
2.1 Importance and Significance of Social Media

2.1.1 Current Trend in Social Media

The term social media or, more recently, social Internet can be used as a synonym for the term Web 2.0. Within the framework of social media, information can be used both in verbal and multimedia form. This includes, for example, photos, videos, music, voice recordings and games (cf. Heymann-Reder 2011, p. 20). Communication on social media is usually networked worldwide and creates new interaction opportunities for users and companies. Well-known social media platforms include Facebook, Twitter, Google+, YouTube, LinkedIn, Pinterest and Polyvore. MySpace is regarded as a “social media pioneer”, but has more or less had its day. In contrast, YouTube now plays a prominent role as a video-sharing platform and is a global institution, without which we can no longer imagine our lives. By far the most popular form of social media today is connecting to a website with Facebook, but many German online retailers have not yet made use of this phenomenon. There is often uncertainty about which aims should be pursued through social media. As a result, the potential of a Facebook connection is not fully exploited and usually amounts to nothing more than a “Like” button. Often only the shop itself is rated, but not the individual product. An automated dissemination mechanism therefore remains unused (cf. Social Media 2011, p. 36). Groupon provides a good example of potential social networking. Four links to Facebook are offered per page, with two direct share buttons, a multifunctional recommendation box for friends, and a “Like” box, which shows numbers and pictures of fans. Groupon quantifies traffic generated from Facebook at 3–5 % of the total visitor rate (cf. *ibid.*). However, there is a lack of penetration in Germany for most plug-ins. Moreover, the button increases the page loading time and the advertiser has to explain the use of Facebook social plug-ins in its data privacy information. Of the eight standard plug-ins, only the “Like” button and single sign-on actually prove useful. However, many experts view social plug-ins as just the

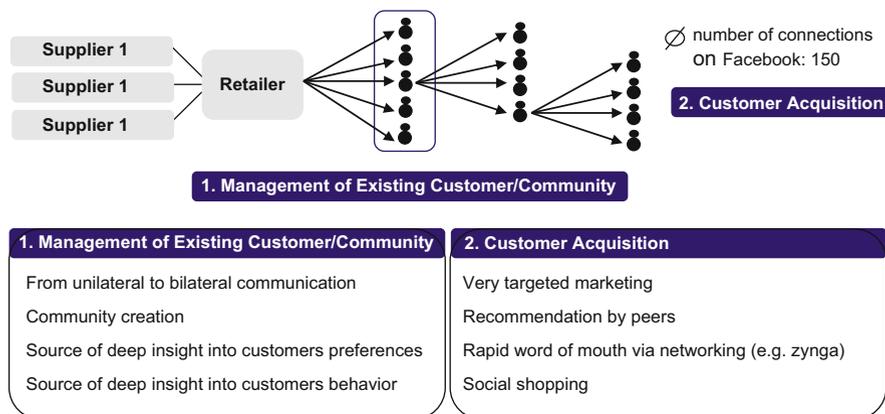


Fig. 2.1 Leverage of social graph (Source: Own illustration based on BV Capital 2011)

start. Implementing our own ideas based on the Open Graph model is regarded as the supreme test, in order to utilize data and images from the user’s profile.

Etsy, for example, coordinates user and friend data with its own product features, in order to make birthday recommendations. Facebook’s reach does not have to end with integration in the web shop. Integration is also suggested at the POS (point of sale). Leveraging the social graph offers considerable potential. As Fig. 2.1 shows, one Facebook member has an average of 150 contacts, meaning 150 times 150, i.e. 22,500 members can be reached in the second phase, and over 3.3 million members in the third stage. This can be used to manage existing communities as well as to acquire customers.

Google Incorporation, which according to its former CEO has for too long underestimated the importance of social networking, has now hit the ground running with Google+ and precisely targeted the weakness of Facebook: not every contact necessarily signifies friendship. Google+ enables online acquaintances to be combined into groups, to which targeted information is then assigned. As far as Google is concerned, this may well involve offering a Facebook-like platform, in order to close the social circle and no longer be forced to depend on Facebook (cf. Internet World Business 2011e, No. 12, p. 3; Die Welt dated June 30, 2011e, p. 12). Within a very short space of time, Google has clearly managed to put Facebook and Twitter on the defensive (cf. FAZ 2011e, No. 156, p. 11). In this respect, Google+ should register high growth in its numbers of members within a relatively short period of time. Experts expect that with this private/professional network, initially launched in 2011, this new giant will draw level with Facebook in the future (cf. Spiegel 2011).

2.1.2 History and Phases of Social Media

Social media are not as new as might be assumed in light of the current discussion. The beginnings of social media go back to community marketing in the music industry and thereby to pre-Internet times. This emerged from the Arpanet, predominantly used for military purposes, which started at the end of the 1960s and went public in 1993 (cf. Beckmann and Schulz 2008, pp. 138 et seqq.). The first online music communities, such as “MySpace”, were formed back in the start phase of the Internet in the 1990s (cf. *ibid.*). After the Internet bubble burst in 2001, the net was reinvented as “Web 2.0” (cf. Weinberg 2010, pp. 4 et seqq.). Web 2.0 and later social media essentially represent users “recapturing” the web. The emancipation of users was also the original idea of the Internet, which had been pushed into the background somewhat by its later commercialization. Social media aims to involve users more intensively and form communities of all types, in order to create dialogues. Passive users should therefore turn into active “prosumers”. Participants are described as prosumers if they are not only “active and mature partners to companies” in a dialogue, but also help to design the net overall. Forums and web blogs of all type were **initially** used for this purpose. Private social networks later emerged in conjunction with the further development of MySpace and then the founding of Facebook. With a huge number of members, they have become part of our everyday lives.

The development of virtual community forms, which include social media, is depicted in Fig. 2.2. Social media describe the opportunity to share experiences and information on community websites, such as blogs, Internet forums, networks, image and video portals, wikis, podcasts and user-generated websites, and to enter into relationships with other users (cf. Weinberg 2010, pp. 23 et seqq.). On the whole, however, social media no longer represent a pure communication platform. Social platforms are clearly used for communication purposes as well as for the direct sale of products and are therefore becoming more heavily

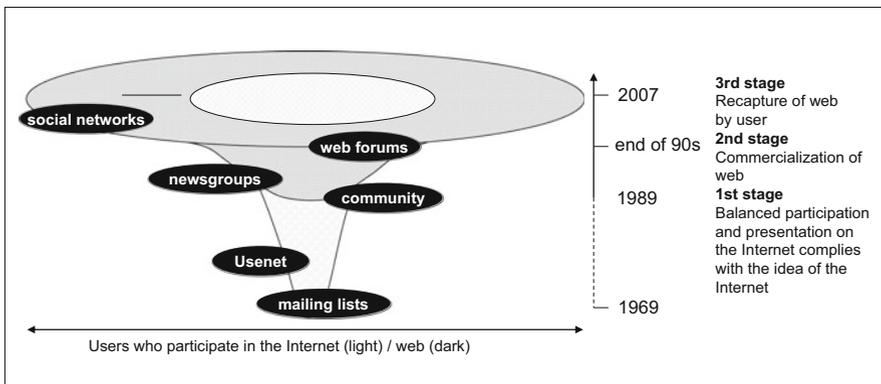


Fig. 2.2 Development of virtual community forms since the creation of Arpanet (Source: Beckmann and Schulz 2008, p. 139)

commercialized than previously, as expressed by the term “F-Commerce”, which stands for “Facebook commerce” (cf. von Kuhnhardt 2012).

2.1.3 Significance and Relevance of Social Media

The significance of social media can be seen in the context of global Internet penetration, as documented impressively by the size of the Facebook community. Over one billion users are now said to be members, with around 26 million in Germany (cf. Fanpagelist 2012). Google+ could now have over 200 million monthly users worldwide (cf. Firsching 2013a) and is growing dynamically. Altogether, at least 1.5 billion people are active in social networks. The exchange of information between such users is developing a completely new dynamic in the course of “social networking”. Users tend to be young and are slightly more likely to be male. However, more than one in two of over-50s already use this medium (cf. ARD/ZDF 2012). Social networks are increasingly accessed through mobile devices, with around 54 % of Facebook users already doing this (cf. Socialbakers 2012; von Kuhnhardt 2012).

As the LG Electronics case study shows, this factor is relevant to 70 % of service inquiries. With just a few posts on the net from the company itself, an unusually high reach can be achieved. Just 47 blog posts at LG Electronics were capable of answering more than 30,000 service inquiries in advance, without placing any strain on the hotline (Ich-sag-mal 2011; Heinemann 2012a, p. 10).

2.1.4 Future Prospects for Social Media

In 2014, almost one in two Germans use a smartphone and view it as a natural part of their buying processes (Go-Smart study 2012, p. 31). These future customers expect a much greater range of services on their smartphone than they are familiar with from stationary Internet usage. Due to smartphones, local functions and social networks in particular will play a greater role than today. The SoLoMo phenomenon is also fueled by the fact that users want to remain relevant online. The same applies to smart natives, for whom permanent access to the digital data stream is normal. They demand mobile offers, which they continuously keep up-to-date and share with their network. In this regard, local real-time offers with geo-location, increasing response speeds, real-time information and augmented reality create interesting mobile added value for SoLoMo users. Added value is undoubtedly provided by online shopping (Go-Smart study 2012, pp. 30–31; Mindwyse 2011; Heinemann 2012b), which is convenient and varied, and can be done 24 h a day, regardless of location. Nevertheless, experts do not make the assumption that brick-and-mortar stores will disappear completely (eBay 2012a). Consumers do not want to buy everything online, but nor do they have to forego the advantages of one channel just because they use another one. Some companies therefore let their customers shop in parallel. However, this approach should not lead to an exodus of



Fig. 2.3 Expectations of brands in social network (Source: Own illustrations based on Horizont 44/2012 with data source from Social Minds 2012, Press Release Media Agency Vivaki from 2.11.2012. Base: 2.000 online users aged 14 and above)

customers. As a result, various retailers are currently working on social media strategies (cf. Heinemann 2012b). The question of which role social media will play in the future is also increasingly being examined in the branded goods industry. In this respect, a study by Social Minds from 2012 provides interesting evidence of customer expectations of the brand in the social network (cf. Horizont 44/2012). As Fig. 2.3 shows, credibility and authenticity are the key factors here. In addition to prompt and honest information on the supplier side, users are primarily concerned with recommendations for specific brands (36 %) and concrete purchase recommendations (47 %). In 38 % of cases, users also expect specific recommendations not to buy in the event of bad experiences with the product.

2.2 Social Commerce as a New Form of Commerce

Social commerce may be regarded as the symbiosis of e-commerce and social media (cf. Haarhaus 2013). The online environment is already heavily influenced by social media today. Crossovers are more or less fluid in this respect. The development stages and different forms of social commerce are therefore discussed below. The comments also refer to a master’s thesis by Heike Haarhaus on this subject, which was supervised by the author (cf. Haarhaus 2013).

