The 2011 Social Shopping Study

Brief II:
Consumer Research Dynamics –
Facebook and Customer Communities

October 2011

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I. Thoughts from the Author

Our initial brief in this 2-part series explored the evolving role of user-generated content from a channel, device, and research point-of-view. We are now going to broaden our dialogue to discuss community, an area heavily in flux relative to online research and user-generated content as touched upon in Brief I, emphasizing Facebook.

As social and sharing conventions become an important part of our culture, they are also pervading and integrating within the online shopping experience, making it imperative for us to understand their dynamics. Being a precursor to broader social strategies, the insights gleaned from retail communities are valuable, serving as a transition to our more topical Facebook discussion. Through survey findings and food-for-thought questions, this brief will cover how both are utilized, the ways and degrees in which consumers are participating, along with what they seek to accomplish during those experiences.

The ability to compare and contrast retail community behavior to that seen via Facebook sheds light on opportunities for retailers, with a watchful eye on bottom line performance. We encourage merchants to move beyond their preliminary, low levels of participation as this "social" audience likely represents the future of online shopping behavior. Today's voyeur is tomorrow's customer so understanding the shifting embrace of both community and Facebook will be time well spent.

the e-tailing group

Think Social!

Lauren Freedman
President, the e-tailing group

II. Retail Communities

Introductory Premise

Many retailers offer an experience that allows you to become part of their internal communities, moving beyond standard shopping fare. Examples might include community forums, discussion boards or blogs on websites such as REI, Staples, Room & Board and others. We wish to understand your involvement with these retailers' internal communities.

Food-for-Thought Questions

- ✓ What level of impact will communities on retail websites have for online shopping experiences?
- ✓ When visiting retailer sites, will online visitors embrace community elements?
- ✓ Do consumers only seek out community in categories where they are passionate about the brand, product or retailer?
- ✓ Which community components merely drive engagement versus spurring purchasing?
- ✓ Will community elements cause shoppers to buy more products on retail sites or merely connect with one another and the brand?

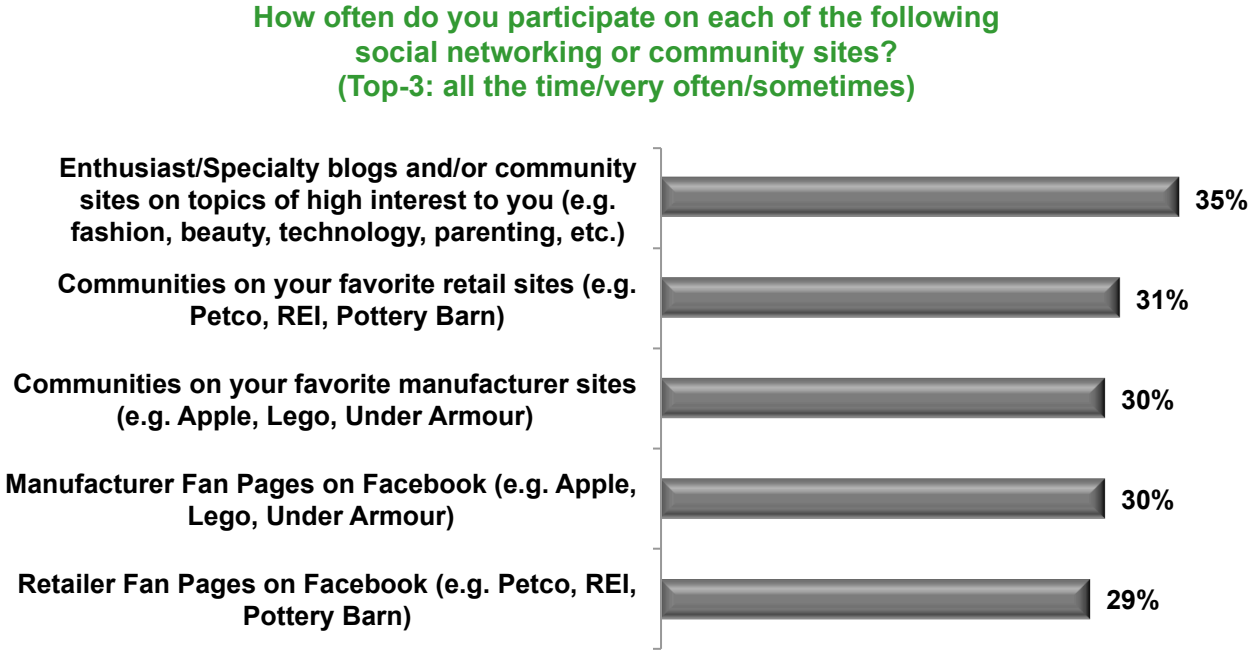
Top Line Findings: Retail Communities

- A narrow segment of individuals is involved in social networks/community sites
- Participation centers around "wanting" something such as promotions, reviews or providing input
- Onsite communities are not important to ultimately making a purchase

