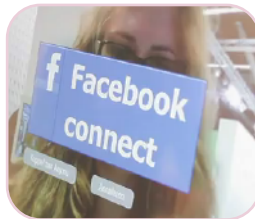
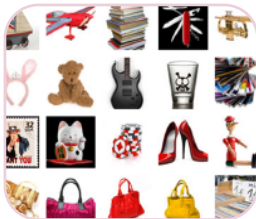
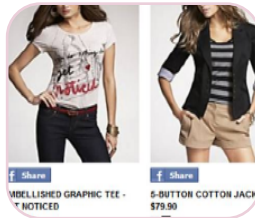


J W T

SOCIAL COMMERCE



JULY 2011

TABLE OF CONTENTS

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| | |
|--|----|
| Executive Summary | 3 |
| F-commerce | 5 |
| Things to Watch: Facebook Credits | 11 |
| Overlaying the Social Graph | 12 |
| Things to Watch: | |
| The Social Graph Meets the Virtual Closet | 17 |
| Interest Graphs | 18 |
| Walmart Pushes Into Social Commerce | 19 |
| 'Socializing' Brick-and-Mortar | 20 |
| Things to Watch: Apps That Enable Sharing While Shopping | 24 |
| Appendix | 25 |
| Learn More About Our Experts and Influencers | 26 |
| Additional Charts | 27 |

A note to readers: To make the report easy to navigate, we've added hyperlinks to the Table of Contents, so you can jump immediately to the items that most interest you (or, alternatively, you can read the material straight through).

This is a report from JWTIntelligence. Go to JWTIntelligence.com to download this and other trend research.

EXECUTIVE SUMMARY

“Social will have a transformational impact on shopping,” said Christopher Payne, chief of eBay North America, at the Internet Retailer Conference in June. “The key is to begin to experiment.” Indeed, while there are plenty of hurdles (privacy issues, for one) when it comes to syncing the social graph with commerce and an array of naysayers, there is also plenty of potential. And just what clicks with consumers will be rapidly determined in the near future as smart brands tinker with strategies in this space.

Social networks are well-established, as is e-commerce, but it’s only now that we’re seeing the meshing of the two and a great deal of hype around the possibilities. “There won’t be commerce without social,” a co-founder of Kosmix (the social media startup recently bought by Walmart) recently told the All Things D blog. “Social shopping today is where online shopping was before Amazon came on the scene. The Amazon of the space has yet to be built.” (See page 19 for more on Walmart’s push into social media.)

This report charts how retailers and other brands are using the social graph to engage consumers wherever they may be, creating more personal, accessible experiences, and to amplify word-of-mouth. We examine three key trends—the rise of Facebook commerce, overlaying the social graph on e-commerce sites and introducing that social graph to the brick-and-mortar world—looking at what innovative retailers and others are doing in these areas, as well as what’s driving each trend and the significance and potential for marketers.

Using the social graph to engage consumers will become a key factor propelling retailers forward. The strategies are just beginning to take shape, and some of the technologies are still evolving, with even the experts unsure what social commerce will mean a few years hence. But one thing is certain: It’s not business as usual.

METHODOLOGY

Our trend reports are the result of quantitative, qualitative and desk research conducted by JWTIntelligence throughout the year.

Specifically for this report, we conducted a quantitative study in the U.S. and the U.K. using SONAR™, JWT’s proprietary online research tool, from May 20–June 1, 2011. We surveyed 559 Americans and 412 Britons aged 20-plus (data are weighted by age, household income and gender). In addition, we interviewed experts and influencers in research, technology and business.

EXPERTS AND INFLUENCERS*



JANICE DINER, partner and executive creative director of social business design consultancy Horizon Studios



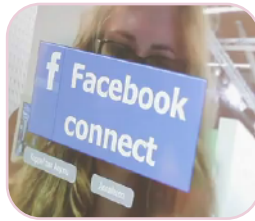
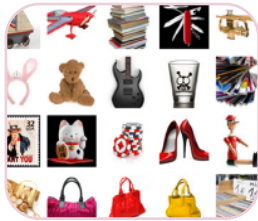
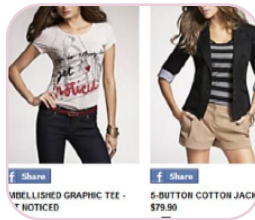
SUCHARITA Mulpuru, vice president and principal analyst at Forrester



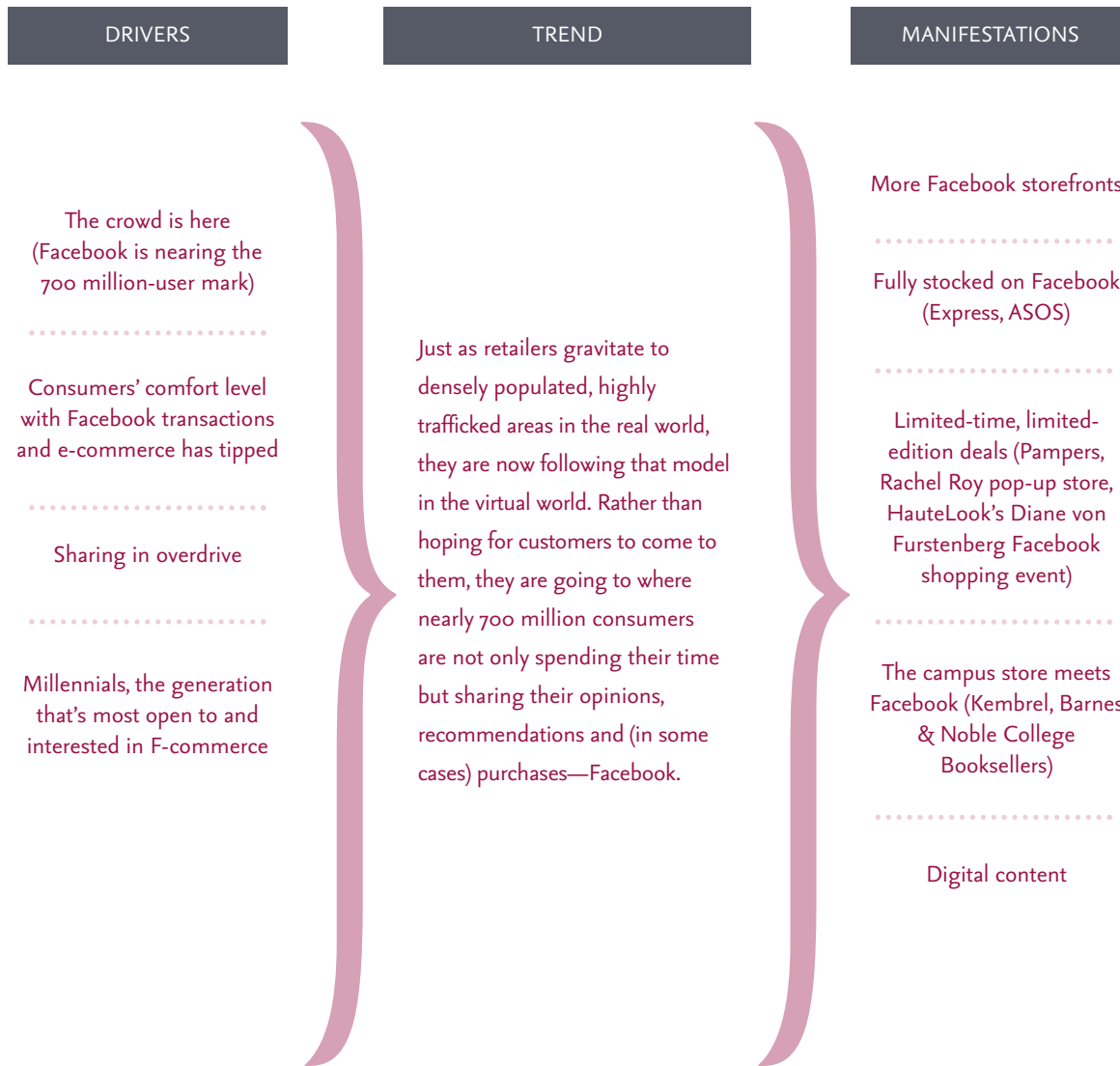
KIMBERLY SKELTON, co-founder of social shopping community WingTipt

*See Appendix to learn more about these experts and influencers.

SOCIAL COMMERCE



F-COMMERCE



SIGNIFICANCE/RELEVANCE

Seven hundred million of anything is hard to ignore. As Facebook becomes an Everything Hub—the go-to place for gaming, emailing and IMing with friends, watching videos, etc.—it makes more and more sense for brands to enable Facebookers to shop on the site as well. Consumers have always tapped into their social network to get and make recommendations on what to buy, read, eat, see and do. Facebook amplifies that to the nth degree, and a commerce channel on the site adds a social influence to transactions. The “social” in social network can help spread the word about exclusive merchandise and brand and product preferences, and ultimately drive sales.

TREND

Just as retailers gravitate to densely populated, highly trafficked areas in the real world, they are now following that model in the virtual world. Rather than hoping for customers to come to them, they're going to where nearly 700 million consumers are not only spending their time but sharing their opinions, recommendations and (in some cases) purchases—Facebook.

So far, 100-plus brands and retailers have experimented with selling directly on Facebook, and more are jumping in every day. Michael Fauscette, an analyst at research firm IDC, predicts that 10-15% of total consumer spending in developed markets may be funneled through sites such as Facebook in the next three to five years.

DRIVERS

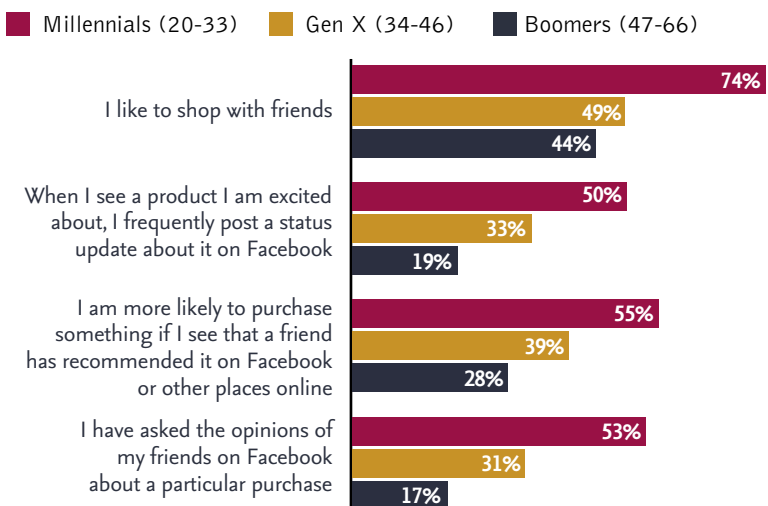
- **The crowd is here:** Facebook reportedly is nearing the 700 million-user mark. Every month, according to Facebook, its members spend 700 billion minutes on the network. The average user clicks the Like button nine times a month, and three-quarters of users have “liked” a brand.
- **Consumers’ comfort level has tipped:** People have been buying virtual goods within Facebook since it introduced the (now defunct) Gift Shop in 2007; the practice exploded with the introduction of FarmVille virtual currency in 2009. Analysts believe virtual goods could bring in around \$12.5 billion worldwide this year, almost double 2009 sales, according to Adweek. If people are paying real money for virtual goods, it’s not much of a leap to start paying for tangible items.