2.2.1 Special Characteristics and Relevance of Social Commerce

Although social commerce is certainly one of the most widely discussed online issues of recent times, there is no precise definition of the term yet (cf. Haarhaus 2013). The current definitions are generally very broad. While almost everyone is talking about social commerce, it is clear that very few companies understand the underlying concept correctly. In most cases, the term includes social marketing (cf. Chaney 2012b). In order to bring more clarity to the discussion, reference is made to the two components e-commerce and social media. Heike Haarhaus has produced a checklist for social commerce based on these two components. The first component – “e-commerce” – clearly emphasizes transactional relevance, in which the sale and purchase of products or services on the Internet is a significant prerequisite (cf. Haarhaus 2013; Wikipedia 2012a). With reference to Kollmann, e-commerce essentially consists of four components: content, commerce, context and connection. In the initial years, the Internet was dominated by e-content and e-connection (cf. Kollmann 2009, pp. 12 et seq.). In recent years however, a wide variety of online services have become established, which combine more than one of these components, making it difficult to categorize them exactly. Wirtz defines e-commerce as “initiation, negotiation and implementation of business transactions via Internet” (Wirtz 2008; Heinemann and Schwarzl 2010). This definition identifies the transaction as the significant prerequisite for e-commerce, and is a key factor in its differentiation from other forms of e-business. General definitions and explanations of social commerce tend to emphasize that it contributes rather indirectly to sales and should not be interpreted as referring to direct sales (cf. Lückemeier 2012). Such an interpretation may be correct in many cases, but requires the opportunity for genuine “in-stream transactions”, or quite different solutions, which take the entire buying process into account. However, if a consumer in the social network is unable to pay “in-stream”, it does not constitute social commerce, but rather advertising or communication (cf. Chaney 2012a). As a second component alongside e-commerce, consideration should be given to social media, or at least social features used when shopping. The term “social” is already indicative of a natural characterization of people and their need for mutual coexistence and interaction (cf. Wikipedia 2013). Social behavior involves people interacting and communicating with one another, and a social network with existing friends is therefore of great importance. The social component is omnipresent and has a decisive impact on shopping activities. Whereas consumers are happy to communicate during offline shopping, and to receive recommendations and advice, shopping at brick-and-mortar stores also offers further, additional support options, if desired. And moreover, all social interactions during brick-and-mortar shopping take place in “real-time”. However, what this means for social commerce needs to be clarified in further detail: given that consumers now expect their online shopping experience to be nothing less than perfect, opportunities for social interaction have become almost compulsory in the online shopping world. Social commerce therefore represents a kind of collective shopping experience (cf. Grabs and Bannour 2011, p. 332.). Consumers expect to be supported with social features, enabling

them to connect with friends immediately, as for example in the case of chat programs. They might be provided with ratings and recommendations from other users, ideally with personalized advice. Chats and co-browsing functions, which consumers can use to share product experiences or opinions in real time, are highly valued, and ensure that consumers' shopping experience is not inferior to offline shopping in any way (cf. Weave 2012, p. 223). Such tools are designed and implemented to ensure that consumers enjoy smart and positive shopping experiences. In contrast, retailers are given the option of listening to and understanding customers, and providing them with customized solutions (cf. etailment.de 2012a). In addition to the offline shopping experience, specific characteristics of social media can also be used to define the parameters of social commerce more precisely. Based on the specifics of social media for example, where significant aspects are reflected in user-generated content (UGC), this is also indicative of a high level of interactivity. User-generated content can easily be used for community building in social commerce. Users should be capable of building a relationship with other consumers, which also requires leadership. Social commerce therefore represents more of a social science than a technological concept, although it naturally requires technological implementation in the back-end (cf. Mühlenbeck and Skibicki 2007, p. 198.). With regard to UGC, social media also enable users to act as producers, and thus allow buyers to also operate as vendors. In this respect, refocussing efforts should ensure that consumers can interact with the supplier and can participate. In turn, this requires a certain relevance to the store, i.e. extensive consideration of appropriate opportunities for customers to influence the business model. Social commerce is therefore associated with a new type of freedom, allowing users to select the role they would like to play within the transaction process. This role may relate to the prospects for the consumer, producer or advisor (ibid., p. 107). The opportunity for customers to sell actively on the platform may be regarded as the highest level of social commerce. Increase in "customer value" is a major element of social commerce. In particular through the extensive opportunities for customer involvement, this represents a completely new business form of retailing (cf. marketing-blog.biz 2012). Customer value can only be improved if the retailer provides new "social instruments" or Web 2.0 tools. Such instruments should let customers solve their own problems or help resolve other customer's problems (cf. Marsden 2012b). If this gives users the opportunity to utilize a certain social intelligence, they can also make better buying decisions, which increases customer satisfaction. It is not without reason that online retailers are now ranked among the top places for customer satisfaction (cf. OCC&C 2012). With reference to Marsden, social intelligence describes a human capacity to learn from others simply by observing (cf. Marsden 2012a). Social problems can be resolved by allowing for a certain social status, for example. Exclusive fan offers or limited conditions with restricted access can be cited as examples, but social connections arising from buying options, such as "group buying", online gifting or a "wish list", also give rise to special social positions (cf. Weave 2012, p. 224). These examples show that social commerce must be based on transaction options. Social marketing and social media are certainly relatively widespread in retailing,

Checklist for social commerce		
1. Commerce		
- Transaction must be completed without leaving the site	yes	no
- Revenues from current product sales; revenue streams from advertising activities or similar activities not included		
2. Social	yes	no
- Consumer must be supported in problem-solving or solving social problems		
- Users should be capable of actively participating in social media – freedom of choice and role		
3. Result	yes	no
- Individualized products and buying experiences for retailer		
- Social utility for the customer		

Fig. 2.4 Checklist for social commerce (Source: Haarhaus 2013)

but not many companies have realized that genuine commerce must also be integrated in social media portals. In addition to an “in-stream transaction”, relevant “social tools” should also be provided. Moreover, active customer participation and a high degree of personalization and customization are required. The requirements of social commerce are depicted in Fig. 2.4. It should be pointed out here that social commerce is not just a topic for the online world only, but also goes beyond that. Modern social commerce factors should also be considered in brick-and-mortar retailing, which has become possible through the mobile Internet (cf. Weave, p. 224). This issue is also addressed in more detail in the empirical section.

2.2.1.1 Relevance of Social Commerce

Social media have turned into an Internet tool that we can no longer imagine living without, and have a great impact on online buying decisions. They enable users to communicate easily with one another in all areas. Today’s customers check out their retailers’ social media presence, ratings and recommendations, and share information about specific products and retailers in their social network (cf. Weave 2012, p. 224). As a result of the increasing level of communication and increased sharing of data through social media, retailers have become more transparent. Potential customers are now able to check on retailers’ activities, offers and service commitments (cf. Peters 2011, p. 113). Such developments result in a change in the customer journey, away from a linear sequence of phases and towards a circular decision-making process with a constant feedback loop to the social network (cf. Marsden 2012a). A new buying environment has emerged for retailing here. In particular, new attitudes towards social networks are drivers of social commerce. In a world of social media and permanent feedback on products and services, new success factors have arisen for retailers. Web 2.0 has become a key

driver for the Internet and the majority of all buying decisions, and thereby for the latest generation of online commerce (cf. Heinemann and Schwarzl 2010, p. 1). A study conducted by SteelHouse confirms that 64 % of all buyers read product ratings and recommendations before making purchases (cf. Chaney 2012a). In another study, conducted by market research institute Ipsos and the Hotwire agency, 56 % of German Internet users confirm that they would rather buy a product that has positive comments from other users. In any case, 30 % point out that they would not carry out any transaction on the basis of negative ratings. This confirms how important comments, ratings and rankings have become for the buying process (cf. Mühlenbeck and Skibicki 2007; Haug 2013; Mindwyse 2011). The relevance of such UGC increases the more the persons involved know each other personally. Accordingly, 75 % of users who are mutual friends indicated that they prefer to draw inspiration from friends, family members or colleagues before making a purchase. Therefore, it is not surprising that 68 % of customers prefer to use this – close – group as a source of information prior to making a buying decision (cf. Intertone 2010). Facebook, Twitter and community blogs in particular have essentially brought about new forms of “peer-to-peer” communication and information in commerce. A study by marketing agency SteelHouse from 2012 substantiates the leading role of social media websites, especially Facebook. Roughly half the respondents said they had bought a product or service rated or recommended on social media sites (cf. Chaney 2012a). Consumers trust such sources of information considerably more than promotional campaigns by established retail companies. One major reason is the fact that such traditional forms of advertising are regarded as less credible (cf. Mühlenbeck and Skibicki 2007, pp. 76 et seq.). Figure 2.5 illustrates in detail the extent to which customers trust different forms of advertising.

The facts indicate that there are fewer and fewer opportunities to influence buyer behavior through traditional advertising. In terms of their marketing activities, retailers are therefore required to give consideration to the more dynamic buying behavior of modern customers, as described in the customer journey for example. This fact applies all the more to sales-based advertising contents and emphasizes

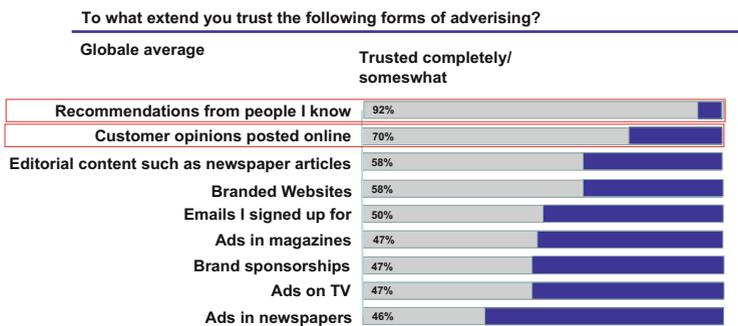


Fig. 2.5 Global trust in advertising (Source: Own illustration with data source from Nielsen Global Online Survey 2011)

the growing importance of social filters in the buying process. In addition, many companies have realized that an increasing amount of customer traffic is generated on social media platforms, especially Facebook, on the basis of recommendations from Facebook friends. Customers arriving at websites via social networks already make up 1.3 % of the total online traffic and result in 1.9 % of all online sales as at Q2 2012 (cf. IBM 2012). As a result of this trend, several retailers have begun to search for ways to accommodate the development towards interactive forms of shopping and thereby exploit the potential of social commerce. The idea is that sharing product information in social networks has really paved the way for offering such products directly in the social network, with an option to buy. But if members are willing to come out as fans and collect or share information relevant to the purchase, why not integrate a direct buying option for offers wherever potential users discuss the subject of brands or retailers? Ultimately, it is in the supplier's interest to make maximum use of the potential for word-of-mouth advertising and therefore directly integrate social media activities into the buying process. In this respect, the fusion of social media and e-commerce appears promising. Use of Web 2.0 elements is already set as standard in marketing, with online marketing as a sub-function (cf. Mühlenbeck and Skibicki 2007, p. 87). A similar development could also be expected for their usage in e-commerce. Social commerce constitutes a natural further development of Web 2.0 in this respect. Helping customers get connected wherever they shop or initiate their purchase represents an effective tool for keeping pace with disruptive change. Online retailers which have already done so are regarded as modern and contemporary, in comparison with those with an "inflexible website" that does not include Web 2.0 elements. Polarization of outdated online concepts and new, modern online shops can therefore be increasingly observed (cf. Heinemann 2013b). In conclusion, it can be stated that online commerce has reached a new stage of evolution through social media and customers' usage of such media during the buying process. The social web has turned into a new kind of arena for modern shopping advice. The extent to which this endures and holds further potential is clarified below.

2.2.1.2 Potential of Social Commerce

Experts assume enormous potential for social commerce, provided the extensive usage of Web 2 tools on e-commerce platforms constitutes a form of social commerce. This results in a direct recommendation, to be used by every e-commerce website. Sooner or later, e-commerce will enter a new stage of evolution and mutate into social commerce: "*E-commerce is over. Long live social commerce*" (Marsden 2011a). A study by Econsultancy proves that 90 % of purchases are subject, to a greater or lesser extent, to a social impact, whether through recommendations from friends or visual inspiration. And precisely this level of socially-influenced purchasing reflects the volume and potential of social commerce (cf. *ibid.*). Business consulting firm Booz & Company estimates the future global market volume for e-commerce in social networks at around 30 billion US dollars for 2015 (cf. Internetworld.de 2012). Figure 2.6 depicts the relevant trend in social commerce sales revenues from 2011 to 2015. In 2011, approx. five

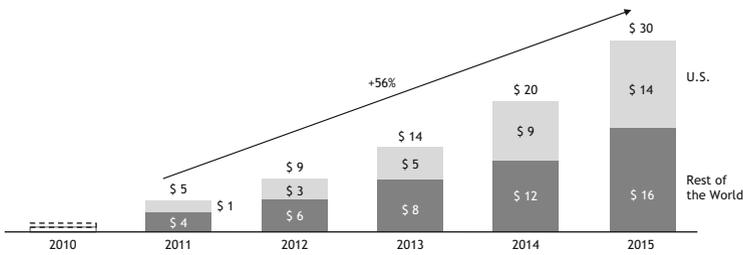


Fig. 2.6 Booz & Company estimated social commerce market size (Source: Grahampenrose 2011 based on Booz & Company)

billion US dollars was equivalent to roughly 0.8 % of worldwide e-commerce sales revenues, amounting to over 700 billion US dollars this year (cf. IMR 2011). By 2015, the share will increase to 2 % of the “e-commerce cake”, with an estimated total of over 1,500 billion US dollars.

Facebook plays an important role in realizing the potential of social commerce, especially if the 1.15 billion users worldwide can be activated for this purpose, disregarding the fact that social commerce is also reflected in the retailer’s P/L statement from a business management perspective (cf. Marsden 2012b). In view of the potential, the question should no longer be whether to start with social commerce, but rather when.

2.2.2 Stages of Development in Social Commerce

Social commerce has developed in several stages and has essentially been driven by technological progress and the resultant change in consumer behavior (cf. Haarhaus 2013). The first step has already been taken by introducing search functions and the opportunity to use price comparison sites (cf. Böge 2012; Haderlein 2012). Search engines make it easy for the customer to find products and information. However, strictly speaking, they do not network users, nor do price comparison sites. Neither of these tools fulfills the criteria for social commerce, but both have made significant contributions to its development, since they provide information to be shared by users on social networks. An isolated assessment should have changed, at least since the introduction of Google+.