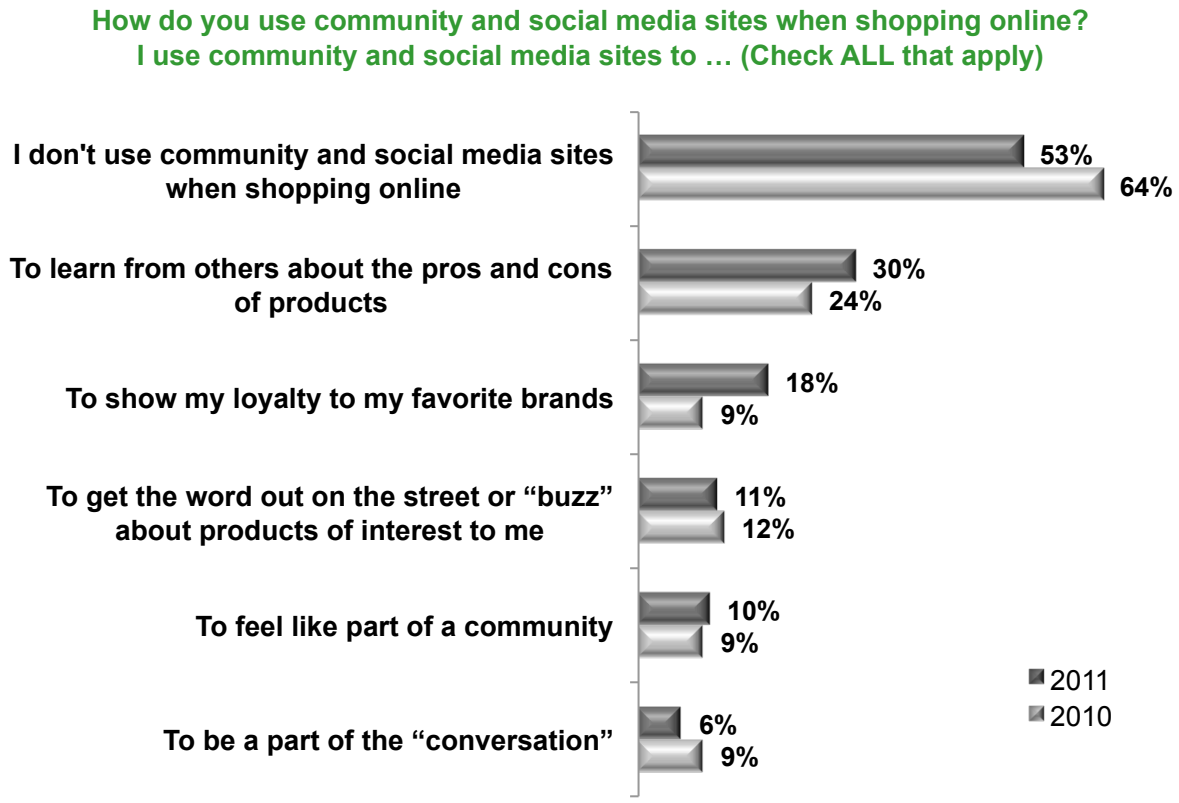
The Online Community Participant

There appears to be a contingent of consumers who embrace social elements on shopping sites. One in three people participate in social networking or community sites "all the time/very often/sometimes." While this may be a small segment, it is instructive to note that enthusiast or specialty blogs top our list of locations where participation is strong.

Involvement across onsite retail and Facebook fan pages is also consistent across-the-board where one in three consumers partakes of community offerings. While participation numbers may be limited, we believe their influence is significant as this consumer's knowledge and passion for a particular category make them a force to be reckoned with among retailers. The power of their pocketbook is highly coveted and can be a direct result of that passion.



Although one in two consumers do not use community or social media sites, year-over-year more people are tapping into these sites to connect and learn when shopping online. Consumers wisely take advantage of these websites to hear from others about the pros and cons of products they are researching prior to purchasing. There is limited interest in showing one's loyalty to a favored brand or retailer while sharing products of interest or the viral buzz surrounding favored items. The desire to feel a part of the social fabric or conversation also saw limited penetration among consumers.