And, of course, e-commerce has become second nature for many consumers, who are by now quite comfortable with the idea of feeding their credit card information into e-commerce sites. Internet retailing is expected to take in \$197 billion in 2011 and grow to \$279 billion by 2015, according to Forrester Research. Purchasing an item with a few clicks has become a habit for many people.

- **Sharing in overdrive:** Facebook users are not shy in expressing opinions on where to eat, what to read, what movies to see, what car to drive; they especially tend to share when they’ve scored a great deal or feel they’ve been ripped off. Friends weigh in with opinions, and purchases are influenced. It’s word of mouth, times hundreds of friends.

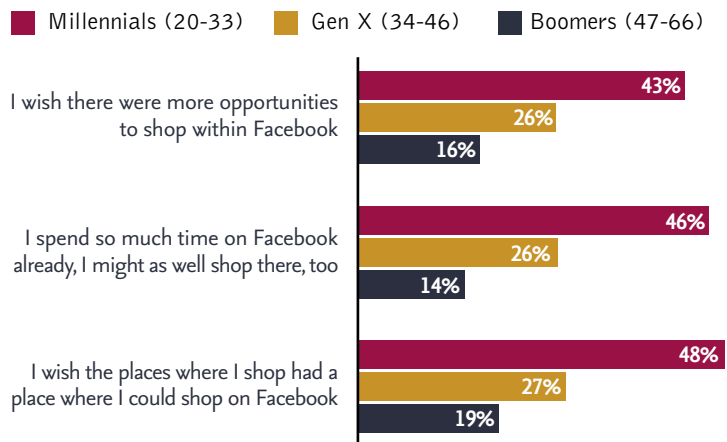
Millennials are driving this tech-enabled culture of sharing and social influence. In our survey, half of American and British Millennials said that when they see a product they’re excited about, they frequently post a status update about it on Facebook. If they see a friend has recommended something on Facebook or other places online, 55% said they’re more likely to purchase it. And 53% have asked for opinions from friends on Facebook about a purchase (see figure 1a). American Millennials are more likely to exhibit this behavior than their British counterparts, as are men versus women and middle-income consumers vs. those with lower or higher incomes (for country, gender and income breakdowns, see Appendix, figures 1d-g).

Figure 1A: SHARING AND SOCIAL INFLUENCE (U.S. AND U.K.)
Percentage who agree with each of the following



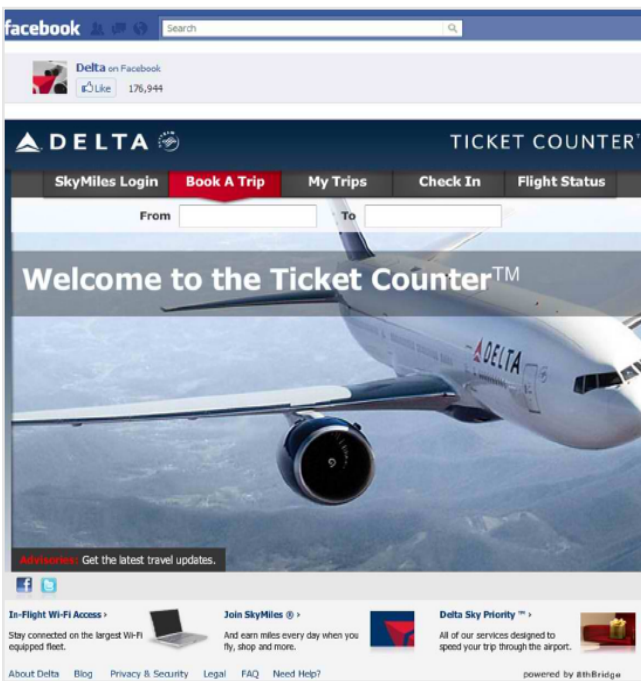
- Millennials:** Our data shows it's the Millennial generation that's most open to and interested in F-commerce. More than four in 10 Millennial respondents in the U.S. and U.K. said they wish there were more opportunities to shop within Facebook, versus 26% of Gen Xers and 16% of Boomers. Nearly half agreed that they spend so much time on Facebook already, they might as well shop there too, compared to a quarter of Gen Xers and 14% of Boomers. Similarly, 48% said they wish the places where they shop had a page where customers could buy products/services directly on Facebook (27% of Gen Xers and 19% of Boomers said the same) (see figure 1b). Again, American Millennials are more apt to express interest in F-commerce than those in the U.K. (for country, gender and income breakdowns, see Appendix, figures 1h-k).

Figure 1B: **INTEREST IN F-COMMERCE (U.S. AND U.K.)**
Percentage who agree with each of the following



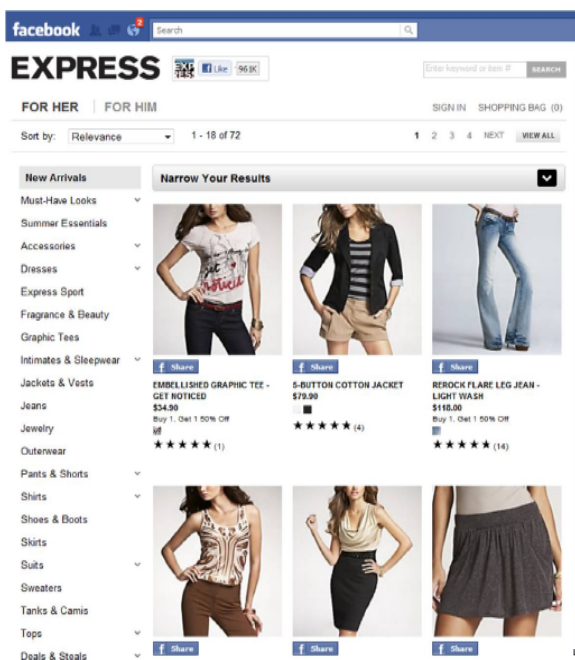
MANIFESTATIONS

More Facebook storefronts: It's been two years since 1-800-Flowers opened the first storefront on Facebook (July 2009). At the time, Jim McCann, the retailer's founder and CEO, said he saw it as a bold step in unlocking the tremendous marketing potential of social media—namely, making it easy for customers to spread the word about their purchase or the brand. Since then, major brands including Delta Air Lines and JCPenney have started selling some of their merchandise directly through Facebook.



Fully stocked on Facebook: ASOS in the U.K. and Express in the U.S. are now selling their entire selection of merchandise via Facebook.

- **Express:** In May, American fashion retailer Express started selling its full range on Facebook with a store that allows shoppers to browse or purchase, as well as post comments and recommend items to friends. Shoppers can share wish lists across mobile and Web accounts, creating a more integrated shopping experience from the Facebook page. “We continue to look for ways that the customer can interact with the brand on their own schedule and at their convenience, so that we bring down as many barriers as possible,” said Express VP of CRM and e-commerce Jim Wright.
- **ASOS:** This British retailer, which has no brick-and-mortar presence (its name is an acronym for “as seen on screen”), became the first in the U.K. with a Facebook store earlier this year; the outlet stocks all 150,000 products that ASOS sells.



Express



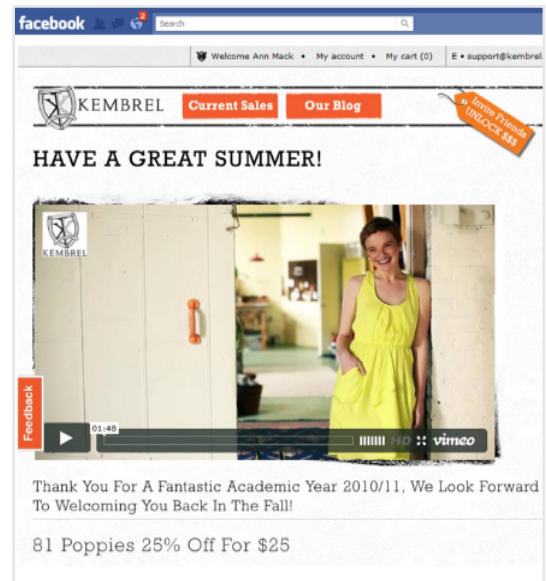
ASOS

Limited-time, limited-edition deals: Some brands are dipping a toe into F-commerce with limited-time or limited-edition sales. Among them:

- **Pampers:** In February 2010, before P&G’s Pampers Cruisers with Dry Max was available in stores, the brand offered the product on its fan page for \$9.99. The 1,000 packages on offer sold in less than an hour.
- **Rachel Roy pop-up store:** The popular American jewelry designer offered Facebook fans a preview of a new jewelry line (a collaboration with British musician Estelle) with a three-day pop-up store in February 2010. She doubled her fan base, and a limited-edition piece sold out in the first six hours.
- **HauteLook’s fan-only Diane von Furstenberg Facebook shopping event** in December 2010 generated more than \$100,000 in sales. Fans were given the incentive of a \$10 coupon to refer new members in, and new members represented 40% of sales.

The campus store meets Facebook: With Millennials on Facebook more than any other generation, stores appealing to youth (especially the college crowd) have been among the first to set up shop.

- **Kembrel, a Facebook-only store:** Geared to college students, Kembrel opened in August 2010. Launched by two students out of the incubator at the Wharton School of the University of Pennsylvania, the retailer offers clothing, books and computer gadgets at a discount, relying on the social network to get the word out on its sales; each lasts only three and a half days.
- **Barnes & Noble College Booksellers,** which operates campus bookstores, created a platform for F-commerce in April that caters to more than 500 colleges and universities. Students can “like” products they buy, recommend products and tell friends what they’ve bought or would like to buy. “We’re going to the platform that students like the most,” a spokesperson told *The Chronicle of Higher Education*.



Kembrel

“College students spend two to three hours a day on Facebook. By bringing our store to where our customers spend the most time online, our goal is to provide them with the most convenient and relevant shopping experience.”

—Kembrel CEO CHERIF HABIB, “5 Ways Retailers Are Winning Big With Facebook,” *Mashable*, March 22, 2011

Digital content: Fans who “like” *The Dark Knight* can pay \$3 to watch it on a Warner Bros. Facebook site. The film studio described this first offering as a test when it launched in March 2011 and has made more films available for purchase or rental since.

SIGNIFICANCE/RELEVANCE

Seven hundred million of anything is hard to ignore. As Facebook becomes an Everything Hub—the go-to place for gaming, emailing and IMing with friends, watching videos, etc.—it makes more and more sense for brands to enable Facebookers to shop on the site as well. Consumers have always tapped into their social network to get and make recommendations on what to buy, read, eat, see and do. Facebook amplifies that to the nth degree, and a commerce channel on the site adds a social influence to transactions. The “social” in social network can help spread the word about exclusive merchandise and brand and product preferences, and ultimately drive sales.

In an April 2011 survey by Shop.org, 56% of the U.S. consumers polled say they have clicked through to a retailer’s website because of a Facebook post. The next step: allowing Facebook visitors to shop without leaving the site, adding a concrete return on investment to social media.

POTENTIAL

Social commerce experts are optimistic about the potential of F-commerce while acknowledging that it’s too early to say just what works best for whom. Janice Diner of social business design consultancy Horizon Studios argues that the worst thing a retailer could do right now is not even explore the possibilities.

