supported by the company, especially those related to their Chatter product. View the slide show at: **slideshare. net/Salesforce/salesforce-customer-servicebest-practices-25640141**. Write a report.

4. Enter **salesforce.com/dreamforce/DF14**. Find topics that deal with SCRM. Write a summary.

5. Enter **bazaarvoice.com**. Summarize its major services. Examine SocialConnect.

6. Enter **tkg.com/social-media-marketing**. Prepare a list of information you can get there about social shopping.

7. Enter **select2gether.com**. What services can you get from this site?

8. Enter **powerreviews.com**. Compare their activities to those of similar sites.

9. Enter **deal-of-the-day-review.toptenreviews.com**, and summarize the lessons learned.

10. Enter **socialshoppingnetwork.org**. Find material related to this chapter. Write a report.

TEAM ASSIGNMENTS AND PROJECTS

1. **Assignment for the Opening Case**
   (a) What social media tools and platforms does Sony use?
   (b) How does each tool facilitate customer service?
   (c) What are the major benefits of social CRM to Sony?
   (d) Relate Sony's use of Pinterest to social CRM. (Start by entering **community.sony.com**.)
   (e) Find CRM-related activities. Summarize.
   (f) Go to Sony's community and ask a question. Get results. Summarize four experiences.

2. Facebook is increasingly offering marketing tools (e.g., Open Graph, Social Plug-ins). Identify all the tools offered. Each group concentrates on the business implications in one of the following areas: advertising and search engine optimization (SEO), shopping, market research, customer service, CRM, and others. Make a class presentation.

3. Each group adopts one or two of the following companies that actively advertise and engage on Facebook and Twitter: Coca-Cola, Starbucks, Ford, Pepsi, Levi's, Disney, Victoria's Secret, iTunes, Toyota, Sony, or P&G. Find and summarize what advertising methods they use and how they do their campaigns. Write a report.

4. The class will investigate group buying in China and India. What is the prospect for group buying in Asia? (Start with Madden's article "China Pioneers Group Buying Discounts Without Groupon" at **adage.com/article/global-news/advertising-china-group-buying-discounts-groupon/147641**. Also check WoWo Ltd. in China.

5. The class reads Gil (2015) and divides the 50 predictions among groups. Research progress and submit reports.

CLOSING CASE: GROUPON: WILL THE COMPANY PROSPER?

The name Groupon is a combination of *group* and *coupon*. Groupon was founded in November 2008 and has been considered the fastest-growing company ever by 2012 (in terms of sales). Initially, Groupon offered both *group buying* and *deal of the day* (one highly discounted deal per day) in selected metro areas in the United States. As of 2014, Groupon serves 500 markets worldwide, in 48 countries.

The Opportunity

Groupon is a start-up that offers special highly discounted deals, mostly via e-mail. The idea is that when subscribers hear about a big discount, they would forward the news to friends who may also place an order (the "social" element). Initially, the more buyers who joined in the sale, creating a group buy, the larger the discount. However, this model has been changed as will be described next.

The Solution

To exploit the opportunity, Groupon developed a unique business model.

The Initial Business Model and the Strategy

According to Groupon (**groupon.com**), the company offers special sales, called "Groupons," in each city that the company serves. The advertised deal lasts for a limited time (usually between 24 and 72 h) and becomes available to all registered members. According to Groupon's customer service department, in the past, Groupon's policy was to guarantee