According to expert opinion, social commerce, in its pure form, can be divided into three development phases (cf. Fig. 2.7):

- **First phase of social commerce – “pre-tool level”.** The first phase of social commerce concerns the introduction of ratings and reviews. This phase – described as the “feature level” – involves customer reviews, expert opinions and sponsored reviews (cf. Lückemeier 2012). Customer reviews could now be one of the most important sources of information, especially as they are regarded as authentic and therefore most highly valued by users. Such reviews and

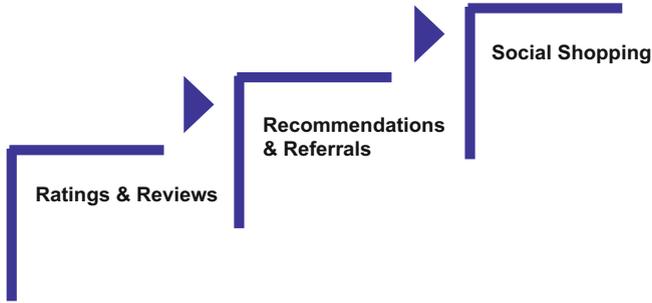


Fig. 2.7 Levels of social commerce (Source: Haarhaus 2013)

rankings can either be integrated on the website or found on special rating portals. The more ratings are listed in a shop, the better they match search engines and become a suitable SEO instrument for “search engine optimization” (cf. Mayer 2012). Reviews and ratings are not new. Major online players like Amazon and eBay have been offering these features for a long time. Such tools provide customers with decisive support in their buying process, especially as they provide reliable information and help to improve buying decisions. But they do not connect customers and completely ignore collaborative aspects. In this sense, they can only be regarded as the first phase or rather as an introduction into social commerce.

- **Second phase of social commerce – “tool level”.** The second phase of social commerce is represented by advice and recommendations. This phase – described as the “tool level”– includes personal recommendations, advice programs (referrals) and social bookmarking (cf. Böge 2012). Personal recommendations are usually based on personal buying experiences or recommendations from friends. Customized offers make reference to personal preferences and make them all the more valuable. In particular, recommendations from friends have an enormous influence on contemporary buying decisions and add a considerably higher “degree of socialization”. This second stage is primarily characterized by product-related information.
- **Third phase of social commerce – “conceptual level”.** The third phase of social commerce constitutes the highest stage of evolution for social commerce and is also described as the “conceptual level”. Whereas the first two stages were limited with regard to social interaction between customers and the mapping of offline buying decisions, the third stage also allows for these factors and involves “social shopping”. This phrase is often used synonymously with the term “social commerce” in the literature. “Social shopping is a method of e-commerce where shoppers’ friends become involved in the shopping experience. Social shopping attempts to use technology to mimic social interactions found in physical malls and stores” (Wikipedia 2012b). This definition reflects the synonymous use of social shopping and social commerce, and as a result is also viewed as the

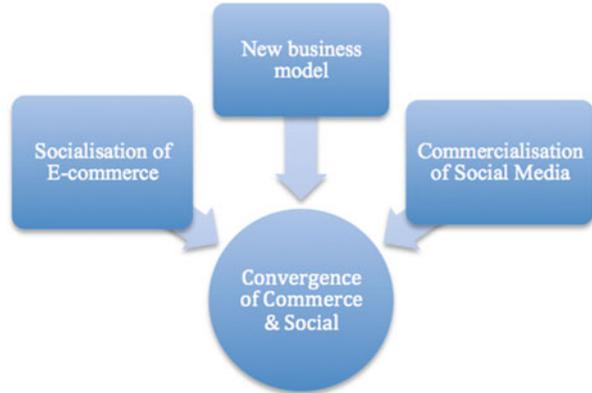
highest evolution stage. Nevertheless, a distinction should be made between the two concepts. Social shopping represents more of a logical development.

Given that technological development is also progressing, it can be assumed that social commerce will continue to develop rapidly in the future and give rise to new tools. However, the situation will vary, depending on the prevailing form of social commerce.

2.2.3 Categorization of Social Commerce

The concept of social commerce offers numerous advantages to users and retailers. Social commerce enhances the online shopping experience. The offer of a social environment increases customer satisfaction, which in turn improves customer loyalty. At the same time the retailer offers genuine competitive advantages and added value, setting it apart from its competitors in a positive way. New sources of inspiration and personal recommendations increase the assumed benefit to the customer. In addition the customer is able to discover new and improved products, which would then find the right algorithm. In turn this has a positive impact on sales and turnover (cf. Chaney 2012c; Lückemeier 2012). Ratings, reviews and recommendations improve the relationship between customers and brands or retailers. Integrated information on “likes” from friends and purchases in an online shop also result in a greater probability of buying products. Furthermore, personalized and complementary recommendations contain high cross-selling potential. If retailers choose to sell on a social media platform, they have an additional sales channel, resulting in additional sales revenues. Impulse buys are primarily stimulated by the opportunity to shop in an environment in which potential customers already discuss relevant products and brands (cf. Steimel 2011). Social commerce is breaking down barriers between communication and commerce and facilitating immediate purchases, thereby increasing the number of impulse buys. Social media activities can also be measured by return-on-investment (ROI). Monitoring such activities objectively is also important in maintaining the right balance between income and expenditure (cf. Chaney 2012c). Another advantage of social commerce is achieved through an increased volume of customer data, based on personal interests and social interaction. Such data offer better insight into customers and create the opportunity for optimizing customer relationship management (CRM). In addition, information about customer preferences can be used to improve offers in the retailer’s own online shop. This is relevant, for example, to product range or visual merchandising, which can be adjusted to preferences. Social commerce does not only serve to stimulate sales in this respect, but also helps retailers align sales strategies to their customers’ needs. Users are highly integrated and thereby feel more than just part of a business and not just an external factor. Customers who have been persuaded tend to be willing to share their positive experiences, meaning that social commerce is also well-suited to viral marketing.

Fig. 2.8 Forms of social commerce (Source: Haarhaus 2013 based on Mücke, Sturm & Company)



2.2.4 Future Prospects for Social Commerce

On the whole it is clear that social commerce has developed from the initial integration of social tools in existing online shops, through the further implementation of sales functions in social networks, and up to completely new business models. As a result of the development stages outlined above, three different forms of social commerce can be distinguished: socialization of e-commerce, commercialization of social media, and new social commerce business models (cf. Fig. 2.8).

- **Socialization of e-commerce** describes the transformation process from classic e-commerce into social commerce through the integration of social tools in existing online shops. Sharing ideas and opinions and acquiring recommendations improves the shopping experience from the customers' perspective. Customers are placed in a position to resolve problems better in a social environment, which includes the buying process. Such tools have been enhanced over the course of time. A mere presence in social networks, such as Facebook and Twitter, ultimately resulted in highly complex networking of the customer's "social graph" with his or her online shop. As a result of technological development, retailers were empowered to optimize personal offers, which then had a positive impact on target group marketing. Such personalization results in a genuine "added value" for customers and thereby a greater probability of buying (cf. Böge 2012). This could also be the reason why the majority of online retailers are usually linked to Facebook, Google+ and Pinterest (cf. Weave 2012, p. 224).
- **Commercialization of social media** refers to the opening of social media to e-commerce with a direct opportunity to sell products. Social media are turning into a new sales channel for retailers and no longer represent a mere communications platform (cf. Heinemann 2012b, p. 4), because when visiting the Internet, consumers spend most time on social media sites, where they are

connected with brands and retailers, and where an additional selling opportunity is directly offered. Facebook has turned into a mass phenomenon in recent years, which could offer enormous potential for e-commerce. The figures below, taken from the VendorShop report, illustrate the potential of Facebook as a sales channel (cf. Marsden 2011b): an average stay of 55 min on Facebook and 150 friends per Facebook user. At least 62 % of all users who “like” a shop would buy from there and 68 % of users who “like” a website receive promotions and discounts – these figures speak for themselves. The main focus of social media stores should be on Facebook in this respect. However, sales options on Twitter, YouTube and Pinterest should also be pursued. Since the enormous hype of social media has weakened slightly, social networks are being called upon to more strongly commercialize their business models (cf. BVDW 2011).

- **Social commerce business models:** As a supplement to the two forms of “e-commerce socialization” and “social media commercialization”, some completely new business models have been established in the area of social media. They represent the highest evolution stage of social commerce and are mainly distinguished by an equal combination of e-commerce and social media.

2.3 Manifestations of Social Commerce

The forms of social commerce already categorized in the above chapter are described in greater detail below and corroborated with examples. Facebook commerce is addressed separately, given that it spans all forms of social commerce as a kind of “hybrid form”.

2.3.1 Socialization of E-Commerce

With regard to the socialization of e-commerce, Facebook has certainly become a key factor. The following comments therefore primarily refer to Facebook, although Google+ and Pinterest also have great potential. By linking Facebook with conventional websites, the social user is transported to e-commerce, and users can shop with friends and receive personalized recommendations (cf. Marsden 2012c). The customer’s individual social network may be used directly in the online shop, and vice versa.

Some products can be “liked” and shared in the social network, and customers can see which products have been liked and then recommend them to their friends in the network. However, Facebook tools extend far beyond this and along with the “like button” and “comment box”, include “Facebook Connect” as well:

- **“Facebook Connect”** allows users to log onto an online shopping club or community via a Facebook account. If an online shop offers this opportunity, it is easier and quicker for customers to connect with Facebook. Instead of having to enter a large amount of personal data, users can employ the “single

sign-on solution” to register on the website. With “Facebook Connect”, retailers and shopping portal operators enjoy an advantage because conventional registration on a website is usually regarded as a major obstacle, but this is no longer the case (cf. Grabs and Bannour 2011, p. 234). “Facebook Connect” targets precisely the benefit offered by simplified registration. The incredible success of Facebook has certainly contributed to the high level of acceptance of social log-ins. Even if only 16 % of users currently use social log-ins, 49 % would consider doing so and would make use of the option of logging into a social network on an external website via an existing account (cf. Absatzwirtschaft 2012). Social log-ins normally increase session time and reduce the abandonment rate, thereby indirectly contributing to an increase in sales. In addition to the enhanced user experience, operators automatically receive profile information about users (cf. etailment.de 2012b). “Facebook Connect” also offers “Open Graph” and “Social Graph” on the retailer’s website, which creates a diagram depicting connections between users, groups and organizations in the social network (cf. whatIs.com 2010). The opportunity to improve knowledge through and about customers also demonstrates the significant potential of Facebook with regard to social commerce. Facebook’s “Open Graph” provides a large number of features, such as integration of the “like button” and “comment box”.

- **“Like button” and “comment box”** are probably the most widely-known social plugins. Social plugins are tools which utilize other websites to support interested parties in respect of personalized and social aspects to shopping (cf. Facebook 2013). The “like box” is a small excerpt from the Facebook page, integrated onto the retailer’s own website. The extent to which information from the Facebook page should be embedded can be selected. For example, a decision may be made to only mention the company name with regard to the like button or to integrate an additional “news feed” and/or photos of users who have liked the website on Facebook. The like button is independent of the retailer’s existing Facebook page. If the user liked a product on the retailer’s website, this fact is either shown in the retailer’s online shop or in the user’s individual profile. Customers can see whether a friend has already liked a supplier’s product. While on Facebook, users are made aware of friends who have liked or even bought items. Using the “like box”, retailers pick up Facebook functions on their website. If visitors like the page, they can receive additional information about the specific retailers in their individual “news feed” on Facebook (cf. Grabs and Bannour 2011, pp. 237 et seq.). Such use of Facebook enables retailers not only to obtain contact data, but also to receive a large quantity of additional information on specific interests, user habits or locations. This provides excellent insight into the wishes and attributes of their customers. The integration of social tools into existing e-commerce thereby produces a certain form of social commerce, relating to likes and comments, as well as other social media activities within the online shop. Support is provided here for referral marketing or “recommendation machines”. The dissemination of generated information in social networks increases traffic on their own website, which in turn leads to increased sales.

In this respect, social media activities can also become profitable and may be reflected in the return on investment (ROI).