At the same time, there’s a fair amount of healthy skepticism, with some questioning whether consumers would find shopping on Facebook to be a satisfying experience, regardless of how many hours they spend on it. More than eight in 10 American and

British adults believe that Facebook is about socializing rather than shopping, according to our survey. Forrester analyst Sucharita Mulpuru generated a lot of buzz—and heat—with her April 2011 report, “Will Facebook Ever Drive eCommerce?” She questions whether it makes sense for most retailers to jump on the bandwagon, noting that while F-commerce offers some value to niche retailers and those offering virtual goods (games, movies, etc.), it might not work as well for larger, mainstream retailers. She’s most in favor of F-commerce when it comes to “high-consideration goods” (consumer electronics, sporting goods and baby gear, for which peer-generated commentary can drive sales). Consumers actively seek to have their shortlists “validated by others,” she writes.

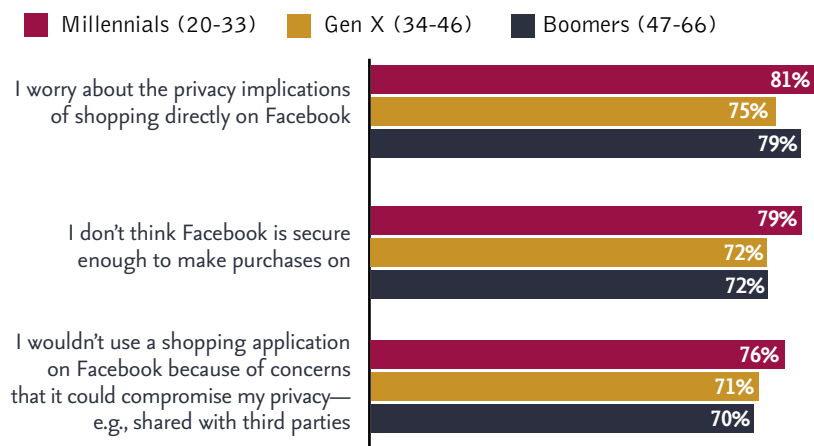
Privacy, always a bugaboo for Facebook, is a potential obstacle in the F-commerce space. Some consumers are likely to worry about the security of their transaction data and the access retailers may have to their information. While developers say the apps are self-contained—the information lives inside the retailer’s application and can’t be shared with outside advertising or data companies—clicking the “allow” button could prove a hurdle for some consumers.

Nearly eight in 10 of our U.S. and U.K. survey respondents said they worry about the privacy implications of shopping directly on Facebook. Three-quarters said they “don’t think Facebook is secure enough to make purchases on,” and nearly that many said they “wouldn’t use a shopping application on Facebook because of concerns that it could compromise my privacy—e.g., shared with third parties.” Interestingly, while the Millennials have an appetite for F-commerce, they’re the ones most concerned about privacy (see figure 1c; for country breakdowns, see Appendix, figures 1l-m).

Many of these hurdles are the same ones retailers encountered when they first ventured into e-commerce more than a decade ago. As they experiment with F-commerce, brands can look at the lessons from that time period for guidance on how to overcome these challenges and ease consumer concerns.

Figure 1C: F-COMMERCE PRIVACY CONCERNS (U.S. AND U.K.)

Percentage who agree with each of the following



“The goal is to engage in dialogue with your customers and to sell goods.

If you are gaining critical mass inside Facebook, you should be experimenting with selling and servicing your clients. Retailers should be saying, ‘I’m channel-agnostic. I will take my goods, or technology or whatever I’m selling, to where my audience is.’”

—JANICE DINER, partner and executive creative director at social business design consultancy Horizon Studios



“Facebook is theoretically well positioned to address something that the Internet has been

notoriously bad at supporting: product discovery. But the key challenge is that Facebook is about socializing rather than shopping. ... Facebook stores are unable to replicate the full brand experience of a company’s official website, which will limit the appetite of many retailers to even invest in Facebook stores.”

—Analyst SUCHARITA MULPURU, “Will Facebook Ever Drive eCommerce?,” Forrester Research, April 7, 2011

THINGS TO WATCH

Facebook Credits

The safe and easy way to buy things on
Facebook



Facebook

Facebook Credits

Anyone familiar with CityVille, FarmVille or any number of other social games knows what Facebook Credits are: Gamers have been using them to pay for virtual goods within those games since the currency launched in 2010. A few months later, the virtual money came to the physical world when Facebook Credits gift cards became available in stores in the U.S., U.K. and Canada.

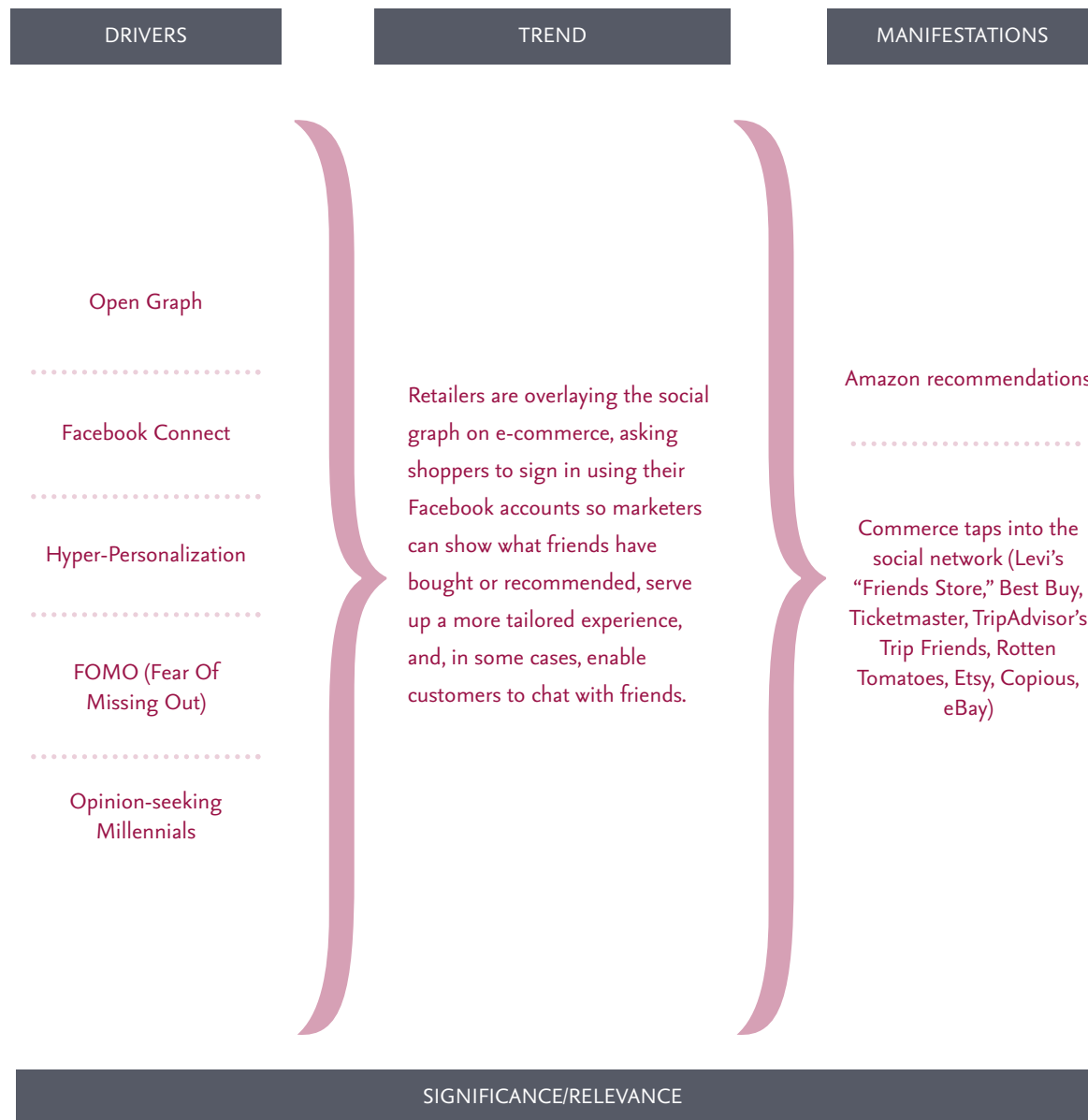
The Credits have been extending beyond gaming. Warner Bros. recently charged 30 Facebook Credits (worth \$3) to stream *The Dark Knight* from within Facebook, for example, and a few musicians are accepting Credits as payment for pay-per-view shows. The new Facebook Deals, the social network's answer to Groupon, can be purchased with Credits (or a credit card).

What's next? Physical-world transactions, say some experts. "With the convergence of social and mobile, targeting the 250 million Facebook mobile users with Facebook Credits for the purchase of real-world goods is the logical next step," predicts Janice Diner, partner and executive creative director at social business design consultancy Horizon Studios, writing for ClickZ.

This makes sense. Consumers are accustomed to using credit card rewards and cashing in frequent flier miles, so it's an easy concept to grasp. Businesses are slowly incorporating Facebook Credits into incentive programs. Shopkick, the mobile shopping app that rewards users with "kicks" for checking in to certain retail locations, offers one Facebook credit for 25 "kicks."

Jay Feitlinger, founder and digital marketing strategist with StringCan Interactive, predicts an exponential rise in companies using Facebook Credits. In a March presentation to retailers, he said he expects that soon Facebook Credits will be used to purchase goods in retail outlets and outlined his theory on how Credits could evolve into an international currency.

OVERLAYING THE SOCIAL GRAPH



If retailers know what consumers who are connected to the brand need, want or enjoy, the chances of getting the right product in front of the right customer increases. The social graph allows retailers to micro-target consumers, and by encouraging users to share opinions on purchases, a retailer can leverage word-of-mouth to drive sales.

The social graph also enables retailers to address the so-called paradox of choice (the idea that too many options can lead to consumer paralysis) by focusing people on a narrower set of options based on their and their friends' interests. Sometimes shoppers just want someone they know to tell them what works. The personalized recommendations they receive from their network, and retailers that tap into the network, can break the logjam.

TREND

Retailers are overlaying the social graph on e-commerce, asking shoppers to sign in using their Facebook accounts so marketers can show what friends have bought or recommended, serve up a more tailored experience and, in some cases, enable customers to chat with friends.

DRIVERS

Open Graph: Open Graph allows a website operator to integrate Facebook Likes: When a consumer “likes” a brand on a site, that brand (or company, store, etc.) appears in the “Likes and Interests” section of the user’s Facebook profile. Retailers can then publish updates and target ads to the user. And when someone “likes” a specific item on a Web page, it’s reported via the person’s News Feed.

Facebook Connect: Facebook Connect allows shoppers to sync their Facebook accounts with a brand’s website. Once they allow access to their Facebook information, people can share or “like” items they’re shopping for online and see what friends are sharing or “liking.” Retailers can also send these users personalized recommendations based on their “Likes and Interests” on Facebook, as well as those of their friends. For example, Amazon can recommend gifts based on a friend’s Facebook interests or wish list contents.

Of the three in 10 U.S. and U.K. survey respondents who have signed in to a retail website using Facebook, nearly 90 percent said they’d be somewhat or very likely to browse personalized recommendations from the retailer based on their Facebook profile (see Appendix, figure 2c, for levels of interest in such recommendations across various kinds of websites, including search engines and music and travel sites). Six in 10 have shared content from that site—an article, product, song, etc.—on Facebook. (See figure 2a for the types of sites people are most likely to sign in to via Facebook.)