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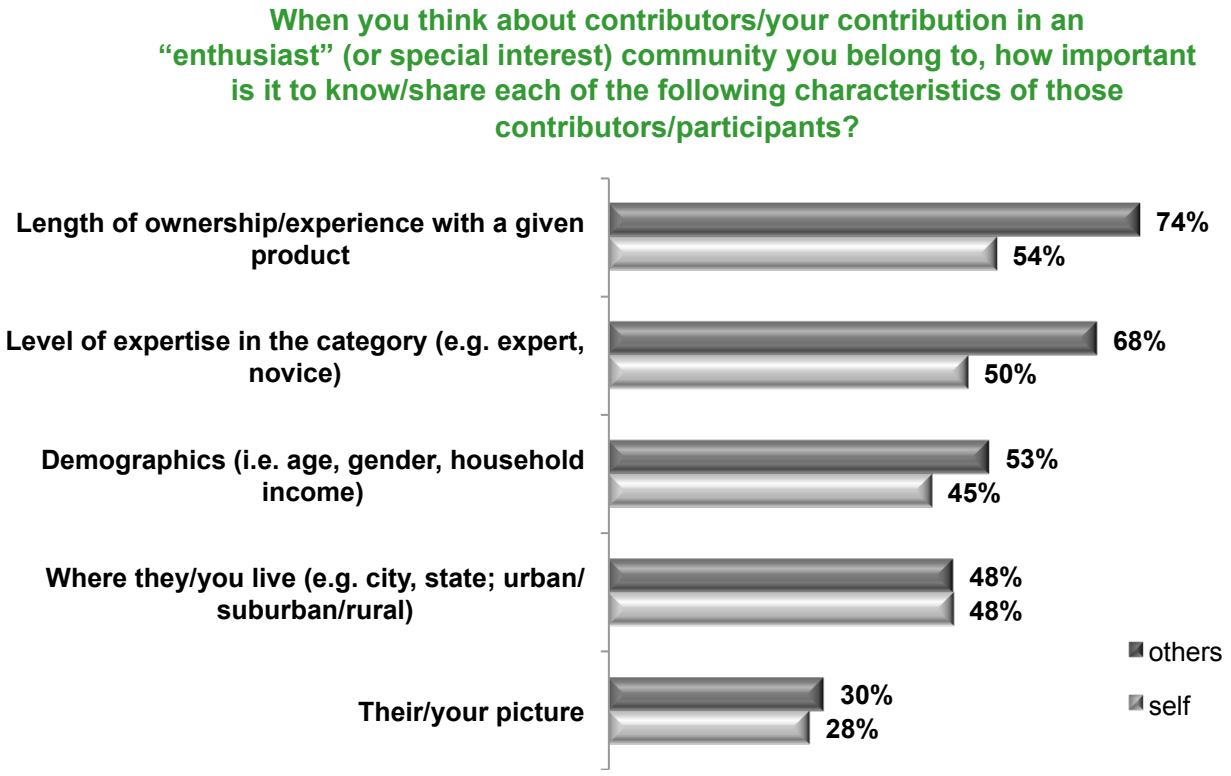
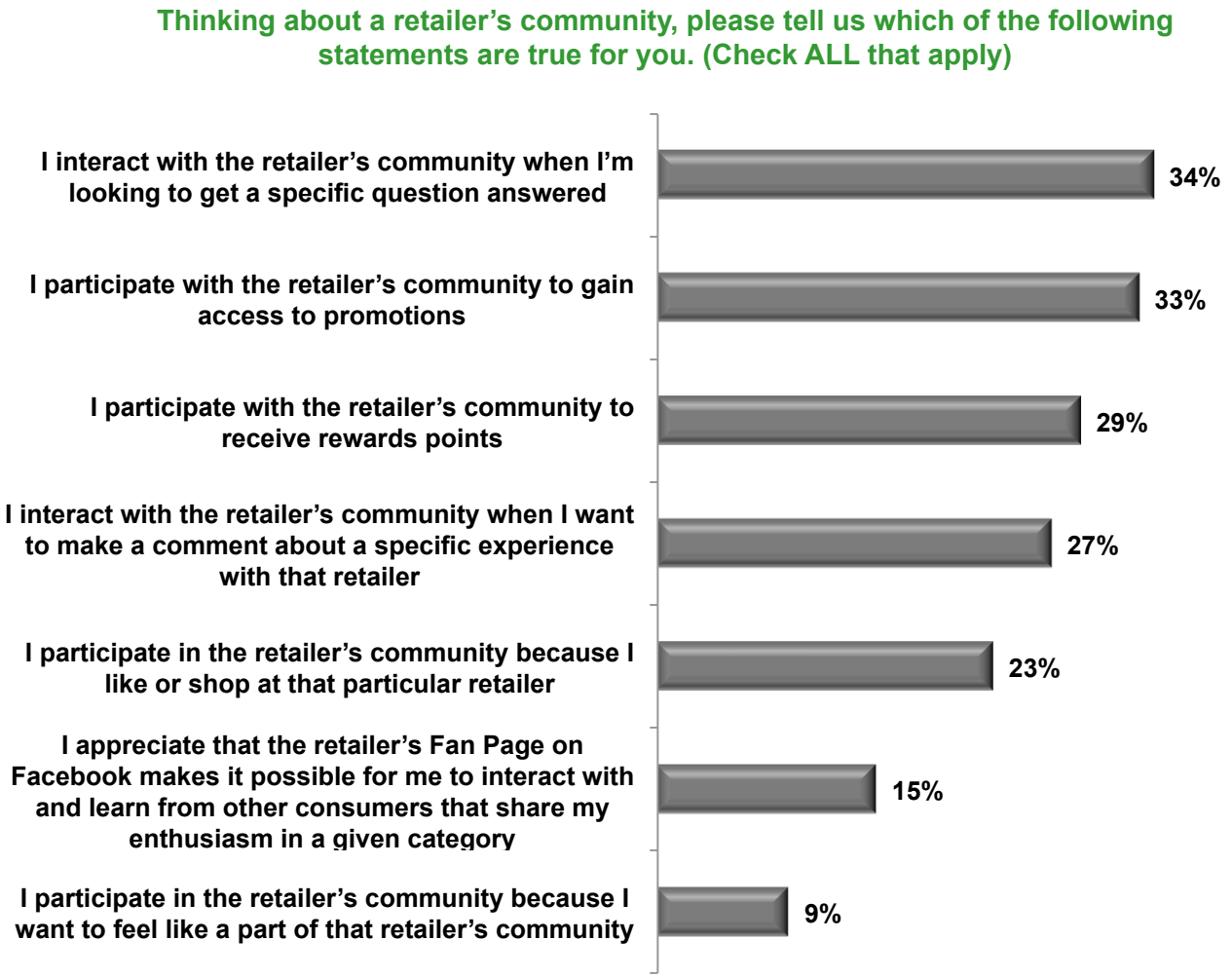
Contributors to Communities