The tools described above almost socialize e-commerce and help users to network more intensively, making it easier to share experiences and recommendations (cf. Grabs and Bannour 2011, pp. 332 et seq.). To facilitate a clearer understanding of this subject area, selected examples of fashion providers are shown below, i.e. Levi's and Fab:

- **“Levi's Friend Store”**, which specifically features the individually aligned “digital storefront”. Customers connected via Facebook see all “likes” first, but have the opportunity to switch to products preferred by their friends (cf. Grabs and Bannour 2011, pp. 334 et seq.). Levi's regards this form of buying as “like-minded shopping”. On the “Friend Store” Levi's demonstrates impressively how “Facebook Connect” can be used to improve customers' shopping experience.
- **“Fab.com” online platform**, which is distinguished by inspiring shopping experiences for designer products, represents another example. Fab.com primarily focuses on heavy social media users, who network with one another, and on mobile commerce. Fab integrates a live feed, providing a real-time demonstration of what customers are buying and have added to their favorites (cf. Kolbrück 2012, p. 17). Moreover, users are able to view friends' recent likes and purchases. This allows for a collective shopping experience with friends if customers agree to having their favorite products published on the customer timeline, which can be done through “Facebook Connect”. The new form of transparent commerce and the culture of sharing turn customers into ambassadors for Fab. Esty acts and thinks along similar lines (cf. etailment 2012c). The integration of social features has a direct impact on corporate success, since around 15 % of “live feed” visitors are converted into buyers (cf. etailment 2012d). Moreover, the lifetime value of customers who use social features while shopping on Fab is double that of other users. Recommendations from friends directly increase sales for Fab, which recognized the trend towards social commerce early on and implemented it as an essential differentiation factor (cf. Kolbrück 2012, p. 17).

In summary, socialization of online shops seems to be a relatively easy way to enter the world of social commerce. However, it is not advisable to merely provide “like buttons”. Customers are becoming more demanding and all registers of social features should therefore be drawn on. The integration of a “Social Graph” for personalized recommendations and enhancement of the shopping experience should also be targeted. In addition, Facebook offers a relatively inexpensive opportunity to align the shop more socially, since no major investments are required. Social plugins may even result in sales increases of up to 10 % (cf. Weave 2012, p. 224). Retailers should therefore exercise such options even if they do not

want to become a social commerce provider. In this respect, the socialization of e-commerce can be regarded as a must in modern e-commerce.

2.3.2 Commercialization of Social Media

From a social media perspective, the integration of sales activities shows great potential. On the one hand, established online retailers find it relatively easy to start selling in social networks, and, on the other hand, the social platforms themselves are in a position to launch their own e-commerce. Social media platforms receive a commission for each product sold or achieve higher margins through their own e-commerce. Depending on the social media platform however, the type and design of commercialization can vary greatly. In addition to Facebook commerce, there are other forms of social commerce which have emerged through the commercialization of social media, e.g. YouTube Commerce, Twitter Commerce and Pinterest Commerce.

- **Facebook commerce:** With reference to Facebook however, where a transaction takes place is also worth checking. If the Facebook transaction is carried out “off-site”, it represents an e-commerce transaction supported by Facebook. In contrast, genuine Facebook commerce (F-Commerce) represents an “onsite” sale on Facebook. The differentiation is shown in detail in Fig. 2.9. Off-site sales, i.e. use of the Facebook network as a sales channel by online retailers, is the most common of the two forms of F-commerce. Recently however, Facebook launched its own e-commerce activities under the term Facebook Gifts, although the gift shop is presently only accessible on the US market (cf. Chaney 2012c). Until recently, Facebook only notified its members of birthdays, but now they are able to buy a gift directly on Facebook. Members are given recommendations based on their friend’s profile. Notification of the gift may be accompanied by a message on the friend’s pinboard. The recipient can decide whether to open the message or wait until the gift arrives. Facebook receives a commission for each gift sold (cf. Internetworld.de 2012). This concept has great potential for Facebook, since it connects members with a large number of friends and individual product recommendations are made directly.
- **Twitter commerce:** Although Twitter commerce is not very widespread, some brands and retailers still use Twitter to sell their own products. PC manufacturer Dell, for example, has created its own Twitter account as a “Dell Outlet”, in order to promote its own products (cf. Twitter 2013). This account allows Twitter to implement Dell promotions (cf. CatalystMarketers.com 2010). Dell has so far made sales of 6.5 million US dollars through its presence on Twitter (cf. Grabs and Bannour 2011, p. 200). Twitter makes a social media platform available, which Dell uses as a “Dell Outlet” to sell its own products. However, genuine onsite transactions are not conducted on Twitter, instead, users are redirected to the partner company’s external online shop. Although it has a

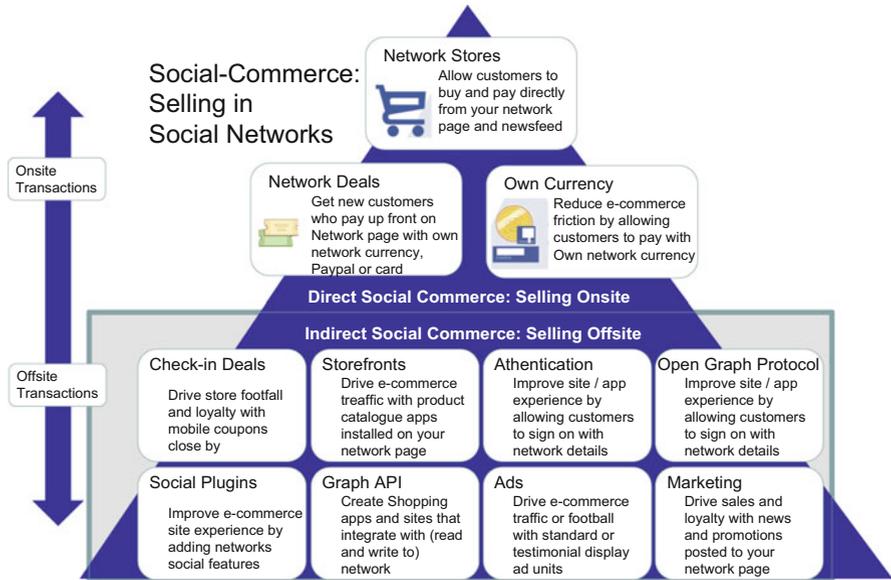


Fig. 2.9 Direct versus indirect social-commerce (Source: Own illustration based on Thollot 2014)

positive impact on the partner’s sales, this does not represent genuine social commerce as defined by the criteria. One major reason is certainly the fact that Twitter does not yet offer its own onsite fulfillment solution. This may also have something to do with the fact that the marketing potential for onsite sales on Twitter is seen as relatively low, since sharing of communications between Twitter members is considerably lower than on Facebook, and messages are still limited to 140 characters. Nevertheless, Twitter could be well suited to the sale of special offers or unproblematic basic goods.

- **YouTube Commerce:** Sales on **YouTube** can be regarded as another form of the commercialization of social media. YouTube is the second most frequently visited website around the world (cf. Marsden 2012d). YouTube shows great sales potential in this respect. In October 2011, for example, fashion retailer French Connection opened a “Youtique” (cf. French Connection 2013). Youtique is a combination of YouTube and Boutique. French Connection used YouTube exclusively to promote and sell its products for a short period of time. Fashion products were featured in videos, via which users received offers and product demonstrations. At the end of each video, users had the opportunity to order the displayed product via an integrated purchase button. Users were then redirected to the online shop (cf. Grabs and Bannour 2011, pp. 343 et seq.). However, this case also represented an “off-site sale”, meaning that YouTube commerce does not represent social commerce in the stricter sense of the phrase. Moreover, social components have so far been rather limited on YouTube, since

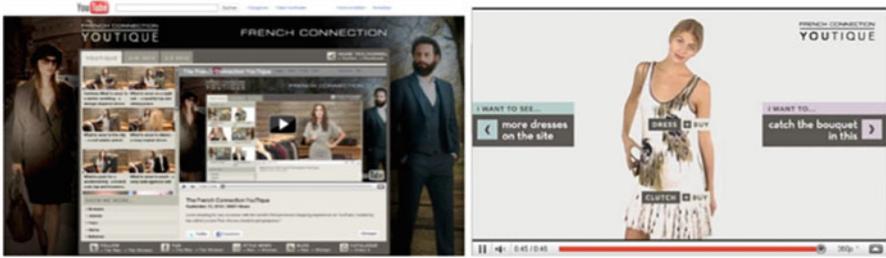


Fig. 2.10 Youtique – cooperation between YouTube & French Connection (Source: YouTube 2013 with permission from Google 2014)

neither social interaction with users nor participation is possible. Nevertheless, the nature of the visual presentation has a positive impact on the shopping experience. YouTube certainly represents more than just a marketing instrument in this respect. Through the integration of a purchase button, there is at least one bridge to e-commerce, which could certainly be upgraded towards “genuine social commerce” in future (Fig. 2.10).

- **Pinterest commerce:** Media platform Pinterest could boast enormous growth, especially in 2012. After ComScore, Pinterest is clearly the fastest-growing platform in the history of social media, with 11 million unique users as of January 2012 (cf. Werner 2012). Pinterest represents a visual platform, on which users are invited to create different pinboards. Users can pin images which they find on the web, and upload them accordingly onto their boards or even re-pin images already uploaded by other members. The concept can be described as a mixture of a catalog and lifestyle magazine. Although Pinterest is one of the youngest platforms, it has already become established and is now a dominant source of visual inspiration in social media (cf. Silver et al. 2012). Kurt Heinemann, Marketing Director of Monetate, a provider of cloud-based online technologies, points out that Pinterest is a platform which is ideally suited to creating awareness. It produces an enormous number of interactions and generates twice as much traffic as Facebook, in proportion to the number of users (cf. Werner 2012; Duryee 2012). Pinterest therefore represents a significant traffic generator for websites and has great potential for e-commerce activities. Online retailers are able to link individual product images on Pinterest to their shop. As a result, products can be presented in a new and extremely dynamic way. Moreover, they can easily be updated into different, inspiring images, and are particularly recommended for design, interior design, travel, and of course fashion. Pinterest is an expressive advertising medium in this respect (ibid.), which is well suited to promotions and product visualizations, as are required for fashion products in particular. “Style and fashion” is number three on the list of most favorite product groups, at 11.7 % (cf. etailment.de 2012e). Pinterest already largely embodies the future of social commerce. According to one study by Monetate, Pinterest is well on the way to becoming one of the most important drivers for social traffic on websites by the end of the year (cf. Duryee

2012). Nevertheless, a distinction should be made between Pinterest as a traffic driver and its suitability as a distribution channel. In any case, Pinterest is set to grow in importance for social commerce in the future, in view of the socialization of e-commerce (cf. Stambor 2012). Accounts have already been rolled out, which were specially designed for marketing specialists and feature a “verification badge” (ibid.). However, there is still some doubt as to whether Pinterest will be commercialized in terms of real shop solutions. But a large number of fashion retailers are already including Pinterest in their marketing strategy. Zalando is viewed as the leading German “Pinterest” company, as far as the number of pins is concerned (cf. Hengl 2012). The platform can also easily be combined with “gamification” approaches. The Guess “Color Me Inspired” campaign on Pinterest is deemed a good example. In order to win a pair of jeans, users are called upon to select one of the pinned trend colors and create a board with at least five “inspiration images” for one topic, e.g. spring. This campaign also lets Guess obtain information on its customers’ preferences with regard to colors and inspiration sets. Both can be used as an ideal input for new collections and thereby for market research purposes (cf. Thaeler 2012). A similar approach to the one adopted at Guess can also be witnessed at Lands’ End, which carried out the “Lands’ End Pin it to Win it” campaign. Users were able to assemble the best boards from the Lands’ End range, and were rewarded by winning assembled products. The primary focus here was on enhancing knowledge about the customers’ mindset (cf. etailment.de 2012e).

Overall, it can be established that social commerce is still in its infancy. It is quite conceivable that users of social media might not want to shop in social networks, since they primarily like to use them as a communication and information platform, and have a negative view of their commercialization (cf. Wilhelm 2012, p. 50). In this respect, some experts do not regard Twitter and Facebook as suitable distribution platforms. This could be one reason for rather cautious investments in this area (cf. Steimel et al. 2012). Most retailers therefore tend to focus their social media activities on marketing rather than sales. Otto also sees social media as a major issue with respect to making purchase decisions and regards buying behavior as being greatly affected by social media, but does not currently see any potential for direct sales activities there (cf. Wilhelm 2012, p. 50).