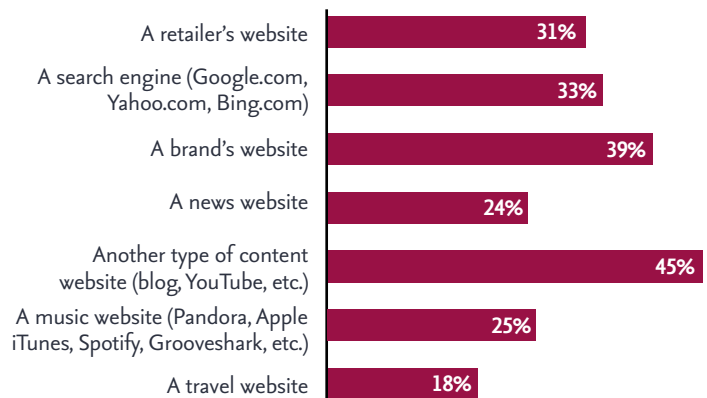
Seven in 10 respondents said they would check out what their friends on Facebook are shopping for or have bought if they had access to that information.

Hyper-Personalization: One of our 10 Trends for 2011, Hyper-Personalization points to how tomorrow’s consumers will expect a personalized digital realm that offers up what they are most likely to need or want based on location, interests, demographic cohort, social network and so on. Overlaying the social graph helps retailers personalize e-commerce.

When asked about websites that offer personalized recommendations based on one’s Facebook profile, 46% of American and British adults felt that “there is too much information out there, so I think this is helpful”; Millennials were most likely to say this (59%), followed by Gen Xers (49%) and Boomers (31%). More than one-third said personalization of this nature helps them make decisions more quickly; again, Millennials (51%) were more likely to say this than Gen Xers (36%) or Boomers (21%) (see figure 2b on page 16; see Appendix, figures 2d-e, for country breakdowns).

Figure 2A: **THE SOCIAL SIGN-IN (U.S. AND U.K.)**

Percentage who have signed in to the following sites using their Facebook username and password



FOMO: The Fear Of Missing Out, or FOMO, while always a social angst, is being amplified as technology gives people the ability to share and connect in many ways. (Our May trend report examines this phenomenon in detail.) A desire to induce FOMO in others helps drive social media broadcasting of consumption behaviors. And since social media users, especially Millennials, are particularly prone to FOMO, they frequently take cues from friends in their network (especially influencers) in order to feel they're not missing out. Social media ratchets up the pressure to keep in step with one's peers in close to real time.

Opinion-seeking Millennials: Millennials are especially interested in seeking out opinions about potential purchases, using both online and offline advice to arrive at decisions. According to a global Edelman survey of 3,100 15- to 30-year-olds, more than 50% use four or more sources of information to help them make a purchase decision. If friends don't approve of a potential purchase, 36% say they won't buy the item.

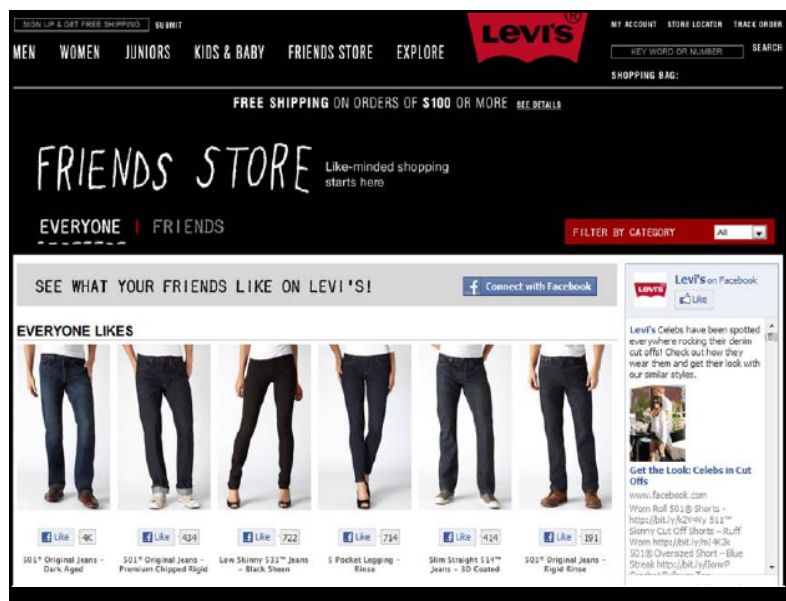
MANIFESTATIONS

Amazon recommendations: Amazon realized early on the power of the idea that you, the shopper, might like to know what others with similar interests are buying. By curating the vast offerings of the site, recommendations help give shoppers relevant ideas about what to select. Moving into the era of the social graph, Amazon's beta of Facebook Connect allows visitors who sign in with their Facebook account to receive recommendations based on their interests (as charted on Facebook), learn what friends like and get gift recommendations for friends with upcoming birthdays, based on their interests.



Commerce taps into the social network: Many types of commerce sites are using the social graph to give consumers a more personalized shopping experience. Once users allow a site to access their Facebook account, the brand can personalize recommendations.

- **Levi's "Friends Store":** "Like-minded shopping starts here," says the Friends Store section of Levi.com, launched in April 2010. There's an option to see how many Facebook "likes" any given product has collected overall—all Levi's products online carry a Like button—but with access to the user's Facebook account, Levi's creates a shopping experience personalized around a consumer's social network that encourages



users to bring friends in to participate. “We really feel like [the Like button] is attracting a new consumer to Levi.com,” particularly younger and more “fashion-forward” consumers, Megan O’Connor, Levi’s director of digital and social marketing, told the *San Jose Mercury News* in May 2011.

- **Best Buy:** This retailer has been leading the charge in social commerce since 2009, when Best Buy’s Facebook page encouraged shoppers to solicit opinions about products from their social network. Late last year, the consumer electronics giant started using social sign-on to enable customized offers that rely on fans’ Facebook information.
- **Ticketmaster:** The concert ticket vendor allows customers to see which events their Facebook friends are attending. And that social sharing can be lucrative: According to Facebook, when a customer shares information on an event they are either attending or want to attend, it can generate an additional \$5.30 in ticket sales.
- **TripAdvisor’s Trip Friends:** Building on the travel site’s “Cities I’ve Visited” Facebook app, Trip Friends allows visitors to TripAdvisor to ask relevant friends for travel advice about a destination or hotel.
- **Rotten Tomatoes:** Visitors to the movie-review aggregator can see the opinions that Facebook friends have broadcast, as well as receive personalized content and recommendations based on both their movie preferences and those of friends.

- **Etsy:** The online seller of handmade and vintage goods gives shoppers a list of gift suggestions for people within their social network.



- **Copious:** Like Craigslist and eBay, this site is a platform for selling used goods. But that’s where the similarity ends. Launched in beta in mid-June, Copious requires users to log in with their Facebook ID, allowing buyers and sellers to see who they’re doing business with, and even ranks sellers according to the strength of their social network. Copious expects its “people first, products second”



philosophy to create more connections among users, linking people based on “likes” and interests, encouraging conversations around items and, ultimately, generating stronger sales.

- **eBay:** Two social features will debut later this year: Users who log in to Facebook on eBay’s home page will get more personalized recommendations as well as the ability to show friends various products they are considering and elicit feedback. “Social will have a transformational impact on shopping,” said Christopher Payne, chief of eBay North America, in mid-June. “The key is to begin to experiment.”

SIGNIFICANCE/RELEVANCE

If retailers know what consumers who are connected to the brand—either by a Facebook “like” or a friend’s recommendation—need, want or enjoy, the chances of getting the right product in front of the right customer increases. The social graph allows retailers to micro-target consumers, and by encouraging users to share opinions on purchases, a retailer can leverage word-of-mouth to drive sales. Retailers are finding a lot to like about the Like button, whether it’s clicked via a retailer’s site, an advertisement or within Facebook itself.

The social graph also enables retailers to address the so-called paradox of choice—the idea that too many options can lead to consumer paralysis—by focusing people on a narrower set of options based on their and their friends’ interests. Consumers are overwhelmed not only by the wealth of product choices online but also by the array of opinions about those choices; sometimes shoppers just want someone they know to tell them what works. The personalized recommendations they receive from their network, and retailers that tap into the network, can break the logjam.



“The Internet is so amazing, but at the same time, it is not edited like a real-world store. Online, there are endless options.”

—KIMBERLY SKELTON, co-founder, WingTipt, a social shopping site that allows users to curate and share their personal “electronic closets”

POTENTIAL

The ability to anticipate consumers’ specific needs and wants can boost brand loyalty. Why look elsewhere if you’re receiving spot-on advice from a brand that has proved successful in the past?

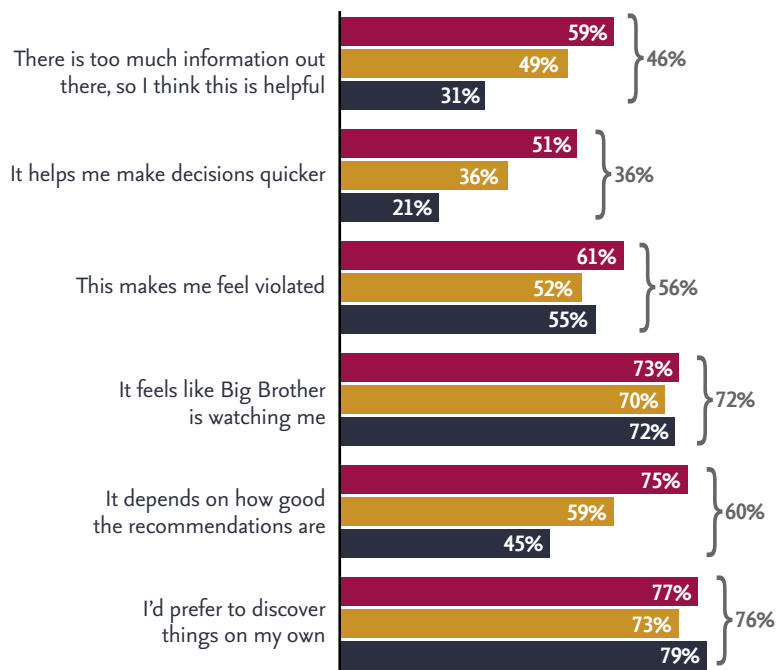
One challenge for brands will be to tread the fine line between refining the experience to be even more relevant at the same time as ensuring consumers feel their information is safe and secure. This will become even more of a challenge as their social graph becomes ever more entwined with their overall digital footprint.

Even those who like the personalized recommendations they get when using their Facebook sign-in on websites may be wary. Fifty-six percent of our U.S. and U.K. survey respondents said they feel violated when they see personalized recommendations on websites based on their Facebook profile—interestingly, this goes for Millennials (61%) more than for Gen Xers (52%) and Boomers (55%). Seven in 10 said it feels like Big Brother is watching them, which is relatively

Figure 2B: FEELINGS ABOUT PERSONALIZED RECOMMENDATIONS ON WEBSITES BASED ON FACEBOOK PROFILES (U.S. AND U.K.)