Figure 7.5 The business model
and process of Groupon
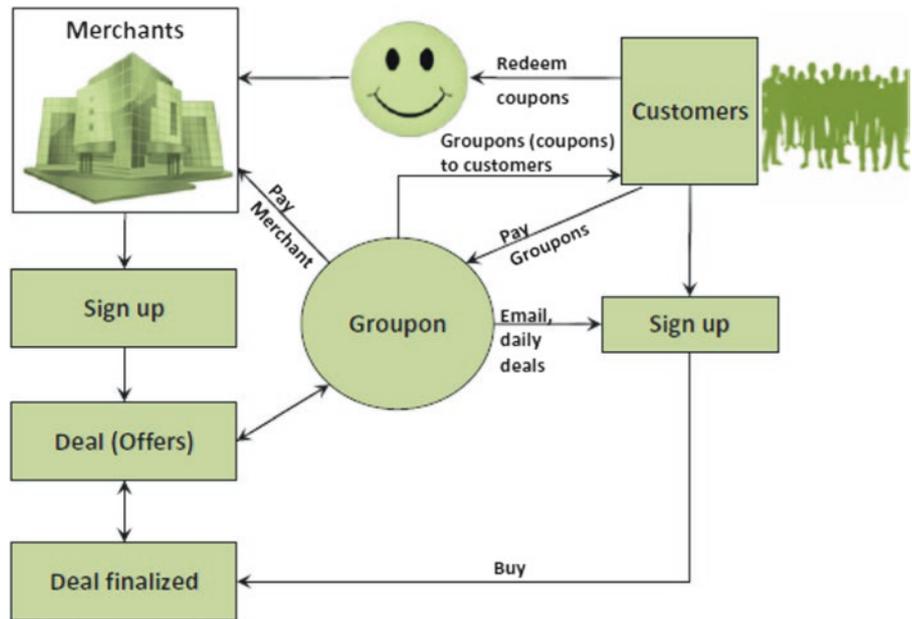
participating merchants a certain number of sales. In other words, the customer would only get the discount if enough people (hence, the "group" element) purchased that particular Groupon. If Groupon did not meet that promised quota, there was no need for the seller to honor the deal, nor was any commission paid to Groupon, and the customer was not charged.

Groupon charges advertising and promotions fees, usually a percentage of the revenue generated by the sellers. The retailers can use the system to promote their business, gain new customers, and run sales during their slow seasons (e.g., running a promotion such as liquidation during the late summer). The initial process, a combination of *group buys* and *flash deal models*, is illustrated in Figure 7.5. Today, it is basically a flash (daily) deal. The reason merchants are willing to offer a 50–80% discount to volume shoppers is that the merchants' marketing and overhead costs are lower, while their market share is increased.

Groupon's business strategy is to work with quality merchants who are willing to provide substantial discounts. Groupon uses both traditional e-mail and social networking (e.g., Facebook, Twitter, Pinterest) to promote the deals. Deals are e-mailed directly to members when available, but those interested in current daily deals can go to the Groupon website (Groupon Goods; **groupon.com/goods**). Groupon offers a "refer a friend" program, where the shopper can earn $10 for every friend they refer who buys their first deal (see **groupon.com/referral**).

Benefits and Expansion

The major benefits to customers are:

- Steep discounts (50–80%).
- Discovery of new/specialized services and products.
- Deals related to the daily offer are presented by Groupon.
- Useful recommendations provided to family and friends.

The major benefits to merchants are:

- Can sell larger quantities and liquidate merchandise, quickly.
- Save on advertising and marketing expenses (e.g., by using viral advertising).
- Get repeat customers (if they like the deal and the service, customers will come back).
- Lower customer acquisition cost.
- Knowledge of and collaboration with vendors in a close geographical area.

Limitations of the Model

Smaller vendors may not be able to fulfill large orders generated by Groupon. For example, a restaurant in Tokyo sold 500 Groupons for a traditional New Year's dinner, but the business was unable to process the orders in a timely fashion due to the overwhelming demand of the orders. Apparently, some of Groupon's deals became too large for vendors to fulfill, and customers complained about late deliveries and about orders arriving "in terrible conditions."

In response to such a problem, Groupon officials have created formulas to help vendors it partners with to determine how to meet consumer demand, and how many coupons to offer (capped the orders to a reasonable number).

Another limitation is that some businesses may not make money on the deal and may possibly even suffer a loss. Finally, although Groupon and similar companies can generate large revenues, they may have large expenses as a result, and actually lose money by offering more deals. Thus, the profitability of the model is questioned by many, especially in light of the strong competition.

Groupon is attempting to become more than just a deal of the day business. As part of their branching out, in November 2013, Groupon opened an e-commerce "marketplace" (online retail site), known as Groupon Goods (**groupon.com/goods**), which focuses on slightly discounted products. These deals also have a time limit (ranging from 3 to 7 days).

In 2011, Groupon partnered with Expedia (**expedia.com**) to launch Groupon Getaways (**groupon.com/getaways**), which focuses on discounted travel (hotels, tours, etc.).

Groupon also has a program called Groupon "Reserve" (**groupon.com/reserve**), where participating restaurants give diners discounts when they have empty tables. Unlike the usual daily deal where you buy a voucher, with Groupon Reserve, you make a reservation online and show up.

By March 2016, over 50% of North American transactions were completed on mobile devices (see **groupon.com/mobile**).