We looked to understand how individuals contribute to communities as well as what others expect when seeking information or capitalizing on knowledge from people in a community environment. Expertise is the most important characteristic for others or one's self as contributors to a community. From a product perspective, length of ownership or time spent with a product is overwhelmingly seen as the most important characteristic of a contributor. Expertise follows closely behind as matching one's own skill level with a contributor ensures that product selection be based on input from like individuals. Beyond these two attributes, demographic data including age, gender, income, and residence come into play along with a picture shared to frame the experience and further connect with a contributor.

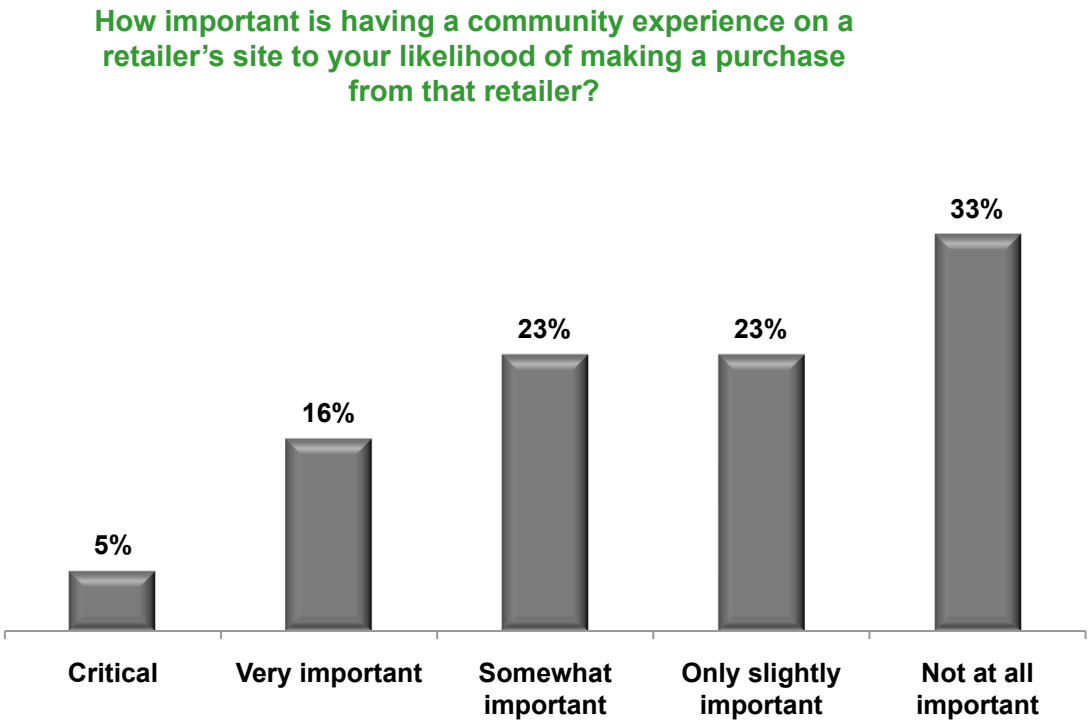


Once again, consumers told us their reasons for participation center on information they seek or rewards they hope to garner from participation. In general, our research indicated that people "want something" from a retailer's community – a question answered, access to promotions or even a reward. Questions asked range from product information to those related to service concerns. Promotions, of course, include access to coupons for instant savings online or in the store while points center on a reward to be received at a later date. One in five have a broader interest in connecting with a favored retailer by sharing sentiments, expressing loyalty or taking advantage of their Facebook location to interact.