Percentage who agree with each of the following

■ Millennials (20-33) ■ Gen X (34-46) ■ Boomers (47-66)



consistent across generations. It may depend on how helpful the information is: Six in 10 said their feelings about personalized recommendations depend on how good those recommendations are—again, Millennials (75%) were more likely to agree than Gen Xers (59%) and Boomers (45%) (see figure 2b; see Appendix, figures 2d-e, for country breakdowns).

Another line for brands to tread carefully will be giving consumers a more refined, personalized experience without robbing them of discovery, which is a part of the fun of shopping and ladders up to identity formation. More than three-quarters of American and British adults said they like to discover things on their own—a relatively consistent finding across generations. The challenge here will be finding a balance between the two by layering an element of discovery into the social graph (for instance, creating algorithms that can find and showcase what a Facebook friend with completely different tastes is liking, shopping for or recommending).

THINGS TO WATCH

The Social Graph Meets the Virtual Closet

Various sites help shoppers build collections of products they like and then share those with friends and others. Polyvore is the most well-established of these, but startups are experimenting with different models.

Polyvore: More than 2 million registered users around the world use this social shopping site to create digital scrapbooks (“sets”) using a virtual styling tool. Polyvorians share their sets with others on the site and via blogs and social networks. With users acting as curators, pulling items from across the Web, the platform cultivates self-expression and serves as a “fashion democracy.” It’s also a natural showcase for brands and their products.

WingTipt: Launched in May 2011, this service aims to create a social shopping experience within the e-commerce sphere. When shoppers install the company’s bookmarklet to their toolbar, they can click on products within any retailer’s site to automatically add items to their “closet.” The site makes sharing selections with friends as easy as entering an email address, while signing in via Facebook or Twitter enables peeking into the closets of friends also on WingTipt and sharing fashion tips with like-minded shoppers.



WingTipt

“Shopping is such a social experience,” co-founder Kimberly Skelton told us. “It’s a great time for something like this, as people spend so much more time on social networks. They are already comfortable with online shopping. And now the technology enables them to connect socially to share purchases.”

Svply: Founder Zach Klein has called Svply “Twitter for things you can buy.” Here’s how it works: “Follow your favorite people and stores to build your own feed of great products; save the stuff you want to buy later from any retail website; and discover the best products online, all straight from our community.”

(cont’d. on next page)

THINGS TO WATCH (cont'd)

Interest Graphs

Friend recommendations may carry great weight, but what about, say, the lonely fashionista whose family and colleagues couldn't care less about treggings? Many see "interest graphs" as the answer, the potential "underpinning of a new kind of e-commerce experience," as tech writer Om Malik argued in an April column asking "So what comes after social commerce?"

Interest graphs are "an online representation of individuals' interests, with people and interests being the nodes of the graph," as MIT's *Entrepreneurship Review* recently put it. Some say Facebook epitomizes the social graph and Twitter the interest graph, something Twitter CEO Dick Costolo has been emphasizing. Online communities have long been shaped around areas of shared interest, as *Entrepreneurship Review* notes, but "applying the Interest Graph concept to link online search and discovery to offline purchases catapults the realm of opportunities to a whole new level."

The term originated with the startup Gravity, which markets its data-mining technology to websites and companies seeking to personalize content. Coming at this from another angle, Hunch is built around the idea of "taste graphs," offering "recommendations from people you follow and ... customized predictions based on your interests."

Various services are built around connecting people with specific interests. Music is an obvious fit: There's Apple's Ping ("a social network for music") and recommendation engine Rexly ("a mashup of iTunes and Facebook"), which lets people follow the iTunes activity of a mini-network of six users whose tastes they share. Rexly plans to expand to other forms of media, including movies, books and TV shows. The new music-sharing apps Play by AOL Music and SoundTracking also facilitate interest graphs. The latter is from startup Schematic Labs, which plans more apps "based on communities around tastes," reports Tech Crunch, including fashion/shopping.



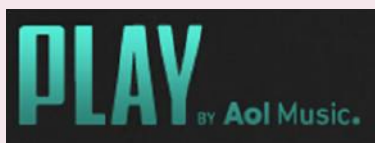
Gravity



Hunch



Rexly



Then there's the much-hyped photo-sharing startup Color, based around the idea of a transitory interest graph of people in the same place at the same time. In another vertical, Stock Twits users can follow people based on their market strategy. More broadly, the Experience Project is a 4-year-old site that links people based on shared experiences, passions, beliefs and so on. It's worked with marketers including Häagen-Dazs, Sony and Nestlé, according to *Fast Company*, and its newer sister site, BroadCause, serves as a platform for cause marketers.

One intriguing startup looks to be trying to synthesize interest and social graphs. Backplane, co-founded by Lady Gaga manager Troy Carter and yet to launch, is "a platform meant to power online communities around specific interests, like musicians and sports teams, and to integrate feeds from Facebook, Twitter and other sites," according to *The New York Times*.

The next step is for marketers to use interest graph data to personalize recommendations or content. Deal services could deliver highly tailored offers, for example, but the potential goes well beyond that, to all manner of hyper-personalized shopping experiences based on many "interest" factors.

(cont'd. on next page)

THINGS TO WATCH (cont'd.)

Walmart Pushes Into Social Commerce

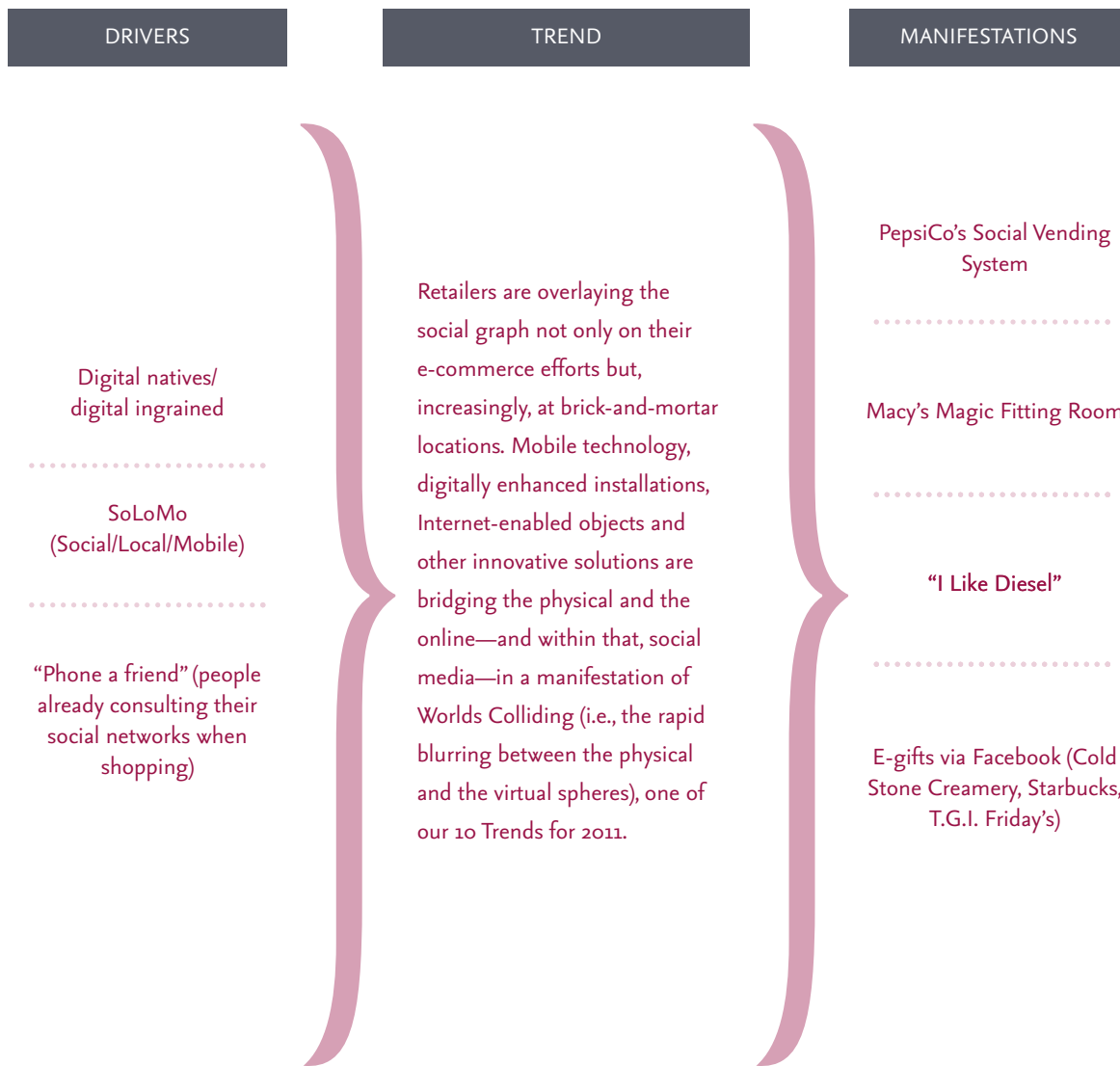


The world's largest retailer, which has never had a strong e-commerce strategy, is trying to fast-track its social commerce capabilities. In April, Walmart paid \$300 million to acquire social media technology platform Kosmix, which aggregates information in real time, acting as a guide for people searching content from Twitter, blog posts and shopping sites. A strategy for the platform is being formulated within the new @WalmartLabs, which seeks technologies and businesses around social and mobile commerce, according to *The Wall Street Journal*.

In June, Kosmix's founders told All Things D that their initial focus is on gift recommendations for people in the shopper's social network and personalized recommendations. "There won't be commerce without social," said Anand Rajaraman. "Social shopping today is where online shopping was before Amazon came on the scene. The Amazon of the space has yet to be built."

Recently Walmart added Like buttons to items on Walmart.com, allowing shoppers to share purchases and suggest gifts to people within their social network. And as *Ad Age* reported, the retailer is exploring the possibility of teaming up with P&G to fulfill orders made within that brand's Facebook pages—a twist on F-commerce. It could also be a way for the behemoth to turn its ship around quickly as it works to leverage its nearly 6.7 million Facebook fans to drive both the clicks and bricks side of its business.

‘SOCIALIZING’ BRICK-AND-MORTAR



SIGNIFICANCE/RELEVANCE

Consumers are increasingly enamored by the ease and convenience of shopping online, putting the squeeze on brick-and-mortar retailers. Overlaying the social graph at point of purchase is one way for these retailers to compete.

Shoppers, especially younger ones, are looking not only for recommendations but validation. They get both from their social network, and their ability to access this network from anywhere, 24/7, creates opportunities for brands and retailers to connect before, during and after a sale. Helping social media addicts (i.e., Millennials) bring their online networks into their physical-world forays can increase consumer engagement and not only mirror but aid shopper behavior and mind-set.

TREND

Retailers are overlaying the social graph not only on their e-commerce efforts but, increasingly, at brick-and-mortar locations. Mobile technology, digitally enhanced installations, Internet-enabled objects and other innovative solutions are bridging the physical and the online—and within that, social media—in a manifestation of Worlds Colliding (i.e., the rapid blurring between the physical and the virtual spheres), one of our 10 Trends for 2011.

DRIVERS

Digital natives/digital ingrained: For the youngest generation, the Web in general and social media in particular are a goes-without-saying part of life that blends seamlessly with one's "real" life—even the idea of a "real" life apart from a digital world indicates a non-native's way of thinking. For the rest, digital habits and social media are losing their novelty and becoming more ingrained into people's everyday lives.