2.3.3 Facebook Commerce as a Hybrid Form of Social Commerce

As previously mentioned, Facebook dominates the social commerce discussion. Nevertheless, most F-commerce is still conducted with external brands and retailers, which use Facebook as a marketing channel. There are three different options here, of which only the “onsite sales” variant represents genuine social commerce:

- **“Pure marketing”, as the first type of F-commerce**, merely features the integration of static shop elements for an online retailer, which are then linked to Facebook. Such links have essentially become an indispensable standard in e-commerce. Every online retailer should have a Facebook presence and set up a direct cross-link to its own shop. However, this relates purely to marketing activity, but not to e-commerce.
- **“Off-site sales”, the second type of F-commerce**, which is rapidly growing in importance, involves setting up a sales function on an online retailer’s Facebook page. The entire product range or only a selection may be provided. However, such a sales function is very rarely set up on Facebook. The user is generally redirected to the retailer’s online shop when clicking on a product on the Facebook page (cf. Grabs and Bannour 2011, pp. 337 et seqq.). However, if a real transaction is not conducted on the Facebook page, it does not constitute social commerce.
- **“Onsite sales” as a third type of F-commerce** represents a self-contained shop solution, which allows for an onsite transaction, including the full buying process (cf. Weave 2012, p. 225). Purchase, payment and shipment are assured by the self-contained Facebook store itself. Special software is required to create this type of “real Facebook store”. Companies providing the necessary shop software include Amazon, Ondango and Sellaround (cf. Internetworld.de 2012; Haarhaus 2013). German fashion retailer Lodenfrey has set up such a store on Facebook. This is a case of genuine social commerce.

Nevertheless, the situation seems rather promising, since little has been done in this area so far. Facebook stores have rarely focused on real e-commerce so far. Without real added value for customers however, e-commerce cannot work on social media. Sellaround and its CEO Adrian Thoma also point out that just offering products on Facebook and waiting for sales is not sufficient (cf. Internetworld.de 2012). The key question is how added value can be created in a social context. Facebook stores have to offer a new concept with a specific unique selling proposition (USP), which is differentiated from existing online shops, and have to give the customer a reason to buy directly on Facebook, instead of switching to a well-known online shop. The challenge for F-commerce will be to convert fans into buying customers. One definite option for successful social commerce could be the exclusive sale of products, i.e. special offers, to which fans and followers have exclusive access, or at least can access before anyone else. Pizza Hut, for example, offers this type of limited sale. Another example is Heinz Ketchup, which also installed a social media pop-up store to sell personalized soups (cf. Marsden 2012c; Chaney 2012d). Such concepts from the food sector could certainly be adapted to the fashion industry, especially since fashion products allow for greater exclusivity and epitomize greater involvement.

2.3.3.1 The Sellaround Widget for Selling a Product

The selling widget is offered as an app in order to sell individual products on the net. Customers can transact purchases without having to leave the site if the widget

is embedded on it as an advertising banner and shop (cf. von Kuhnhardt 2013). Social shop, promotion widget or social actions app are conceivable variants:

The social shop enables the sale of several products. The relevant app is suitable for e-commerce starters. But this function can also be used as a separate campaign shop, which is then embedded in the Facebook page. The social shop can be used as a stand-alone link or integrated in an existing website (cf. *ibid.*).

The promotion widget resembles the selling widget app, but does not contain any sales functions. The user is rerouted to an external product link, such as a web shop for the respective provider, via a click. It may be used to advertise specific products on Facebook, through embedding on the Facebook timeline. Analog integration of a YouTube video is also possible (cf. *ibid.*).

The social actions app represents a new form of onsite advertising. Based on the Facebook “like” button, Sellaround users can use appropriate buttons for the product, whether this is “I want”, “I have”, “I love”, “I own”, “I wish”, or “I bought”. If a user clicks on one of these buttons, a promotion widget appears in his or her Facebook timeline with images, texts and information from the target page. Similar to the “like button”, buttons are made available as a code component, which users can include in their own websites.

This Sellaround idea is suitable for deal campaigns, in which a product is offered for a limited time or in a limited edition, and represents a kind of advertising banner and mini-shop in one. When the widget is opened, up to four images of the offer may appear, one of which is displayed in full size in each case. A description of the offer, a title, the vendor’s name, price and a large “shopping cart” button can be displayed here. By clicking on “shopping cart”, the widget is rotated and the user moves to the next stage of the purchase transaction, in which the shipping country and typical options can then be selected. Clicking on “checkout” activates the payment process, which takes place via PayPal. After checkout, the customer returns to where he or she first found the widget. The point of sale comes directly to the user here, in order to avoid media disruption.

2.3.4 Business Models for Social Commerce

As a supplement to the phenomena described above, completely new business models have become established in the area of social media. They represent the highest evolution stage of social commerce and are primarily characterized by an equal combination of e-commerce and social media. Examples of such business models are highlighted below, which certainly differ greatly in their specific unique selling proposition (USP) and form three categories: “Advice & Recommendation” or even “Advice & Referral”, “Enabling & Infrastructure” and “Experience, Fun & Exclusivity” (cf. Haderlein 2012). In accordance with this categorization, the different social commerce business models are depicted in Fig. 2.11.

Advice & Recommendation	Enabling & Infrastructure	Experience, Fun & Live Shopping
Referral platform - Polyvore - Edeligt	Microeconomics: - Etsy - DaWanda	Club shops: - Vente Privee - Brands4Friends
Affiliate platform: - Smatch	Mass customization: - NikeiD - Threadless	Daily deals: - Groupon - LivingSocial
Curated shopping - Kaufmann Mercantile - Fab.com - Lyst and Blissany	Selling community: - Pippa & Jean - Stella & Dot	Live shopping: - Guut.de - zackzack

Fig. 2.11 Social commerce business models (Source: Haarhaus 2013)

- **“Advice and referral”**, the first category, is represented by recommendation platforms Edeligt, Smatch and Polyvore. Of these three examples, Polyvore is the best-known and most important platform, as far as fashion is concerned at least. Polyvore can be regarded as the “mother of all social commerce platforms” (cf. Haderlein 2012). Tools are made available to users, enabling them to choose their own sets from a specified range of retailers and brands. Individual products are cross-linked to corresponding retailers. Polyvore represents a source of inspiration, which generates a large volume of traffic. Although Polyvore receives a commission for sold products, no “in-stream transaction” is conducted. Essentially, the basic requirements for social commerce are not fulfilled. Nevertheless, the platform is largely credited with giving recommendations and advice on a high level of social commerce, and is extremely well-suited to generating traffic as a marketing tool and acquiring new customers, particularly because it allows for visual recommendations, which are especially important for online fashion. It is not uncommon for other platforms and retailers to copy the mood board concept – a strategy employed in particular by Asos and Stylelight (ibid.). Curated shopping represents another trend which is very widespread in fashion e-commerce, and is frequently combined with “subscription commerce”. Prominent examples here are Shoedazzle and BeachMint as well as Glossy-Box. Products are recommended to customers in their own showroom.
- **“Enabling and infrastructure”**, the second category, can be subdivided into mass customization, microeconomics and social selling communities. This trend is not necessarily new and innovative, but illustrates a reasonable degree of genuine social commerce for which it also has a certain level of significance.

Mass customization relates to product customization, which has only become economically viable through the use of Internet technology (cf. Haderlein 2012). Mass customization represents a concept that already existed before the age of social commerce. Nevertheless, it is an excellent example of customer participation and fulfills the social commerce criteria. In particular, the large sports equipment suppliers, such as Adidas and Nike, employ mass customization (cf. Faz.net 2012). Microeconomics stands for the generation of Web 2.0 portals that are primarily focused on communities. Etsy, for example, is a platform which enables customers to sell genuine handicraft products from the Third World to other members of the community. The platform tends to focus more on people than products (cf. Heinemann and Schwarzl 2010, p. 193). Social selling communities constitute a relatively new concept. Pippa & Jean or Stella & Dot can be cited as examples, which both operate based on the same principle. Customers are given the opportunity to set up their own business on the platform, therefore creating flexible business opportunities for users. In contrast to Etsy, users do not sell their own manufactured products here, but are based on users' individual preferences. The shopping platform Lyst makes the following comment: "(w)e didn't believe that one style could be distilled into an algorithm, rather we thought social curation was a far more effective way to personalize an experience to you" (cf. Stock 2012).

- **"Experience, fun and exclusivity"**, the third category, is made up of club shops and daily deal platforms and currently has great potential, since customers are demanding more and more features (cf. Haderlein 2012). However, this involves a limited number of different concepts, which simply cannot exist in the current retail environment. Club shops are increasingly becoming obsolete. Elements should therefore be implemented to incentivize and revitalize concepts, based on limited access to exclusive offers. Daily deal sites, such as Groupon, are also representatives of this category and embody "social bonding" aspects.

2.4 Changes in the Buying Process Due to Internet and Social Media

2.4.1 The New Buying Process

Customers are not only increasingly using the Internet within their buying process, but also social networks (cf. Enderle and Voll 2011). They conduct research on the net in order to prepare for their purchases in brick-and-mortar stores. This includes both searches for product information and price comparisons. Prices are no longer compared sequentially, with the customer executing several brick-and-mortar store transactions one after the other. A parallel price comparison is now made through the Internet and price search engines, which reveal the products and prices of all retailers with one click. When customers are subsequently in the brick-and-mortar store, they compare the indicated retail price with the competition's online offer on their smartphone, and where appropriate order the best-value offer on the web

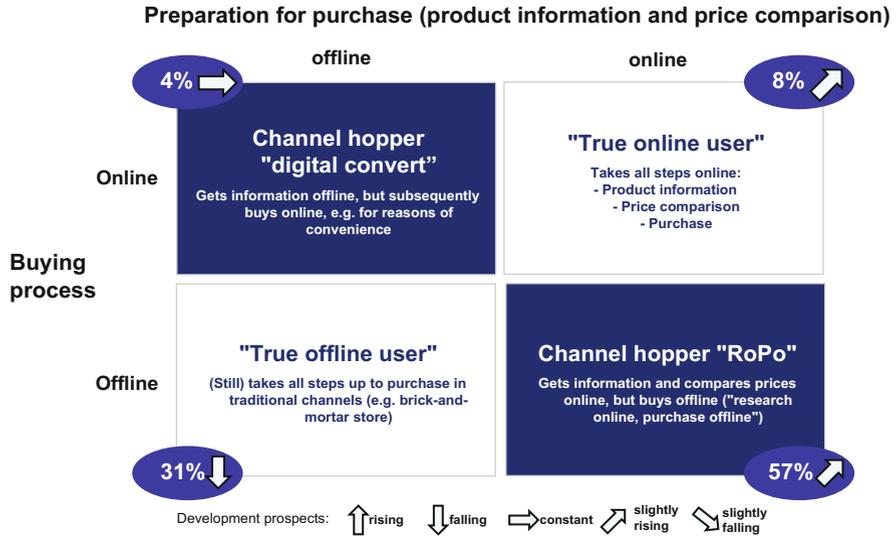


Fig. 2.12 Types of customers in online commerce (Source: Enderle and Voll 2011)

directly on site via the mobile Internet. Technological progress and changed buyer behavior result in unprecedented transparency in commerce, which increases price pressure for conventional business forms. At the same time, an increasing number of consumers buy their products and services from e-commerce companies or online retailers, which thereby register large gains in their market shares. Yet the number of “pure online buyers”, who carry out all steps in their buying process online, still remains within limits (cf. Fig. 2.12). They make up 8 % of all customers. Another 4 % shop exclusively online, but search another store before buying. At 57 %, the most widespread group is constituted by channel hoppers, who prepare for shopping in a brick-and-mortar store on the Internet and follow the ROPO model. In any case, 31 % of customers are true offline users, who do not shop or conduct research on the Internet. Most of them could also be Internet-illiterate.

It is in each customer’s interest to find a product during the buying process, in order to optimally satisfy his or her needs (cf. Boersma 2010, pp. 44 et seqq.). The behavioral principles of social commerce primarily relate to use of the Internet and mobile commerce, the rapid penetration of which certainly has a significant impact on consumer buying behavior. In order to understand this impact, the conventional buying process should first be depicted without Internet usage. This serves as a fundamental basis to present the new buying process, including Internet usage, and the “customer journey” before the buying process, which increasingly relies on social media tools.

2.4.1.1 Change to the Buying Process Due to Internet Usage

The central interest of each customer is to find a product during the buying process, which optimally satisfies his or her needs (cf. Boersma 2010, pp. 44 et seqq.). If a

traditional retailer helps the customer to do so and offers an acceptable price, such a retailer then usually has high relevance for the customer. This was the original primary role of commerce for consumers. In the best-case scenario, retailers managed to optimize the benefit to their customers, having implemented the entire added value of the buying decision process. Procurement, pre-selection and consulting, etc. were remunerated accordingly. Retailers did not have to share the proceeds with anyone (cf. *ibid.*). The conventional buying process in brick-and-mortar retailing usually stipulates that the customer should start by selecting a supplier, and then choose the product which meets his or her needs at the point of sale. This requires the customer to get an overview of the products in the retailer's range, compare products based on product information, and ultimately make a product selection, followed by a subsequent purchase. The customer first selected one or more suppliers and then committed to a product on site. Conformity of the "point of decision" and "point of sale" was characteristic of the conventional buying process, as depicted in Fig. 2.13 (cf. *ibid.*).