Commerce and Community

Lastly, we returned to purchasing behavior, where influence is limited at best. Our research indicated that a community experience on a retailer's site may or may not impact the likelihood of making a purchase. For 21% it is critical to very important; 56% consider it slightly or not at all. We caution that one should look beyond the numbers charted below. The power of these community-centric participants to drive revenue can deliver a significant sales contribution. Moreover, their passion for a brand and resulting retention can yield a customer with a high lifetime-value.



III. The Facebook Factor

e-tailing group Insights

Before we delve into our PowerReviews research relative to Facebook, it will be prudent to share Facebook's sphere of influence as revealed from the e-tailing group's proprietary research. This look at the penetration of community features from our 4Q10 *Mystery Shopping Study* of 100 retailers (EG100) zeroes in on merchant adoption seen over the past few years.

Merchants appear eager to hop on the f-commerce (Facebook) bandwagon. As they flock in droves to **social media** outlets like Facebook, Twitter, and YouTube, it is in the community and social aspects of our *Mystery Shopping* study where the most dramatic changes can be seen.

Notably, 83% of the sites in our study encourage shoppers to **connect with their brands** via one of the social media venues, up from just 60% last year. Nearly all of these merchants have a **Facebook** presence (96% vs. 85%) and 87% are established on **Twitter** vs. 73% last year.

The breakout social tactic is the **"like" button**, not even in existence on ecommerce sites in 2009. Our 2010 study finds it integrated on 36% of the EG100 sites, with more joining the ranks every day. "**Sharing" icons** are still factors too, rising to 75% penetration from 67%.

SOCIAL/MOBILE	4Q 2010	4Q 2009
Link to Social Networking Site	83%	60%
Facebook	96%*	85%*
Twitter	87%*	73%*
You Tube	43%*	35%*
Share	75%	67%
"Like" Button	36%	N/A

Source: the e-tailing group 13th Annual Mystery Shopping Study
** Subset of metrics*

Perhaps, it is even better to anticipate future shopping patterns from the highlights gleaned in our *Annual Merchant Survey*, completed by 200 top retailers in early 2011. The message is loud and clear as beyond reviews, the social media tools that most merchants employ/plan to employ are Facebook-related. These findings dovetail nicely with the earlier community results and are also an important response to consumer behavior exhibited throughout our joint *e-tailing group/PowerReviews* research.

Which Community and Social Media tools does your company employ today or plan to employ?	Employ Today	Plan to Employ in the Next 12 Months	Considering for Future, Beyond 1 Year	No Plans to Employ
Facebook page (company fan page on Facebook)	82%	8%	5%	5%
Customer reviews (user-generated product reviews)	66%	20%	12%	2%
Twitter publishing (monitor, respond to and post tweets)	53%	22%	13%	12%
"Like" buttons on product pages (allows friends to view other friends interests)	52%	30%	10%	8%
Blogs (periodic blog postings to your customers)	48%	22%	12%	18%
Social listening tools (tracking the sentiment of online conversations about your company)	37%	26%	22%	15%
Viral videos (distributing user-generated videos or creating your own)	34%	20%	23%	23%
Facebook connect (allows users to post content about my company to their friends)	34%	29%	25%	12%
Questions and answers (customers asking and answering questions about your products onsite)	26%	22%	26%	26%
Community forums (for conversations among customers & between you and customers)	22%	20%	24%	34%
Product suggestion box (forum for customer to share ideas/ suggestions for product improvements)	20%	26%	23%	31%
Facebook Shop (allows shopping without leaving the Facebook interface)	15%	32%	35%	18%

Source: the e-tailing group Annual Merchant Survey, 2011

In these early stages, merchants are looking for engagement and relationship building rather than revenue from social media initiatives. Research and development dominates participation where learning before earning is a reality faced by retailers. Other important survey findings relative to social media include:

- 50% of merchants report that social media represents less than 3% of their marketing budget
- Social media success is being measured by the number of Facebook fans (78%) or Twitter followers (61%)
- Click-throughs from social media to retail sites (53%) and sales from social networks (47%) are also strong

Rate your level of agreement with each of the following statements relative to your company's ROI from social media initiatives.	Strongly Agree	Somewhat Agree	Neutral Agreement	Somewhat Disagree	Strongly Disagree
Social media is all about engagement and building stronger relationships with our customers	44%	36%	16%	2%	2%
We are testing social media and see our efforts to date as mostly R&D	25%	47%	16%	8%	4%
Social media tactics are growing our ecommerce business	12%	29%	30%	17%	12%
We have seen substantial or significant ROI from our social media efforts to date	4%	14%	37%	23%	22%

Source: the e-tailing group Annual Merchant Survey, 2011

Food-for-Thought Questions: Facebook

- ✓ Are those consumers that favor Facebook focused on buying or simply connecting?
- ✓ Will active users of social media also take advantage of featured retail offers and information on Facebook?
- ✓ What level of incentive or reward must retailers offer to drive traffic to Facebook Fan pages?
- ✓ Which tools and technology will Facebook displace from a marketing perspective?
- ✓ What budget investment is optimal to make an impact from Facebook initiatives?
- ✓ Where within the Facebook experience can retailers optimize shopping opportunities?