SoLoMo: The combination of social apps, local deals and mobile technology is resulting in a cadre of users connected—some might say addicted—to the activities of their social network 24/7. Mobile phones put the social graph in the shopper's pocket—and by the end of 2010, there were 5 billion mobile phone subscribers (up from 500 million in 2000), creating a powerful base of connected consumers. Location-based apps like Foursquare and Gowalla allow friends to track each other's whereabouts and help drive traffic to stores, restaurants and events, often by incentivizing users to "check in" at locations and encouraging friends to meet up.

"Phone a friend": Since many people already consult their social networks when shopping, overlaying the social graph helps enable established behavior. Our survey found that in the U.S., 51% of Millennials, 85% of Gen Xers and 64% of Boomers have called a friend or family member to ask for help or opinions while shopping; in the U.K., 46% of Millennials, 35% of Gen Xers and 53% of Boomers have done the same.

MANIFESTATIONS

PepsiCo's Social Vending System: What could be more social than sharing a drink with a friend? Pepsi's new vending machines allow people to send a bottle of soda to friends, along with a video message. Customers select a soda, enter a name and mobile number, and create a personalized message. The recipient receives a code that can be used at any social vending machine.



"I was at a Coach purse sale at Christmastime. The woman in front of me had taken a picture of the purse she was buying and sent it to her girlfriend, and she was talking on the phone, asking, 'Do you want me to buy one for you as well?' Now it's not just a phone call—it's a picture with a phone call. The best [virtual] social experiences mimic real-life social experiences. When I design things for a client, I always go back to this rule of thumb: 'What is the current behavior, and how can we add a social technology layer on to that? How are people engaging socially in our category?' You're not changing consumer behavior, you're just adopting it to the virtual."

—JANICE DINER, partner and executive creative director, social business design consultancy Horizon Studios



PepsiCo

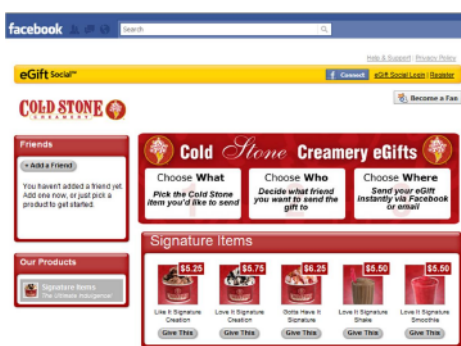
Macy's Magic Fitting Room: In September 2010, Macy's showcased the "Magic Fitting Room" at its flagship Herald Square store in New York. The kiosk's mirror was linked to a touch-screen tablet computer, and shoppers scrolled through selected items, chose which pieces to "try on" (these were then superimposed on the shopper's image) and shared the results via Facebook, email and text to find out what their friends thought of the various outfits.

"I Like Diesel": Since customers enjoy telling their Facebook friends about items they like, the apparel retailer Diesel brought the Like button to real products at a Madrid store. Diesel placed tags with QR codes on jeans that, when scanned by customers' phones, produced a product page where shoppers could click a Facebook Like button, share the item and see other outfits. (See it in action [here](#).)

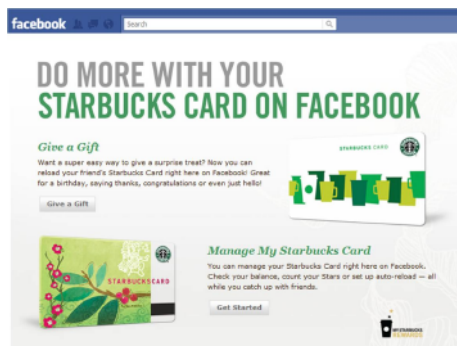


Fullsix

E-gifts via Facebook: Last summer, Cold Stone Creamery launched an app that allowed customers to send Facebook friends a code redeemable for an ice cream treat at the store. In fall 2010, Starbucks introduced "Give a Gift" on Facebook, enabling fans to gift Facebook friends with \$5-\$500 on their Starbucks cards. And as part of its "Better with Brew" promotion, casual restaurant chain T.G.I. Friday's is enabling Facebook users to send friends an e-certificate for a beer with the "Buy Your Friend a Beer" app. In each case, virtual gifts via the social network drive customers to the physical locations to redeem gift codes and make purchases.



Cold Stone Creamery



Starbucks



T.G.I. Friday's

SIGNIFICANCE/RELEVANCE

Consumers are increasingly enamored by the ease and convenience of shopping online—Forrester Research expects online sales to rise at a compound annual growth rate of 10% through 2015 in the U.S. and Europe—putting the squeeze on brick-and-mortar retailers. Overlaying the social graph at point of purchase is one way for these retailers to compete.

Shoppers, especially younger ones, are looking not only for recommendations but validation. They get both from their social network, and their ability to access this network from anywhere, 24/7, creates opportunities for brands and retailers to connect before, during and after a sale. Helping social media addicts (i.e., Millennials) bring their online networks into their physical-world forays can increase consumer engagement and not only mirror but aid shopper behavior and mind-set.

POTENTIAL

As innovative technologies come to market, the Internet of Things develops and more shoppers integrate smartphones into their experience, the potential for retailers to leverage the social graph will greatly increase. Retailers can provide solutions—many of them mobile-based—that bridge the virtual and real worlds or forge partnerships with providers of apps, devices and tools. For example, Intel recently introduced an interactive kiosk for retailers that allows shoppers to scroll through a store's inventory, choose outfits, email their selections to friends, store them for purchase later and access shopping history via a loyalty card that's scanned at the kiosk.

Retailers can tap into SoLoMo (social, local and mobile) by combining social “check-ins” and Facebook “likes” with new technologies to drive traffic to physical sites and amplify word-of-mouth from brick-and-mortar customers. To help fans broadcast their enthusiasm, for example, retailers can take a cue from “I Like Diesel,” which echoes brand initiatives from Coca-Cola (the “real-life ‘Like’” at a Coke teen resort) and Renault (Amsterdam Motor Show visitors could sign in to Facebook and “like” various models, using RFID-enabled cards).



THINGS TO WATCH

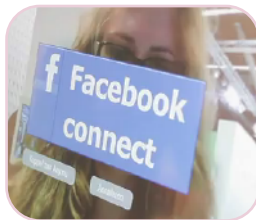
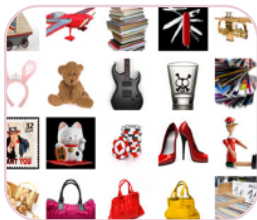
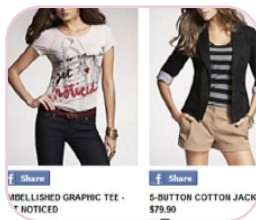
Apps That Enable Sharing While Shopping

New apps are making it easier for shoppers to connect things they see in the physical world with their online networks. Version 2.0 of Pose, released in June, allows users to share “style finds” with friends (via Pose, Facebook and Twitter) as they shop; the focus is on uploading images tagged with store, location and price. In turn, users can follow friends as well as designated trendsetters and brands.

Another new photo-sharing app, Want!, helps users capture, share and remember things they want, whether it's a product, a hairstyle or a tasty-looking meal. Tech Crunch likens it to “a mobile ‘like’ button.” As with Pose, users can share their “wants” (via Facebook, Twitter, Foursquare and Tumblr) and follow other people's feeds; they can also search based on location (e.g., see the most “wanted” items in a particular store or restaurant).



APPENDIX



APPENDIX

LEARN MORE ABOUT OUR EXPERTS/INFLUENCERS



JANICE DINER, partner and executive creative director of social business design consultancy Horizon Studios

Diner is an award-winning creative director and strategist working in social and emerging media technologies. She has led teams that have conceived, developed and executed social technology for global and local markets. Diner is considered a pioneer brand builder on Facebook in Canada and serves as an adviser at MaRS Discovery Centre.

Diner has developed multiple social initiatives, including the launch of RIM BlackBerry's global social media platform, and brand communities for clients such as Hertz, TSN, TD Canada Trust and PlayStation. Prior to starting Toronto-based Horizon Studios, she held senior positions at Syncapse Corp., Sharpe Blackmore Euro Havas and Segal Communications (Interpublic).



SUCHARITA MULPURU, vice president and principal analyst at Forrester

Mulpuru is an expert on e-commerce, multichannel retail, consumer behavior and trends in the online shopping space. She is also an authority on technology developments that affect the online commerce industry and vendors that facilitate online marketing and merchandising. She has also authored "The State of Retailing Online," a joint study conducted annually with Shop.org and a leading industry benchmark publication.

Prior to Forrester, Mulpuru was director of marketing for Saks Fifth Avenue. She has also held management positions at Toys "R" Us and developed and managed marketing plans for new business initiatives at the Walt Disney Co. Additionally, she was involved in expanding the Cap Cities/ABC properties ESPN Zone, ESPN Magazine and the Go.com network. She has written two nonfiction books.

Mulpuru holds a B.A. in economics from Harvard University and an MBA from the Stanford Graduate School of Business.



KIMBERLY SKELTON, co-founder of social shopping community WingTipt

Skelton received an MBA from Columbia Business School in May 2010. She worked in the e-commerce group at Tory Burch between her first and second year at Columbia. Prior to business school, Skelton spent four years as a sales agent for Prudential Douglas Elliman, where she sourced and negotiated multimillion-dollar real estate transactions, and one year as a project manager at Wunderman, WPP's largest direct marketing agency. She has a B.A. in economics from Duke University.

WingTipt was founded in New York City by Skelton and Carla Holtze. WingTipt allows users to save any online product in a virtual closet and helps them filter through products online by showing what's tipping in friends' closets; users can create wish lists, share tips with friends, ask them for advice and buy directly from the retailer.

ADDITIONAL CHARTS

FIGURE 1D: SHARING AND SOCIAL INFLUENCE (U.S.)

Percentage who agree with each of the following

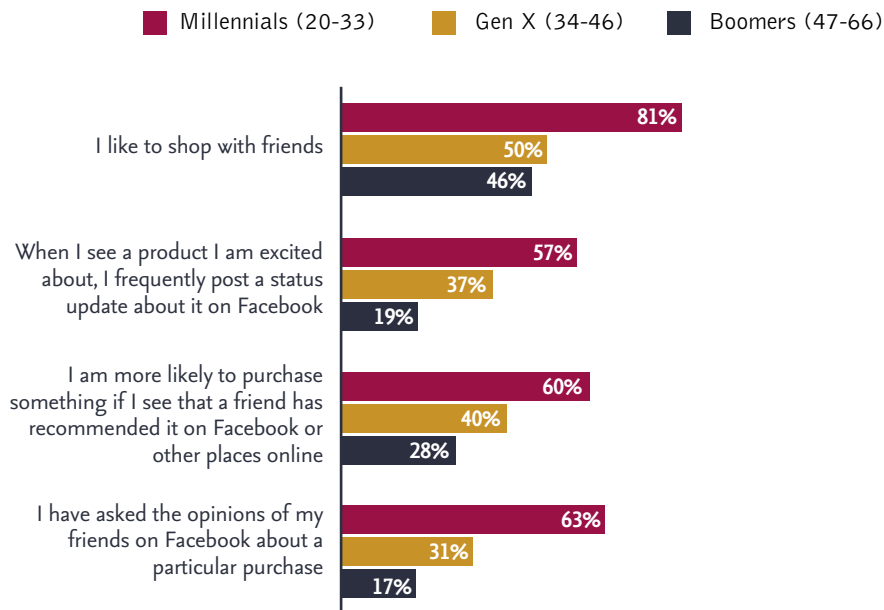


FIGURE 1E: SHARING AND SOCIAL INFLUENCE (U.K.)