The previous system for the buying decision process has been changed substantially by the Internet. In addition, competitive conditions have been redefined. In part, the Internet lets customers procure almost any product available around the world relatively quickly and easily. Customers can also find comprehensive information on the "World Wide Web" to support their search for the right product. The decision-making process is supported to a much greater extent by more detailed product information, additional test reports, and product ratings from other customers than is the case when receiving traditional advice from a retailer (cf. *ibid.*).

Customers can easily find their way around the Internet, not only in terms of rational buying, but also with regard to emotional motives for buying. Within a peer group in a social network, information can always be found about the acceptance and popularity of products. This provides security in the buying decision. Moreover, by purchasing a product, the customer can signal affiliation to a group and utilise social media tools to reach decisions. The buying decision process is therefore disengaged through the Internet, which is accompanied by the decoupling of value chains in retailing. Revenues are distributed to individual value-added stages and no longer fully collected by the retailer. The fact that the Internet shifts individual phases in the buying decision process and thereby separates the point of decision from the point of sale is emerging as a threat to commerce (cf. *ibid.*). The new (online) buying process is expressed by the customer first choosing a product on the Internet, which meets his or her needs. Customers get an overview of interesting products with the aid of price search engines, online marketplaces, social shopping services or communities. They then compare products based on product information, e.g. using manufacturer websites, test reports, opinion portals or social networks, before making a product selection. Only at the end of the process does the customer select what he or she views as the optimal supplier, and complete the purchase. Customers usually decide based on price, and relatively detached from online or offline channels. The importance of the individual retailer to customers is therefore greatly reduced. They are only perceived as a "point of

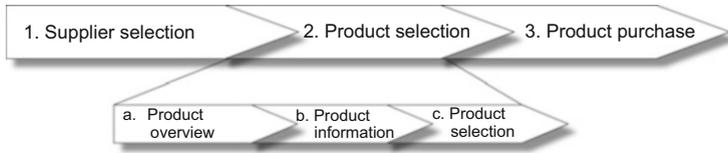


Fig. 2.13 Classic buying process (Source: Boersma 2010)

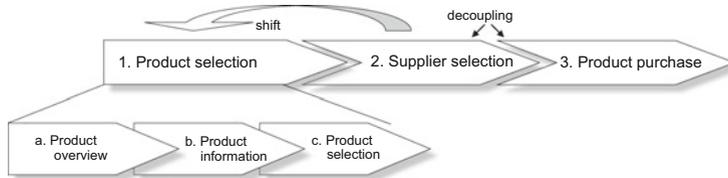


Fig. 2.14 New buying process (Source: Boersma 2010)

sale” in extreme cases, because there is a much greater volume of the information needed for a product selection available on the Internet. The “point of decision” is therefore gaining importance. Finding the right information provides the greatest benefit to customers and is thus becoming the most valuable part of the value chain (cf. *ibid.*; Stracke 2005, pp. 24 et seqq.). This new buying process is depicted in Fig. 2.14.

Even if the product is not purchased in an online shop, the Internet is the most credible medium for most users in connection with buying decisions. Studies show that 97 % of all German households with Internet access conduct research on the web before making a purchase decision (cf. Schneller 2009, p. 28). More than half of Internet users carry out price comparisons, acquire information on manufacturer’s sites, read test reports on the Internet or give consideration to comments and contributions to discussions by other users (cf. Schneller 2008, p. 28). With the increasing transfer of communication onto the net, the relevance of individual sources of information is also shifting as far as Internet users are concerned: ratings by other users are now among the most trusted sources. Such ratings play a major role, in particular when preparing to make purchases. Focusing on the customer’s last action before entering the buying process – usually Googling – cannot mask the “customer journey” (cf. Internet World Business 2011c, p. 16; Heinemann 2012a).

2.4.1.2 Customer Journey in the Buying Process

The “customer journey” in the buying process describes a series of stages between the idea of purchase and clicking. It is not uncommon for advertising banners or email newsletters to trigger the impulse to buy. The process leading to the final purchase can last several weeks, and includes searches, discussions in review platforms, sharing experiences or research on price comparison portals (cf. *ibid.*). Usage of social media tools plays a major role here. The customer journey approach

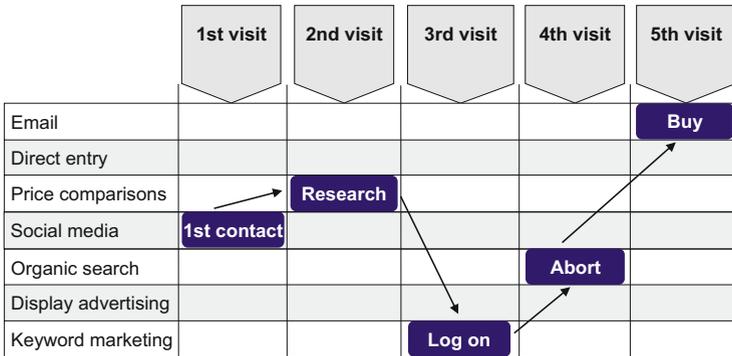


Fig. 2.15 Typical customer journey (Source: Own illustration based on Internet World Business 2011c, d, No. 10/11, p. 16)

also considers long-term effects and includes two dimensions. The first dimension represents buying impulses. The second dimension gives a weighting to the contribution of certain touchpoints during the customer journey to conversion (“conversion attribution”).

It is difficult to show dependencies between different advertising media contacts because not everything on the customer journey to the buying decision can be measured. The effect of social networks on the customer journey cannot be underestimated, particularly at the start of the conversion chain. In this regard, Facebook represents a specific challenge, since Facebook campaigns cannot be tracked as easily as banner or adwords campaigns, for example. The same applies to advertising media contacts from the offline area, such as TV advertising, newspaper ads, or poster advertising (cf. Internet World Business 2011c, p. 16; Heinemann 2012a). The customer journey approach should always bring the online and offline world together here, which requires qualified data collection. A typical customer journey is shown in Fig. 2.15. In many cases, this provides for the usage of social media tools.

2.4.2 Customer Involvement in the Buying Process

Customer participation is practiced by best-in-class companies in various sectors. In addition to conventional customer product reviews, many online shops integrate user-generated product images and videos supplied by customers. Another example is the subject of “fitting”: due to the lack of opportunity to try on or test something in advance, this has long been a problem for customers in distance selling.

In order to avoid a high rate of product returns, it is helpful to compile as much information as possible on fitting and size advice. If a large volume of such data is collected and made available to other customers, the conversion rate (share of customers completing purchase) may be increased and the rate of returns substantially reduced (cf. Haug and Küper 2010, pp. 119 et seq.). Customers are often

Application areas for UGC	Best-in-class examples
Product rating	amazon.com, americanapparel.com
Product display	zazzle.co.uk, spreadshirt.net, expotv.com
Fitting	revolveclothing.com, shoes.com
Marketing	
Advertising	ikea.com, burgerking.com
Referral/Recommendation	polyvore.com, mydeco.com
Distribution	
Widgets	lemonade.com, cartfly.com
e-shops	zlio.de, amazonstore.com
Communication/branding	nikeplus.com
Product range	myfab.com, factory.lego.com
Customization	mymuesli.de, tastebook.com, cafepress.com, chocri.de

Fig. 2.16 Areas of application for user-generated content in mobile commerce (Source: Haug and Küpers 2010, p. 119)

integrated into advertising and marketing campaigns. Burger King’s customers for example were called upon to delete friends on Facebook in a large viral campaign (“Whopper Sacrifice”) and were rewarded with a burger. In addition, companies make entire shops or widgets available to their customers, meaning customers act as marketing staff for the company and offer products to their friends and acquaintances. Different examples of customer integration are shown in Fig. 2.16. However, before potential customer potential can be assessed and “societing” effectively commenced, online market segmentation is required in order to secure transparency about online target groups.

2.4.2.1 Consumer-Generated Advertising

The term “digital native” describes a generation of Internet users, who act with new technologies in a natural way that even many qualified “media designers” are unable to achieve. Such “nets” and others with an affinity for technology are increasingly evolving from consumers into “prosumers”, i.e. customers involved in the creative processes. Through Internet shopping and in particular product configuration, consumers voluntarily reveal information about their preferences, which form the basis for creating the product. The boundary between consumer and producer is becoming blurred. Through Internet shopping and in particular product configuration, consumers voluntarily reveal information about their preferences, which form the basis for creating the product. The boundary between consumer and producer is becoming blurred. Accordingly, user-generated content

is handled as an elementary good on the web, as demonstrated impressively by YouTube, Flickr, and Facebook. Most of the more than seven billion online videos viewed each month include public user-generated content (cf. Unterberg 2008, p. 205). Online retailers can no longer avoid interactive discussions on consumer experiences. Consumers have been emancipated through the Internet and are increasingly making decisions on when, where and how media are used and advertising thus “consumed”.

The passive recipient consumer is increasingly becoming a thing of the past. It is becoming more and more important for advertisers to participate in consumer discussions or organize such discussions. The associated activation of customers forms part of consumer-generated advertising (CGA). This term describes all contents generated by the consumer that are promotional in character. If a company initiates the generation of advertising content for consumers, this represents a consumer-generated advertising campaign, which, as experience shows, is perceived by other consumers as more honest and credible. For example, participants in CGA campaigns are frequently also opinion leaders in their consumer worlds, or even the first users of the advertised product (cf. Unterberg 2008, pp. 208 et seq.).

As the first step in a CGA campaign, consumers are invited – in a briefing – to submit their ideas in the form of photo or video material. As many consumers as possible should be motivated to participate through a competition of ideas, with prizes offered as an incentive. Briefings are key to success here, but often underestimated by companies, since they trust too much in the “power” of their own brands and products. The submitted ideas are also evaluated, coordinated and commented on by participants. This ensures that the best ideas do not disappear and that additional attention and community are generated. CGA campaigns can also be supported by other community-building measures. If a platform is made available to the campaign, for example, it is easier to track discussions between participating community members and use them for market research purposes (cf. Unterberg 2008, p. 210).

There have been several examples of successful CGA campaigns. Mozilla, provider of the Firefox browser, first practiced this new form of interactive advertising design. But BMW is also increasingly using CGA campaigns for its Mini lifestyle brand. Zappos can be cited as an example of CGA in online commerce, since users can directly access YouTube videos from customers, which reflect their shopping experiences on the website.

2.4.3 “Always-on” in Omni-Channel Use

Customers “channel hop” in the majority of cases, both in the new buying process and in the customer journey to the buying process, during the course of which they jump between buying and communications channels, either sequentially or in parallel. Within the scope of channel hopping, for example, consumers may notice a product in a printed catalog and subsequently obtain further information via the Internet. It is conceivable that the consumer may subsequently seek out the

retailer's shop, in order to place an order for the desired product. Similarly, it is possible for the customer to order the product on the Internet and have it delivered to his or her home by parcel post. If customers are given the option to "channel hop", experience shows that it has a positive impact on the core business (cf. Heinemann 2011a, pp. 14 et seqq.). However, in the case of non-integrated channels, if a customer visits a store after an online purchase to complain about or exchange his or her product, it might well not be possible to replace a product ordered online in the store. Lack of customer information and inadequate integration of ERP systems within different marketing channels make such a scenario appear unlikely. In such cases, it is not possible to cater to the customer as a channel hopper. Additional problems are inevitable here, e.g. if customers in the retailer's various channels encounter ranges of products which are uncoordinated or not identified as channel-specific. If a multi-channel strategy is used, there is a great risk of customers transferring their negative experiences to other marketing channels. In order to share in the potential offered by increasing channel hopping, in particular for brick-and-mortar retailers, there is no longer any way to bypass an integrated multi-channel system. The integration of channels then requires professional cross-channel management, which holds a key position in the performance-based focus of multi-channel systems.

The reasons for channel hopping are depicted in Fig. 2.17. Instead of jumping backwards and forwards "sequentially" between channels – which is a feature of channel hopping – an increasing number of customers use different channels in parallel (cf. ohne tüte 2012, p. 1). If the retailer's objective is to establish separate, unconnected marketing channels, and thereby provide a channel-specific range of products, the range of products should not then be presented to the customer under uniform branding (cf. Ahlert et al. 2003, pp. 11 et seqq.). The opportunity for online retailers to benefit from customers' channel hopping through supplementary or support channels then becomes irrelevant. On the other hand, there are various options for a multi-channel strategy. An integrated multi-channel system in which different channels are equally important does not necessarily have to be established. It is also conceivable that additional channels could play different roles. As far as pure online retailers are concerned, it is quite reasonable for the Internet channel (initially) to become the "lead channel" and have brand supremacy over all channels, which are then subordinate to and realign the online channel. The Internet channel is then able to dominate as lead channel and assign more of a support role for online business to the brick-and-mortar retailing channel. However, in order to share in the potential offered by increasing channel hopping, in particular for brick-and-mortar retailers, an integrated multi-channel system is essential. But the integration of channels requires professional cross-channel management, which thereby has a key position for the performance-based focus of multi-channel systems. This applies primarily to omni-channel usage as an emerging new trend in consumer behavior, with the simultaneous use of media and distribution channels.