Top Line Findings: Facebook

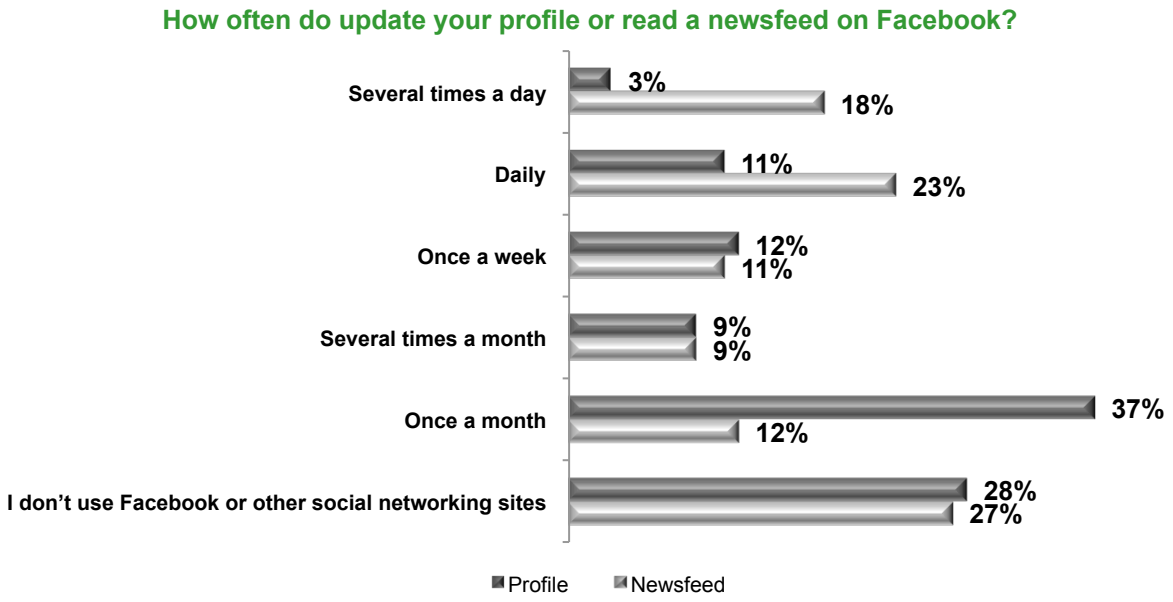
- Consumers' connection to Facebook via retail sites is limited
- Reading of newsfeeds happens more frequently than profile updates
- From a retail perspective, promotions drive Facebook participation

Facebook User Behavior

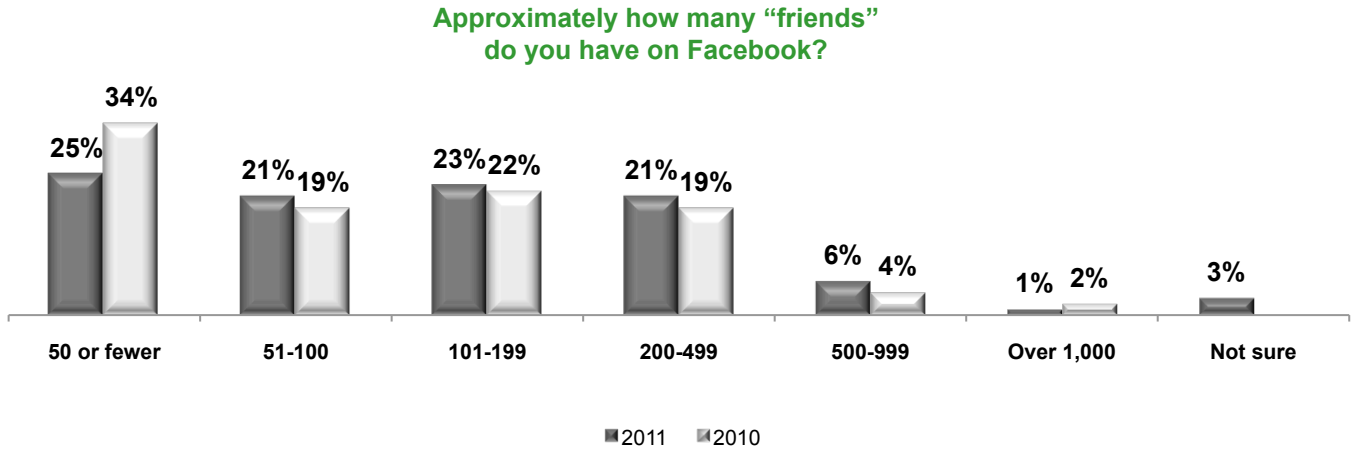
Another look reveals that one in five consumers has connected to Facebook from a retailer's website. Piggybacking on that group, 21% expect to connect in the coming year so changes will likely be seen in both their browse behavior and buying patterns.