Percentage who agree with each of the following

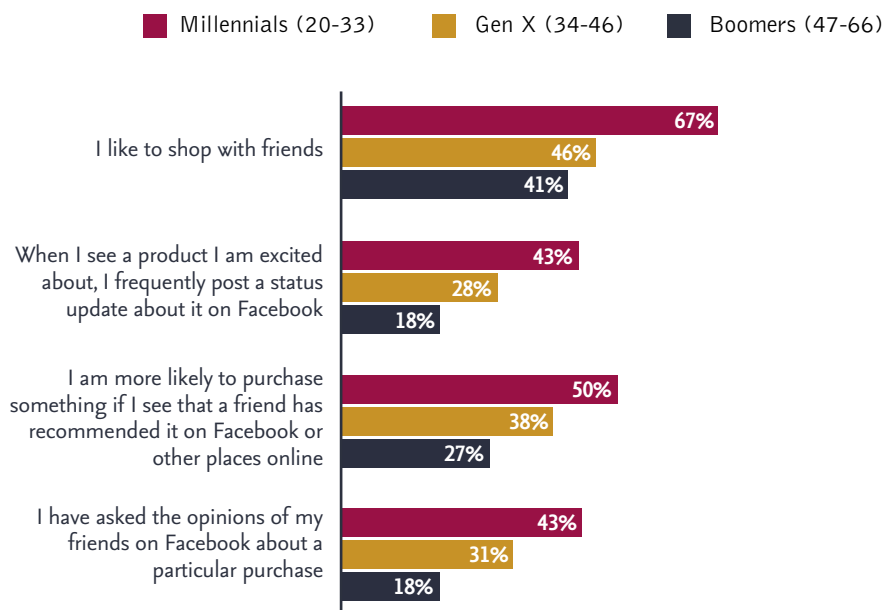


FIGURE 1F: SHARING AND SOCIAL INFLUENCE (BY GENDER, U.S. AND U.K.)

Percentage who agree with each of the following

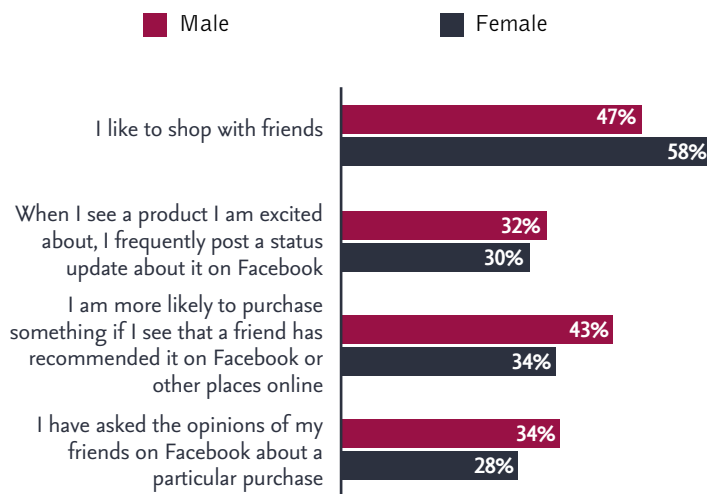


FIGURE 1G: SHARING AND SOCIAL INFLUENCE (BY INCOME, U.S. AND U.K.)

Percentage who agree with each of the following

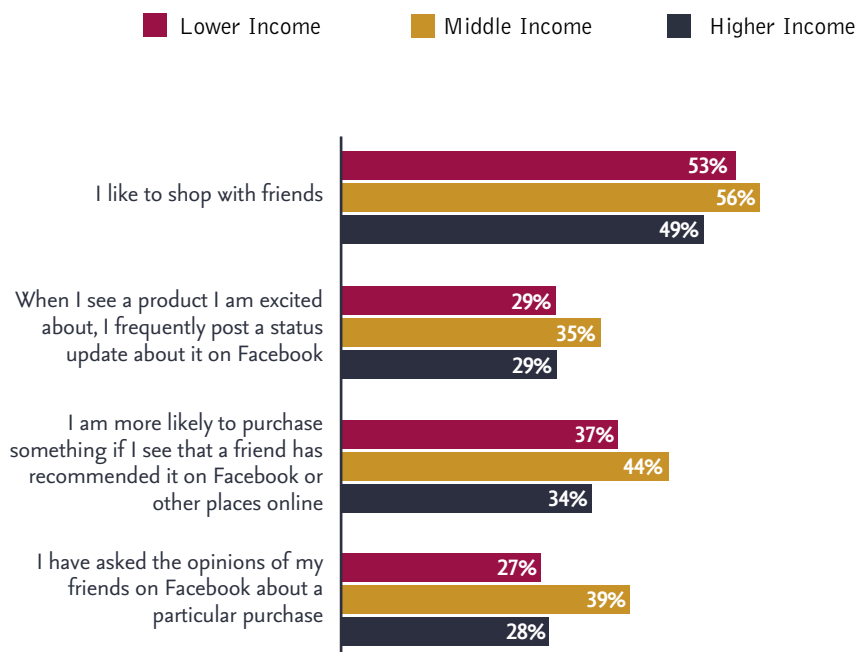


FIGURE 1H: INTEREST IN F-COMMERCE (U.S.)

Percentage who agree with each of the following

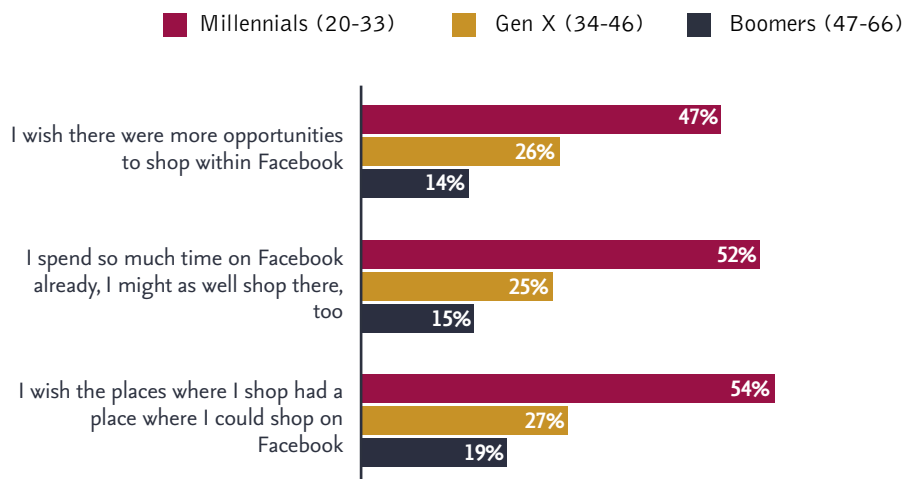


FIGURE 1I: INTEREST IN F-COMMERCE (U.K.)

Percentage who agree with each of the following

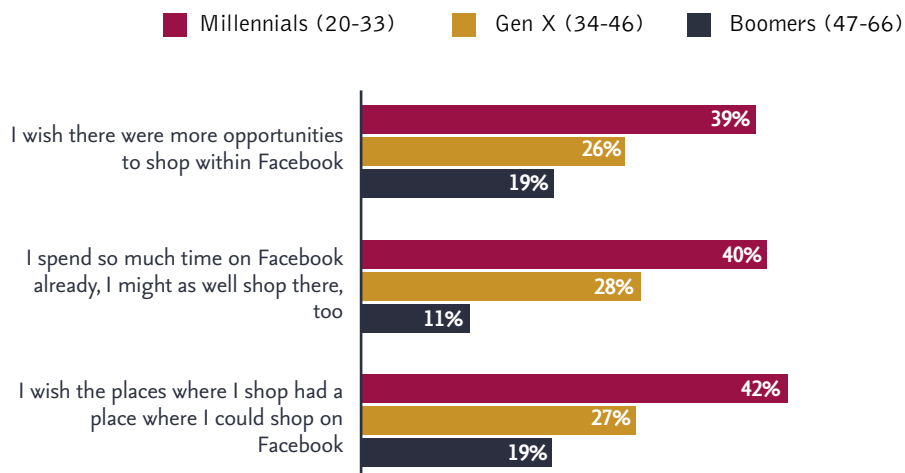


FIGURE 1J: INTEREST IN F-COMMERCE (BY GENDER, U.S. AND U.K.)

Percentage who agree with each of the following

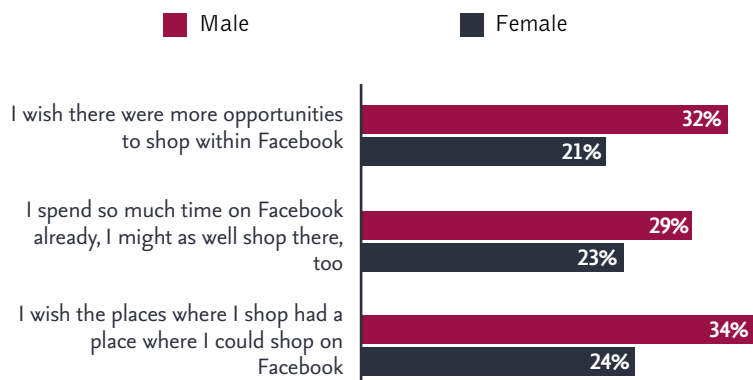


FIGURE 1K: INTEREST IN F-COMMERCE (BY INCOME, U.S. AND U.K.)

Percentage who agree with each of the following

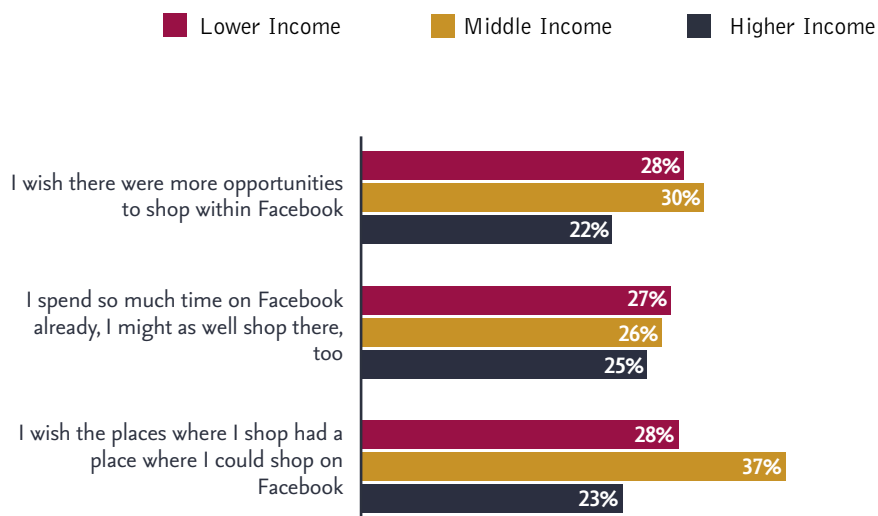


FIGURE 1L: F-COMMERCE PRIVACY CONCERNS (U.S.)