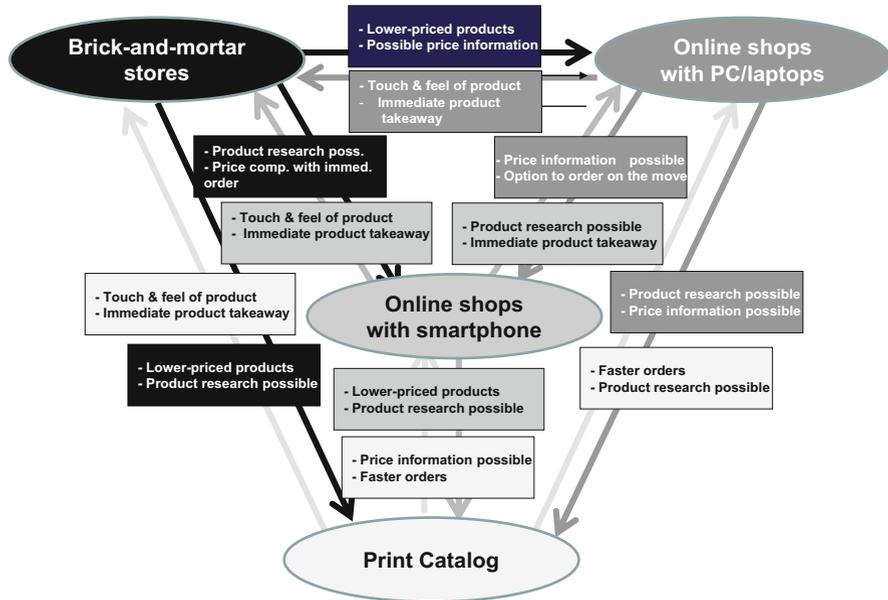


Fig. 2.17 Reasons for channel hopping (Source: Eckstein 2013)

2.4.3.1 Omni-Channel Use

Parallel usage of channels, termed “omni-channel use”, is on the increase and fueled by smartphone usage during the buying process. Within the scope of omni-channel use, an increasing number of consumers no longer buy online or offline only, but effectively in both channels at the same time, as enabled by new smartphone technology and the mobile Internet. Buyers are increasingly obtaining information before buying a product, not only in stationary form on the Internet, but also directly at the POS via mobile devices. It is not without reason that the Harvard Business Review also devoted an article to this subject in the March 2012 edition (cf. ohne tüte 2012). Under the title “Selling the new form of art”, the trend towards omni-channeling is primarily explained from a business perspective, but also provides important information on changes in consumer behavior. Experts make the assumption that many customers are already omni-channel users today, i.e. they utilize several channels at the same time when shopping. Whether they do it consciously or subconsciously, it is still considered omni-channel use (cf. ohne tüte 2012). However, it also underscores the need for multi-channel retailers not only to (re-)launch their online shop for the purpose of optimization, but also to link this more closely to their brick-and-mortar store. The following advantages are produced for consumers, which should also be paid for (cf. *ibid.*):

- **Flexibility:** A customer buys online and tries items on at home. Customers preferring a dress in a different color or size search for the nearest store on the

way to work and exchange the article there. They thus make use of the gradual amalgamation of different marketing channels.

- **Experience:** Customers can have their photographs taken by an interactive mirror, as in the adidas neo-store in Hamburg, and involve their friends in the buying decision on Facebook.
- **Simplicity:** Visitors to the store no longer find only limited product information on price tags or labels, but can request all necessary information either directly with the potential product or online with a smartphone.

These examples already seem perfectly natural to many Internet users, since consumers are quickly getting used to new buying behavior and require the existence of such services.

2.4.4 Smartphone Usage and Smart Natives

The key drivers of omni-channel use are smartphones, which make it possible to access the mobile Internet virtually anywhere. In two years' time, almost one in four Germans will use a smartphone and view it as a natural component of their buying processes (cf. Go-Smart study 2012, p. 31). They expect a far greater range of services on their smartphone than they are familiar with through stationary Internet usage. Local functions and social networks in particular will play an even greater role than today. In 2013, the number of mobile Internet users, at around 1.6 billion, already exceeds the number of desktop users. One in three of them has already bought something using a mobile device, as shown by a representative study conducted by VERBRAUCHER INITIATIVE e.V. and eBay entitled "Smart shopping", in which the author was involved (cf. eBay 2012a). Mobile commerce is a growing market, which places new challenges on infrastructure providers. The increasing usage of smartphones also allows simple price comparisons on the Internet to be used for assessing offline prices. Products in brick-and-mortar retailing can very quickly be identified through a product image or barcode and compared with mobile commerce offers. Roughly half of "smart natives" already use a smartphone to obtain additional product information. Price information is also requested very frequently, as shown in Fig. 2.18.

The constantly available price information on the mobile Internet is also enhancing customers' self-confidence. If customers find a lower price on a mobile device, over half are willing to directly ask for a discount (cf. IDC Retail Insights 2010). In the course of this development, an adjustment and resultant additional price squeeze can be assumed. The same should apply to reference prices, which are used for assessing prices (cf. Diller 2008; Schleusener 2012, p. 170). Phases including price campaigns could also be affected, since customers are less reliant on retailers' external reference prices, but are then able to determine actual savings by comparison with online prices (cf. Schleusener 2012, p. 170). Users are already doing this (cf. Socialbakers 2012; von Kunhardt 2012). At the same time, the mobile Internet is upgrading the cellphone from a communication to an interaction

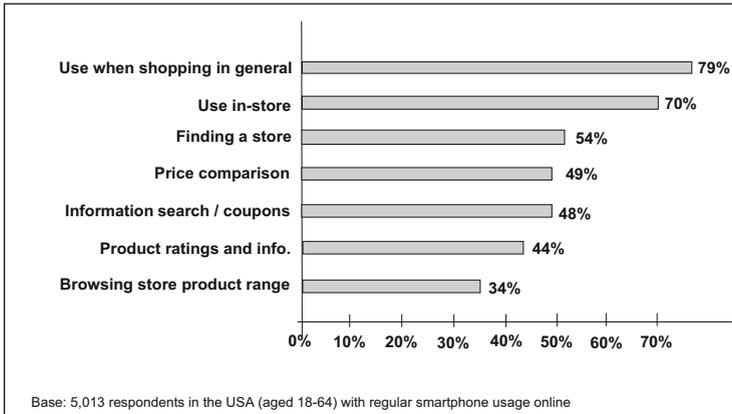


Fig. 2.18 Use of smartphones in brick-and-mortar buying process (Source: Google and Imposes OTX MediaCT 2012)

medium and turning it into a central point of the “digital lifestyle” (cf. Go-Smart study 2012, p. 18), whereby online offers are available at any time. Forty-nine percent of users already primarily acquire useful information for everyday life, such as traffic data, timetable information, etc., via their smartphone (cf. *ibid.*). The “instant-on character” of the mobile device turns the Internet into a secondary medium, whereby the device is adjusted to user preferences and can easily be integrated into everyday routines. Situational and lifestyle-related adaptation of offers to customers’ individual buying habits represents the master class of mobile commerce. The new “SoLoMo synergies” can therefore be played out, which result from social, local and mobile networking (SoLoMo). These include customizable virtual shelves and the use of augmented reality in all conceivable facets. Mobile 2.0, i.e. mobile-based implementation of social media tools with networking to Facebook, Twitter and the like is standard. Twitter accounts do not only function as a service tool to reply to customer questions, as practiced at Best Buy with Twelpforce. They can also sustainably fuel other sales channels, as demonstrated by Whole Foods Market (WFM) (cf. Heinemann 2012a, p. 91). Situational usability largely constitutes mobile added value for users and changes their demands and usage habits at the same time.

2.4.4.1 Smart Natives

As with digital natives, who can almost be described as “heavy users” of the Internet, trend-setting smartphone users are described as smart natives (cf. Go Smart 2012). Significant attributes of smart natives include heavy use, and affinity for technology and the web. As far as smart natives are concerned, it is no problem to use all functions of the latest smartphone, and thereby usefully integrate the device into their everyday lives. For example, they access useful information on an ongoing basis, often incidentally, or fill their spare time by using the device. Smart natives have above-average education, and tend to be young and employed. They

are able to find exactly what they need online on their iPhone in an app-based form. In general, smart natives can no longer imagine having to forego mobile added value (cf. Go Smart 2012).

From the perspective of smart natives, the iPhone primarily meets their device requirements. This can be attributed to established and intuitive touchscreen control. However, the Samsung Galaxy has rapidly caught up and the IV model has even surpassed the performance of the iPhone. In addition, there is a whole generation of new devices from China waiting in the wings, which will cover the lower price segment. Google's Android has already outsold Apple's iPhone (cf. ZDNet 2013). Among smart natives, a preference is already emerging in which smartphone usage produces benefits in terms of real-time, responsiveness and whereabouts (e.g. local search) (cf. Go-Smart 2012).

The opportunity to access any type of information at any time represents a particular incentive for smart natives, because they ease and enrich everyday life through the availability of the mobile Internet. Three factors are especially important to smart natives: their search behavior, primary search content and social media linking (cf. Go-Smart 2012).

- **Search:** Smart natives still primarily use search functions on a stationary computer. But roughly one in four smart natives already use local search and wikis in equal shares on the smartphone and PC (cf. Go-Smart 2012). More than half, i.e. Fifty-five percent, say they use search engines on mobile devices just as heavily as they do on the stationary PC. Around one third (31 %) already use smartphones for local searches. Geo-localization seems to be very popular here in particular (Go-Smart).
- **Content:** With respect to useful information in everyday life (e.g. weather reports, traffic info, road conditions, timetables, stock prices, etc.) and news, smart natives recognize the smartphone's added value. They access such information almost exclusively on their mobile device. Around one in two smart natives prefer the smartphone for this reason. This is more than the number of those who access information in equal shares on the smartphone and stationary PC. One in three smartphone users access useful information equally as often on mobile and stationary devices (cf. Go-Smart 2012).
- **Social media:** Social media functions in particular have the potential to attain far-reaching and exclusive usage via smartphones, especially when it concerns appointments and maintaining contacts. Around one fifth of smart natives today (already) prefer this kind of personal communication and for 30 % of non-users who plan to purchase a smartphone, the use of social media is an essential reason for buying a device later on (cf. Go Smart 2012).

Smartphones and stationary computers have tended to be used in a complementary manner so far. However, parallel media usage is emerging among smart natives. Internet users can no longer be assigned to a specific type of device, but use different formats in different situations, or even in parallel. This trend has recently been described as "multi-screening" and indicates that flexible format

solutions will increasingly be in demand. “Mobile commerce is couch commerce” (DDV Dialogue 2013, p. 22) perfectly describes parallel media usage, now also termed “omni-channeling”. Studies by Google on the subject show that 65 % of online purchases are already initiated via an information search with the smartphone and 61 % are finalized on the desktop (cf. Google 2012). Mobile devices play a leading role here as a “feeder function” for the online shop. The big topic now, following the large smartphone wave, is the tablet. No other technology market is growing faster than the tablet computer market. Whether Amazon, Microsoft or Google, all of the big players on the market are currently moving full steam ahead on the issue of tablets. The driver of this trend is the transfer of computer output from stationary to mobile devices. With the iPad, Apple currently controls around three quarters of the rapidly-growing tablet market. However, “only” half of the forecast sales of 280 million tablet computers for 2015 are allotted to Apple, while the second-largest supplier, Samsung, is set to catch up strongly (cf. Heinemann 2012a, p. 77). The use of tablet PCs does not apply to mobile commerce based on the current definitions. However, given that the tablet PC constitutes a kind of hybrid between smartphone and notebook, which also allows for a telephone option on additional devices, the distinction from mobile commerce does not hold up. Smartphones and tablet PCs are frequently used in a dual function and with a dual twin card for use on the move. In addition, changeovers between mobile devices and tablets are increasingly fluid and provide diverse formats, which are frequently used in parallel to television.