Relative to the behavior of Facebook users, our research finds that feeds are read more frequently than profiles are being updated on Facebook. The focus appears to be on extracting information from those feeds while a baseline profile is adequate, providing the necessary information to feel part of the experience. Heavy usage (daily +) is at 11% while weekly/monthly updating is the rule for 21% of users, and a passive audience profiles once a month (37%).

For some active participants newsfeeds may be replacing email where daily+ consumption is the norm for 41% of the audience polled. The remaining social activists split their investment into weekly (11%), several times a month (9%) or simply a monthly visit (12%). Keeping information interesting and current will ensure visitors return more frequently while the right incentives will ideally inspire shopping behavior.

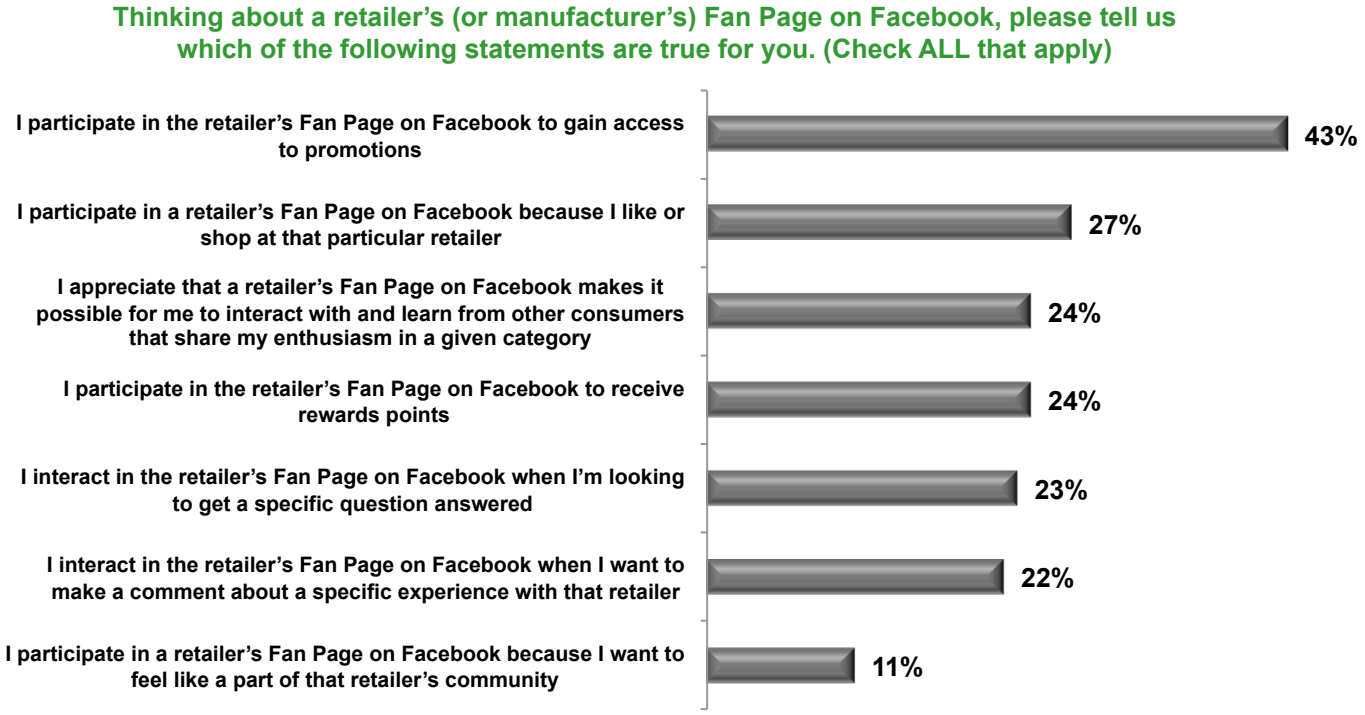


The number of "friends" one has on Facebook has increased across-the-board relative to last year's research where active involvement appeals to some. On the contrary, almost half of those surveyed (46%) have connected with fewer than 100 friends. The implications for retailers center mostly on using one's network of friends for viral sharing of shopping information that encourages others to learn and subsequently make a purchase of their own.



Just as in most of retail today, promotions drive participation on retailers' Facebook Fan pages. Shoppers are willing to participate but only if they stand to gain from that access. The greatest level of participation comes from access to promotions, often seen from signing up and the ability to secure Facebook-only promotions.

Remaining behavior is more random and one in five shoppers reports the charted activities. They include visitors who tend to be more voyeuristic and, as a fan of a particular merchant, want to be in tune with their social pursuits. Additionally there is interest in connecting with like individuals who share an interest in a given retailer. Rewards are a factor along with getting questions answered as well. Worthy of note, behavior seen on retail community sites is very much mirrored on Facebook fan pages.