Percentage who agree with each of the following

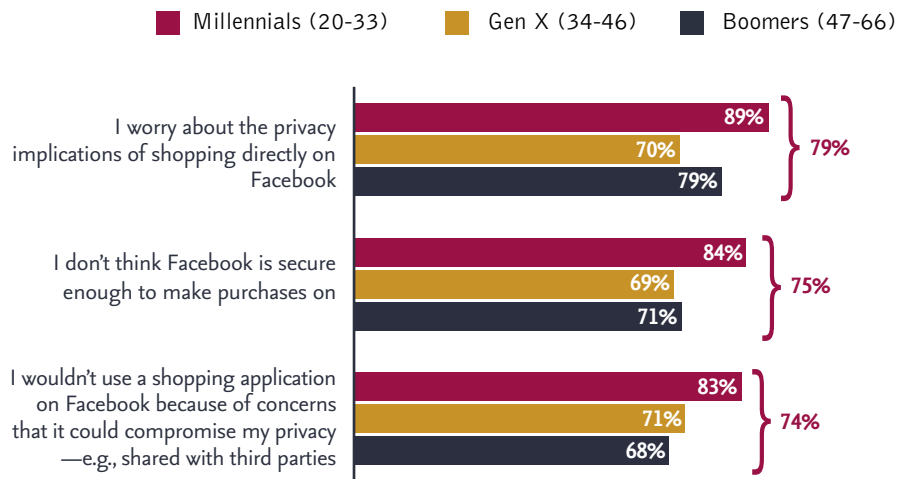


FIGURE 1M: F-COMMERCE PRIVACY CONCERNS (U.K.)

Percentage who agree with each of the following

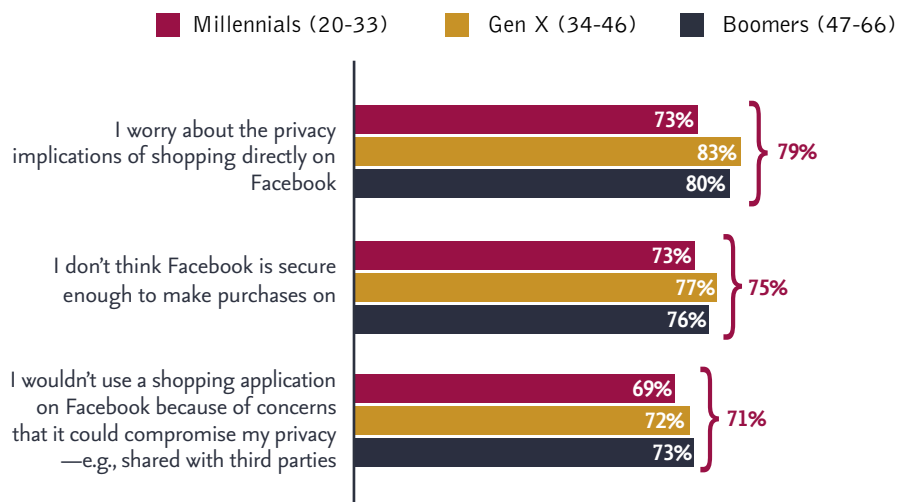


FIGURE 2C: PERSONALIZED RECOMMENDATIONS BASED ON FACEBOOK PROFILES (U.S. AND U.K.)

Of the people who have signed in to the following sites using their Facebook username and password, percentage who are somewhat/very likely to browse the personalized recommendations that the sites offer up based on their Facebook profile

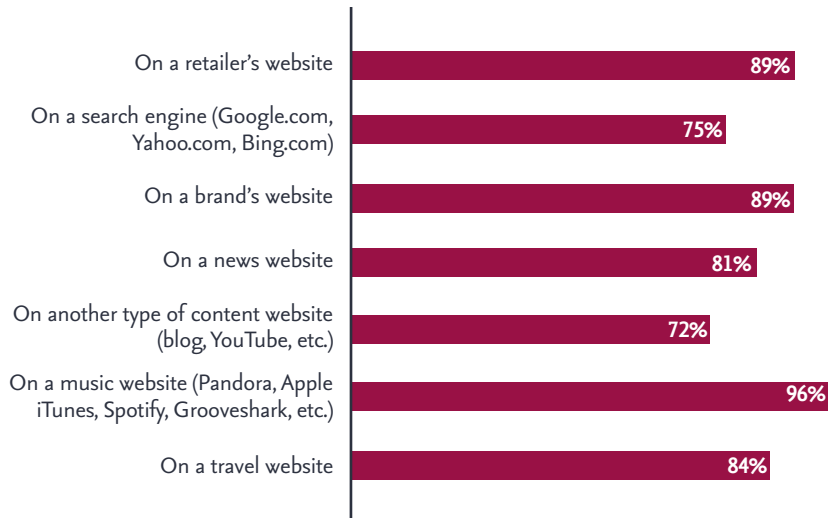


FIGURE 2D: FEELINGS ABOUT PERSONALIZED RECOMMENDATIONS ON WEBSITES BASED ON FACEBOOK PROFILES (U.S.)

Percentage who agree with each of the following

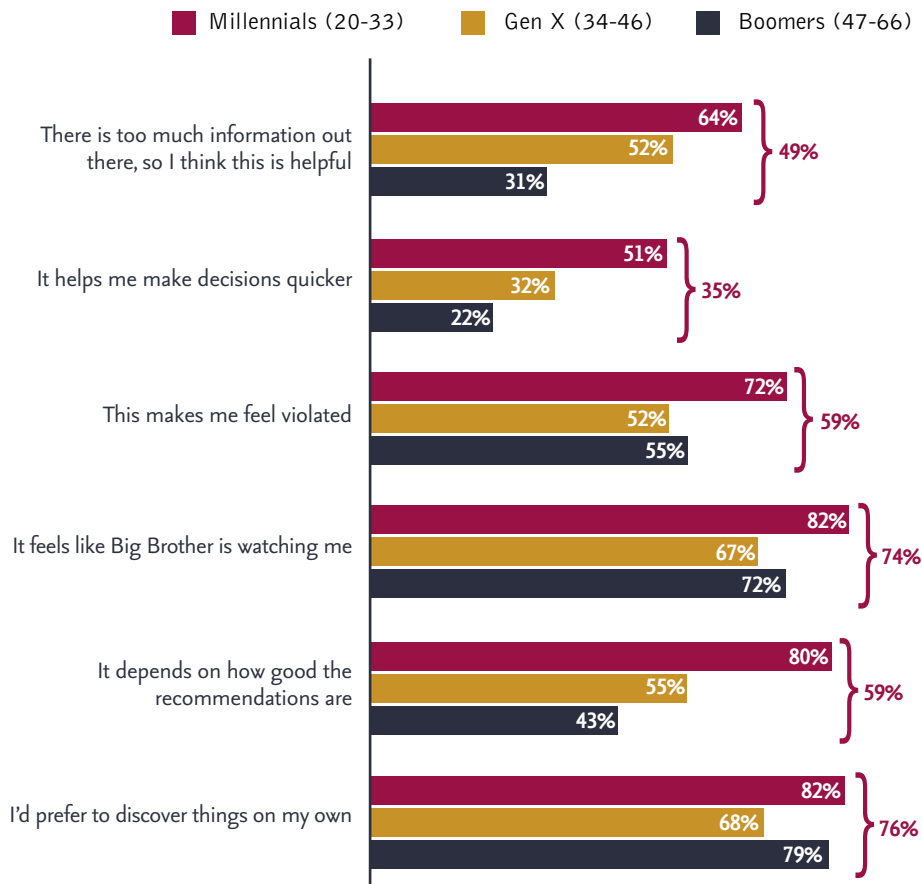
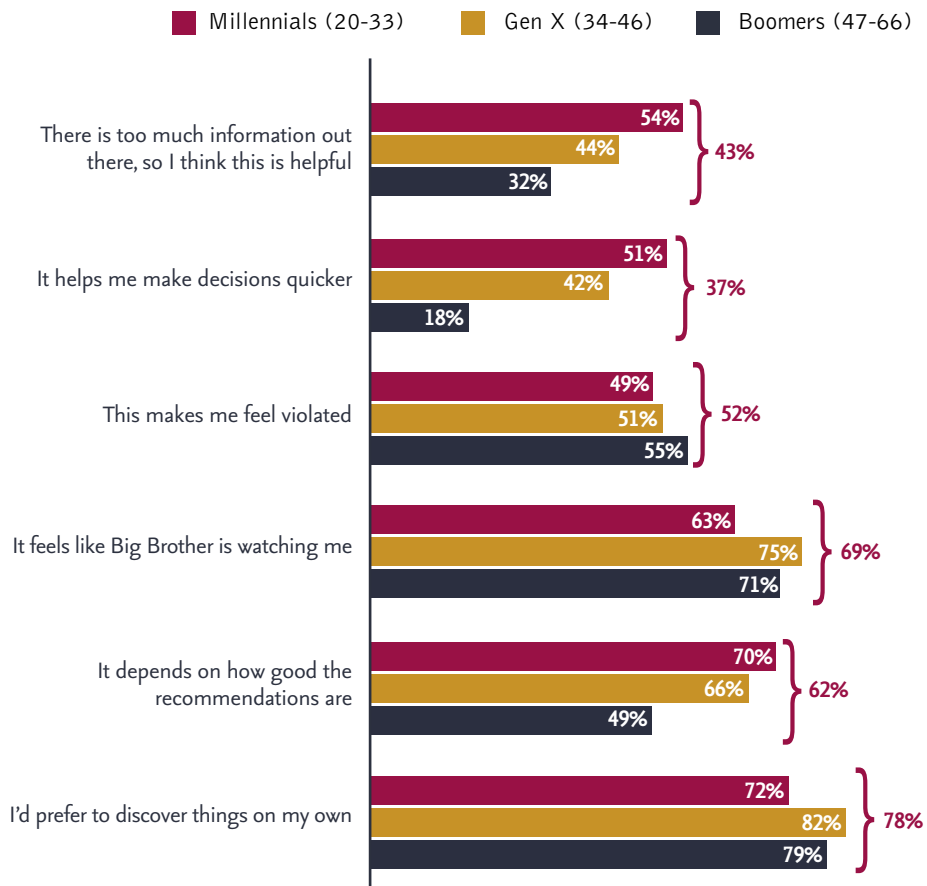


FIGURE 2E: FEELINGS ABOUT PERSONALIZED RECOMMENDATIONS ON WEBSITES BASED ON FACEBOOK PROFILES (U.K.)

Percentage who agree with each of the following



About JWT: JWT is the world's best-known marketing communications brand. Headquartered in New York, JWT is a true global network with more than 200 offices in over 90 countries employing nearly 10,000 marketing professionals.

JWT consistently ranks among the top agency networks in the world and continues its dominant presence in the industry by staying on the leading edge—from producing the first-ever TV commercial in 1939 to developing award-winning branded content for brands such as Freixenet, Ford and HSBC.

JWT's pioneering spirit enables the agency to forge deep relationships with clients including Bayer, Bloomberg, Cadbury, Diageo, DTC, Ford, HSBC, Johnson & Johnson, Kellogg's, Kimberly-Clark, Kraft, Microsoft, Nestlé, Nokia, Rolex, Royal Caribbean, Schick, Shell, Unilever, Vodafone and many others. JWT's parent company is WPP (NASDAQ: WPPGY).



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SOCIAL COMMERCE

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