2.5 “Always-in-Touch”: The SoLoMo Mindset

The smartphone is turning into a “cross-technology platform”, which creates new sales prospects by sending local information in combination with innovative services and technologies (cf. Heinemann 2012b). Such “location-based services” are increasingly combined with attractive discount offers, which can attract customers to brick-and-mortar stores. Furthermore, they allow for a new dimension in price transparency through local price comparison options and immediate availability of digital services, called “OTA (over the air) deliveries”. The smartphone will increasingly take on a payment function and replace the credit card in the future (cf. BV Capitals 2011; cf. Heinemann 2012a, p. 10). Simple access to constantly available online offers enriches the everyday life of smart natives and offers a new form of user-related efficiency. Driven by the growing importance of social networks and constant connection with friends and acquaintances, communication is becoming significantly more open. “Always-on” forms the technical basis, and “always-in-touch” the social consequence of the SoLoMo mindset (cf. Go-Smart study 2012, p. 17). This is shown in Fig. 2.19 and includes four components: SoLoMo usability, SoLoMo efficiency, SoLoMo communication and SoLoMo convergence (cf. *ibid.*, pp. 17 et seq.; Heinemann 2012b). These components are addressed by the Go-Smart study as a result of a representative study on mobile usage in Germany from 2012 (cf. *ibid.*).

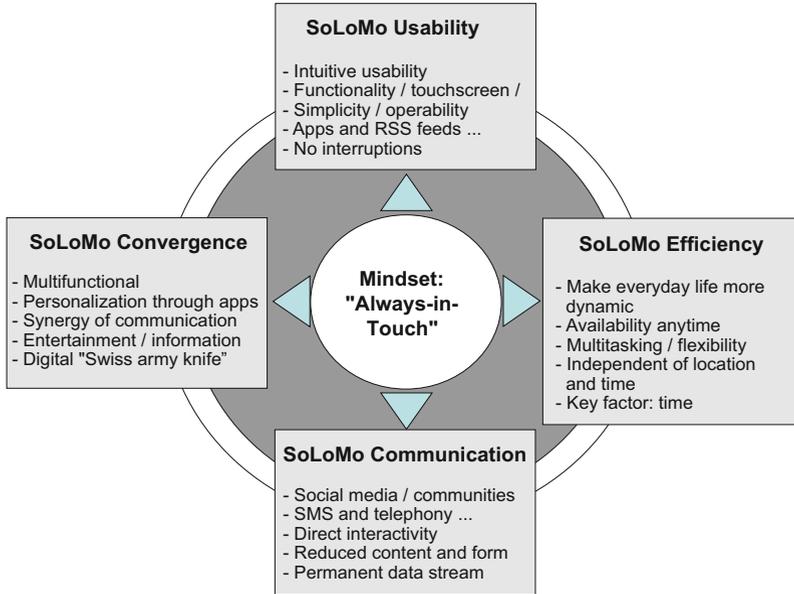


Fig. 2.19 SoLoMo mindset "always-in-touch" (Source: Based on Go-Smart study 2012, p. 17)

2.5.1 SoLoMo Usability

Smart natives are distinguished by heavy usage and a high affinity to technology and the web. They comprehensively integrate the intrinsic potential of the mobile Internet into their everyday life. The term "remote control of life" encapsulates this lifestyle (cf. Kerkau 2012). In this respect, intuitive usability and personalization options increase the fascination for technical devices. They are largely responsible for the rapidly growing numbers of smartphone users. In particular, the introduction of touchscreens and touch-sensitive displays and apps make devices easy to use in mobile form. The device allows users to focus on content because it is easy to operate. Apps offer simplified access to functions and contents here. They compensate for technical deficits, such as low screen size and small keyboards (cf. Heinemann 2012b). Access to the mobile Internet is seamlessly integrated into everyday routines on such devices. As a result, almost half of smartphone users already acquire useful everyday information on their smartphone (cf. *ibid.*, p. 18; Mindwyse 2011; Heinemann 2012b).

2.5.2 SoLoMo Efficiency

Regardless of location and time, smartphones enable their users to deliver digital services immediately, in the form of the OTA deliveries mentioned above. They effectively serve as "enablers" and "catalysts". Accessing information,

communication, entertainment and shopping are possible at any time. In many cases, such offers are used in parallel, in the form of “omni-channeling” (cf. Heinemann 2012b). Constant availability induces new behavioral patterns. Ad-hoc decisions can increasingly replace advance planning, since the acquired mobility allows for greater flexibility. Situational information is permanently available and can be quickly and reliably accessed. Access to knowledge is just as important as the knowledge of facts. At the same time, media-free islands of time become dynamic, allowing idle periods to be bridged. Eighty-two percent of smart natives already use their device for amusement during breaks. They are increasingly using the smartphone instead of the desktop at home, since they value their instant-on functions (cf. *ibid.*, p. 19; Mindwyse 2011; Heinemann 2012b).

2.5.3 SoLoMo Communication

In particular, written forms of Internet communication, e.g. email or instant messaging, are increasingly supplementing or replacing classical telephony, which only makes up 22 % of usage. VoIP, chat, status updates, pin board entries, and social networks take priority with a 29 % utilization rate. Ten percent of all used smartphone functions are already allocated to social networks. The volume of mobile data services therefore already exceeded the volume of SMS (text messages) and MMS back in 2010 (cf. Go-Smart study 2012). Around 77 % of smart natives use social networks, and 18 % of them primarily on their smartphone. Open communication is preferred, since it generates feedback and highlights the social role of the user. At the same time, constant connection with friends and communication in virtual real-time reduce the amount of verbal interactions. Response times are getting faster because, in addition to communication contents, constant exchange is also stimulated. Smart natives are therefore almost in a continuous data stream, but also emphasize their own private sphere and control. Forty-nine percent of smart natives worry about missing something when the device is switched off, and are therefore “always on” (cf. Go-Smart study 2012, pp. 19–20; Mindwyse 2011; Heinemann 2012b).

2.5.4 SoLoMo Convergence

Convergence as a concept describes the amalgamation of various functions, contents and channels in one single device. Around 33 % of all smartphone users still primarily use their device for telephony, but only 22 % of smart natives do so. Forty-four percent prefer to use their smartphone for Internet functions. In this regard, devices are used for organization, photography and films and videos, or for computer tasks. In addition, information on the weather (92 % of smart natives), local search information (74 %), and price comparison sites (39 %) are accessed on the mobile Internet. Sixty-three percent of smart natives already use classic search engines on their mobile device. Entertainment offers are also increasingly used.

YouTube fills break times, amusing apps encourage entertainment, and computer games increase the entertainment value. As a digital “Swiss army knife”, the smartphone offers its users barely imaginable functions. There is a mixture of private and professional usage, since 43 % of smart natives also use their professional smartphone privately. In any case, 45 % of all smartphone users and 60 % of smart natives say they don’t mind doing work-related tasks in their spare time (cf. Go-Smart study 2012, pp. 20–21; Mindwyse 2011; Heinemann 2012b).

2.6 The Role of SoLoMo in Brick-and-Mortar Retailing

The SoLoMo phenomenon is also fueled by the fact that users want to stay informed online. The same applies today to smart natives, for whom permanent access to the digital data stream is normal. They demand mobile offers, which they can continuously keep up-to-date and share with their network. In this regard, local real-time offers with geo-location, increasing response speeds, real-time information and augmented reality create interesting mobile added value for SoLoMo users. Added value is certainly provided by online buying (cf. Go-Smart study 2012, pp. 30–31; Mindwyse 2011; Heinemann 2012b), which is convenient and varied, and can be done 24 h a day, regardless of location. Nevertheless, experts do not make the assumption that brick-and-mortar stores will disappear completely (cf. eBay 2012a). Consumers do not want to buy everything online, but nor do they have to forego the advantages of one channel just because they happen to use another channel. Some companies therefore let their customers shop in parallel. However, this should not lead to an exodus of customers. As a result, some retailers are currently working on no-line strategies (cf. Heinemann 2012b). Most customers can no longer imagine a world without online shopping. That is exactly why brick-and-mortar retailing should not get left behind, especially since the Internet has become a central part of many people’s lives (cf. *ibid.*). A targeted social media budget is key to the success of brick-and-mortar retailers in this respect. However, it is not uncommon for this to be disregarded. The online marketing budget alone is often not aligned with the usage intensity of digital media (cf. Wirtz 2008, p. 81; Wolter 2012). In 2011, the total share of Internet advertising in the media mix, at 19.6 %, amounted to one fifth of the total advertising budget (cf. OVK 2012), which is equivalent to an increase of 2.1 % from 2010 (cf. OVK 2012). Whereas online advertising enjoys a prolonged upward trend, print advertising is continually becoming less important. The share of Internet advertising in the advertising budget has more than doubled since 2006. In contrast, the share of the “gross advertising cake” for newspapers, magazines and trade journals fell around 17 % during this period (cf. webhelps 2011). With regard to Internet advertising segments, it is noticeable that traditional online advertising, including pop-ups, advertising banners and layer ads, benefitted the most from this trend (cf. *ibid.*). In this respect, classic Internet advertising will exceed the 3.6 billion threshold for the first time, with a growth rate of approx. 12 % in 2012 (cf. *ibid.*). Expenditure on social media is not included in the online marketing figures, although it is forecast to increase

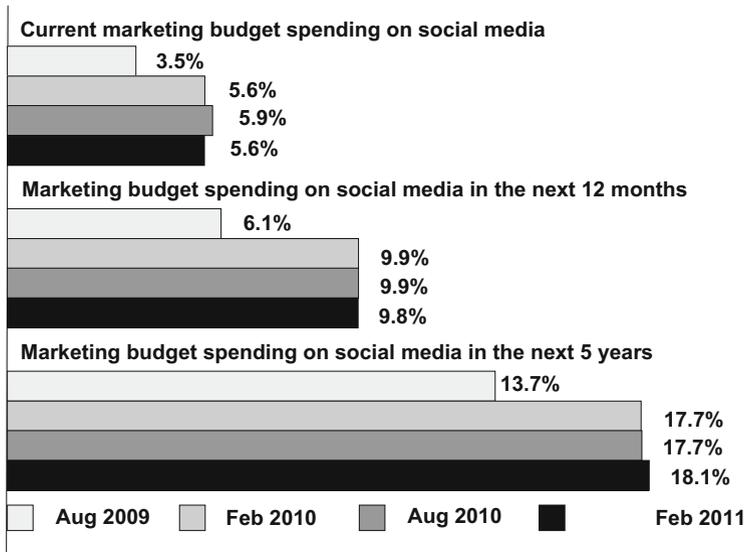


Fig. 2.20 Social media shares of US marketing budget (2009–2011) (Source: Own illustration based on SEO-united 2011)

significantly. This is also shown by the results, published on emarketer.com in 2011, of a survey of current social media marketing expenditure in the USA. As the surveyed employees with responsibility for marketing from 400 US companies point out, social media expenditure is set to multiply in the next few years (cf. - SEO-united 2011).

As shown in Fig. 2.20, social media expenditure in the USA amounted to 5.6 % of the total budget on average in 2011. In contrast, US marketing managers intended to increase expenditure in 2012 to around 10 %, and even to 20 % in the next 5 years. At the same time, the survey respondents admitted that they still have major problems with successfully integrating social media into their company’s marketing concept. Almost half the participants indicated that they had not yet managed, or barely managed to coordinate their activities correctly. The result of the study illustrates a problem which is typical of social media. Whereas, on the one hand, several companies are now intent on increasing their spending on social media, there is a lack of opportunity to include social activities in a feasible concept. Activities on Facebook, Twitter and the like are hardly comparable with conventional marketing measures. In particular, many companies find it difficult to set up an ongoing dialogue with the general public, as is necessary for social media (cf. SEO-united 2011). US companies are much further ahead in this area than those in Germany. An increase in the social media budget is on the agenda for American companies. In the next 5 years, this should break the 19.5 % mark of the overall marketing budget, although the figure is currently around 7.4 %. But German retailers do not have to go that far in the first stage. As far as many retail companies

are concerned, this initially involves making a start in the social media world, which is really quite manageable.

As shown by the Adzine magazine for online marketing, on average only around 50,000 euros a year are required to include social media functions in the website and update them for 1 year. Optimal social media integration consists of the following three elements (cf. Adzine 2012).

- All relevant social networks must be separately linked with their own website in each case.
- The website must be optimized in terms of functionality and usability to ensure that all the advantages of social networks can be utilized.
- User data from social networks should be appropriately collected and evaluated, in order to facilitate their use in internal online marketing.

The first two elements can take up to 60 developer hours per network. On the other hand, integration costs may be reduced by up to 80 % with a single interface or application programming interface (API) (cf. *ibid.*).



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