The Competition

As with any successful business, there are many companies that are attempting to clone Groupon. Worldwide, there are thousands of similar sites. For example, there were over 1000 similar companies in China alone, but many did not succeed. Nevertheless, as of November 2013, Groupon's only *serious competitor* is LivingSocial (**livingsocial.com**), sponsored by Amazon.com, with competition from Google emerging. Google Offers (**plus.google.com/+GoogleOffers/posts**) which is available on Google+. Other notable competitors include Gilt City (**giltcity.com**), Gilt Groupe (**gilt.com**), Woot! (**woot.com**; an independent subsidiary of Amazon), and HomeRun (**homerun.com**; available nationally and in limited cities along with three European coun-

tries). Yipit (**yipit.com**) is an e-mail-based "daily deal aggregator" that gathers deals (in your city) on products from daily deal sites such as Groupon. Tell Yipit what you want, and they will alert you when there are deals that match. Groupon still controls more than 50% of all daily deals in the USA.

Possible future competitors include Yahoo!, Amazon.com, Yelp, and local and national newspapers. Finally, some major retailers, manufacturers, and service providers (e.g., Walmart, Home Depot) offer daily deals independently.

Factors in the Competition

It is challenging to compete with Groupon, given its large size and resources. Therefore, competitors use strategies such as concentrating on a niche market, which targets consumers in smaller demographics, such as one product, or one industry (e.g., tickets for sporting events; **crowdseats.com**, travel, food, and fashion). In addition, some sites concentrate on a small territory (e.g., a city) where they have a competitive advantage (e.g., see **scorebig.com**).

Several sites have either folded (e.g., Facebook Deals) or were acquired by another company. For example, BuyWithMe was purchased by Gilt Groupe, Buy.com was purchased by the Japanese company Rakuten.com Shopping (**rakuten.com**), and private travel site Jetsetter (**jetsetter.com**) was acquired by TripAdvisor in 2013. As of March 2014, Groupon has acquired 30 sites, including the hotel booking site Blink (**blinkbooking.com**), which is now known as "Blink by Groupon." In January 2014, Groupon announced that it had has acquired "Ticket Monster," a Korean e-commerce company (a subsidiary of LivingSocial).

Recent Developments

In 2015, the company lost money and laid off 1100 employees and closed operations in nine countries. (For the downsizing, see Lunden 2015). Groupon, Inc. (2016) reported in its news version 16.3 about significant efforts to return to profitability. Among them are:

- Mobile and Web tools are in one brand-Groupon Merchant
- Groupon Merchant tablet app includes several useful capabilities for merchants (see Lunden 2016).
- Several features were added to expedite transactions
- Expand its travel deals (see **groupon.com/Getaways**).

In addition, Groupon launched its own food delivery business (Perez 2015a). Groupon is using social media to advertise its operation.

Example: The Banana Bunker Going Viral
To promote the product sold by Cultures Containers Company, Groupon started a viral campaign. Groupon provided the plastic

banana carrier with a 3-pack deal. Groupon steered the conversation about the product to create a flood of curiosity. The viral flood received the attention of *Forbes*, *AdWeek*, *Mashable*, *U.S. Magazine*, and *Buzzfeed*. For details, see Kissmetrics (2015).

The Results

In 2010, Groupon rejected a $6 billion buyout offer from Google. Instead, the company went public on November 4, 2011, raising $700 million. Share prices soared 31% the first day, bringing Groupon's valuation to about $16 billion. Since then, the share price has declined due to concerns about profitability. Groupon lost money until the first quarter of 2013. After large losses in 2015, the company started to recover in late 2015 and 2016.

Sources: Based on **grouponworks.com/merchant-resources** (accessed March 2016).

Questions

1. It is difficult for sellers to do business with Groupon. Many merchant applications are dismissed by Groupon. Why do you think Groupon is so strict and how will this policy affect the competition?
2. Some claim that Groupon is an e-mail list that charges advertisers to send out their coupons (called Groupons). Comment.
3. Groupon is changing its business model again, moving from coupons to discount sales. Comment on this business model.
4. Write a short essay on Groupon's chance of survival in the intensely competitive environment. Examine its revenue model and expansion plans. Check stock market analysts' report about the company.
5. Learn more about Groupon's order fulfillment (e.g., ability to handle volume, control of deliveries, and dealing with marketing and competitors). Write a report.
6. Groupon also deals in B2B. Search the Internet and find out how this is being done and how successful it is.

ONLINE FILES

Available at **ecommerce-introduction-textbook.com**

W7.1 Application Case: Social Money Lending: Zopa and Prosper
W7.2 Examples of Successful Location-Based Applications

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