The "Like" Factor

We sought to also understand whether consumers are willing to make a minimal commitment such as "liking" and if so how often would they take a second of their time to make such a statement online.

"Liked" sees low adoption with equal action taken for retailers, manufacturers, and products. Here too we find that one in three consumers will get minimally involved (1-5 times a month) while other consumers vote more often, though behavior is consistent regardless of participation levels.

Over the last 30 days, how many times have you "Liked" each of the following types of companies?	More than 20 times	11-20 times	6-10 times	1-5 times
A retailer (e.g. Target, Best Buy, Pottery Barn, etc.)	5%	7%	10%	34%
A manufacturer (e.g. Converse, HP, Apple)	4%	5%	11%	31%
A product (e.g. iPad, lipstick, shoes)	4%	6%	11%	32%

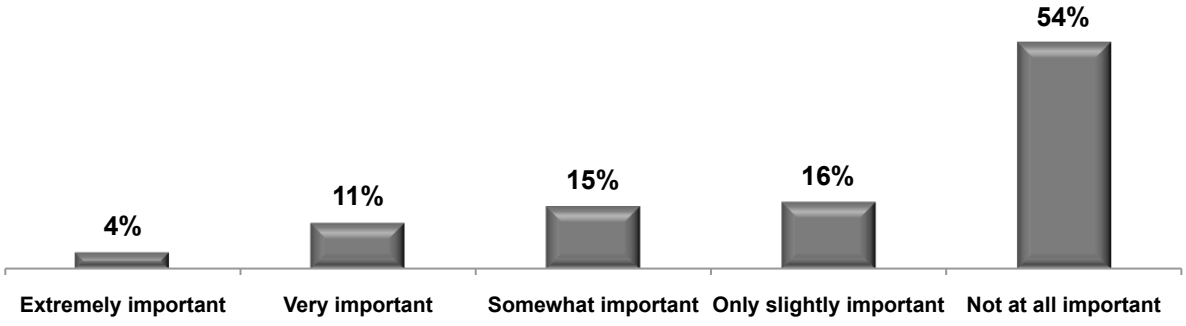
Interest in "liking" is rewards-based as revealed by the numbers that foster connecting. A desire to share customer service sentiments (55%), participate in a poll (51%) or peruse a store ad (48%) are voiced via this research. Of those who "Liked," access to promotion codes is the most important opportunity to further connect via a company's Facebook Fan Page (63%).

Personalization

We then moved outside of the Facebook world setting up a somewhat different scenario: “Today there are many chances to connect to your own social circle through retail websites such as that shown in the Amazon example below. By connecting to Facebook, Amazon can provide personalized product recommendations based on your profile and network of friends.”

One in three shoppers thinks it is important for retailers to personalize the site experience and connect product recommendations to their Facebook account. Unfortunately half of the shoppers surveyed see no importance at all. This is insightful given our expectation that the most sophisticated shoppers, who experience the benefits of user-generated content, would welcome the Facebook connection and respond more favorably.

How important is it for you, as a shopper, to have a retailer personalize the site experience and connect product recommendations to your Facebook account?



IV. ON THE HORIZON

One can only surmise that we are in the early phases of engaging the average consumer in social dynamics, which will forever alter their shopping behavior. It will be essential, given our findings, that promotions and rewards initially steer the shopper to embrace more social experiences. We expect the following patterns to play out. First, younger audiences who have been reared on such social connections will become more important participants in the economy and their influence for retailers will grow exponentially. Secondly, mainstream shoppers, who are often late adopters, will likely find themselves drawn in through discounts, a desire to solve a problem, and/or share a sentiment.

Facebook will become a more important shopping conduit tool to connect and share with retailers or friends, sparking greater interest and a reason for retailers to continue to invest here and in other community channels. The learning that emanates from participation in emerging outlets has always been invaluable for the retail community. We anticipate that retailers will again be the beneficiaries, as they understand more fully the long-term implications of these social dynamics to the bottom line. It is this element that will ultimately impact retailers' level of participation and cement the ability of "community" to endure as a meaningful marketing tool.

V. ABOUT THE COMPANIES

ABOUT THE E-TAILING GROUP

The e-tailing group is a niche e-commerce consultancy that helps merchants deliver the right customer experience on their websites and across all of their channels while adeptly assisting technology companies to create and execute go-to-market strategies that simultaneously educate the retail community and deliver cost-effective thought leadership and lead generation. For more background about our research or for additional information on the e-tailing group, inc. please contact Lauren Freedman via email at LF@e-tailing.com, by phone to 773-975-7280 or visit the e-tailing group website www.e-tailing.com.

the e-tailing group

ABOUT POWERREVIEWS

PowerReviews is the world's largest social commerce network, with more than 35 million products and services across more than 5,500 websites. PowerReviews helps manufacturers, brands and retailers organize and manage consumer insights to drive sales, increase traffic, shape R&D and build brand loyalty. The company's open network of more than 23 million consumer insights serves as the underlying engine for a new generation of commerce.

PowerReviews