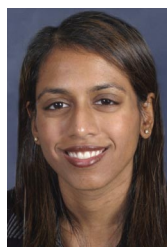




April 7, 2011

Will Facebook Ever Drive eCommerce?

by Sucharita Mulpuru
for eBusiness & Channel Strategy Professionals



April 7, 2011

Will Facebook Ever Drive eCommerce?

Demystifying The Hype For Retail eBusiness Executives

by **Sucharita Mulpuru**

with Nate Elliott, Patti Freeman Evans, and Doug Roberge

EXECUTIVE SUMMARY

In spite of the fact that hundreds of millions of people around the world have Facebook accounts, the ability of the social network to drive revenue for eCommerce businesses continues to remain elusive. eBusiness professionals in retail collectively report little direct or indirect benefit from Facebook, and social networks overall trail far behind other customer acquisition and retention tactics like paid search and email in generating a return on investment. For some companies and brands, Facebook promises to support branding and awareness (i.e., “top of the (marketing) funnel”) efforts, but for most eBusiness companies in retail, Facebook is unlikely to correlate directly to near-term sales. A few pockets of success, however, have surfaced, and a cottage industry of vendors who can support these programs will inevitably burgeon.

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Forrester interviewed 24 vendor and user companies, including Alvenda/8th Bridge, Bronto Software, ChannelAdvisor, Cleverbridge, Milyoni, TurnTo, Pavymment, PowerReviews, Responsys, NM Incite, SAS, ShopIgniter, YardSellr, and VML.

Related Research Documents

[“US Online Retail Forecast, 2010 To 2015”](#)

February 28, 2011

[“Five Retail eCommerce Trends To Watch In 2011”](#)

January 31, 2011

[“2011: Now Social Media Marketing Gets Tough”](#)

January 4, 2011

COULD FACEBOOK BE RETAIL'S "NEXT GOOGLE"? UNLIKELY

"Social" has of course been the buzzword of the past few years. Now the inescapable fact that Facebook has more users than there are Americans and that the company has made several well-publicized moves in the commerce arena mean "social commerce" will be a popular conversation topic in the months to come.¹ Some of the boldest prognostications have been that Facebook will be "the next Google."² The most common refrains supporting that perspective were variants of the following:

"With hundreds of millions of users, it will affect everything, including commerce." (CEO, social commerce vendor)

"Shopping is inherently social, so it would make sense for a social network to play a significant role in the shopping process." (VP, online marketing, \$1 billion-plus multichannel retailer)

However, we would be remiss to not point out that there is no shortage of skeptics when it comes to Facebook and particularly around commerce. Computer scientist and author of the acclaimed book *You Are Not a Gadget: A Manifesto*, Jaron Lanier disparagingly describes the mad frenzy around Facebook as "digital Maoism."³ Data that Forrester has collected with Shop.org for two years has reflected that social networks fail to drive meaningful revenue for eBusiness professionals in retail, have a questionable ROI, and are generally ineffective as customer acquisition tools (see Figure 1-1 and see Figure 1-2).

Furthermore, while Facebook proponents would argue that the best of Facebook commerce is yet to come, the fact remains that, in spite of an open architecture and several hundred thousand developers making efforts to develop useful social shopping applications, few, if any, have managed to create a breakaway success. In contrast, paid search was viewed as a home run in Google's early days. Social networks, however, are not yet viewed quite as positively by retailers (see Figure 1-3).

To better understand these findings, we spent eight weeks interviewing nearly two dozen technology vendors, retailers, and interactive marketers to craft a perspective on the topic. Facebook did not respond to requests to be interviewed prior to publication of this document. The questions we set out to answer were the following: How are eBusiness professionals in retail using Facebook? And why hasn't Facebook been able to generate more for eBusiness professionals in retail?

Figure 1 Social Tactics Continue To Be Unproven

1-1 Social network efforts are largely about experimentation

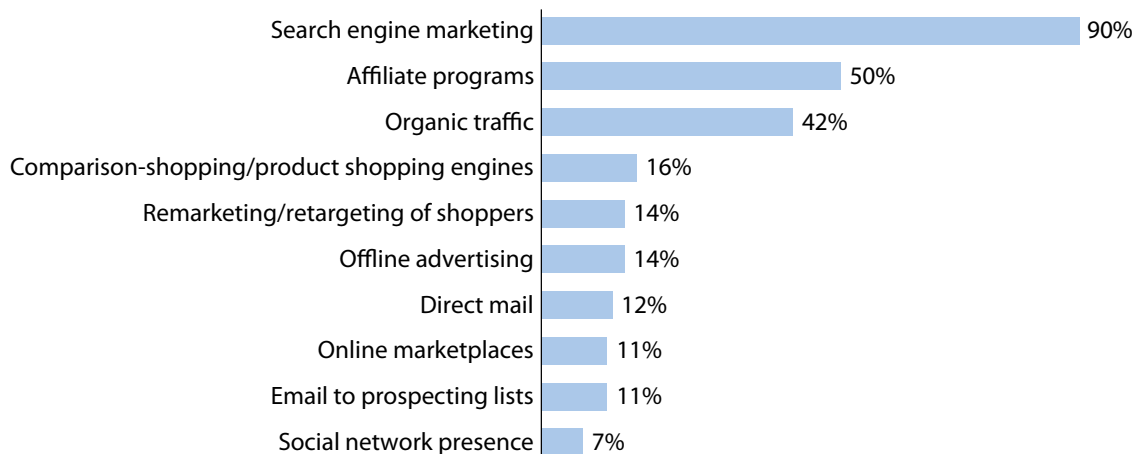
“To what extent do you agree with the following statements?”
(4 or 5 on a scale of 1 [strongly disagree] to 5 [strongly agree])



Base: 102 online retailers

1-2 Social networks rank last among 10 customer acquisition tactics

“Which of the following were your top three most effective sources used to acquire customers in 2009?”



Base: 102 online retailers

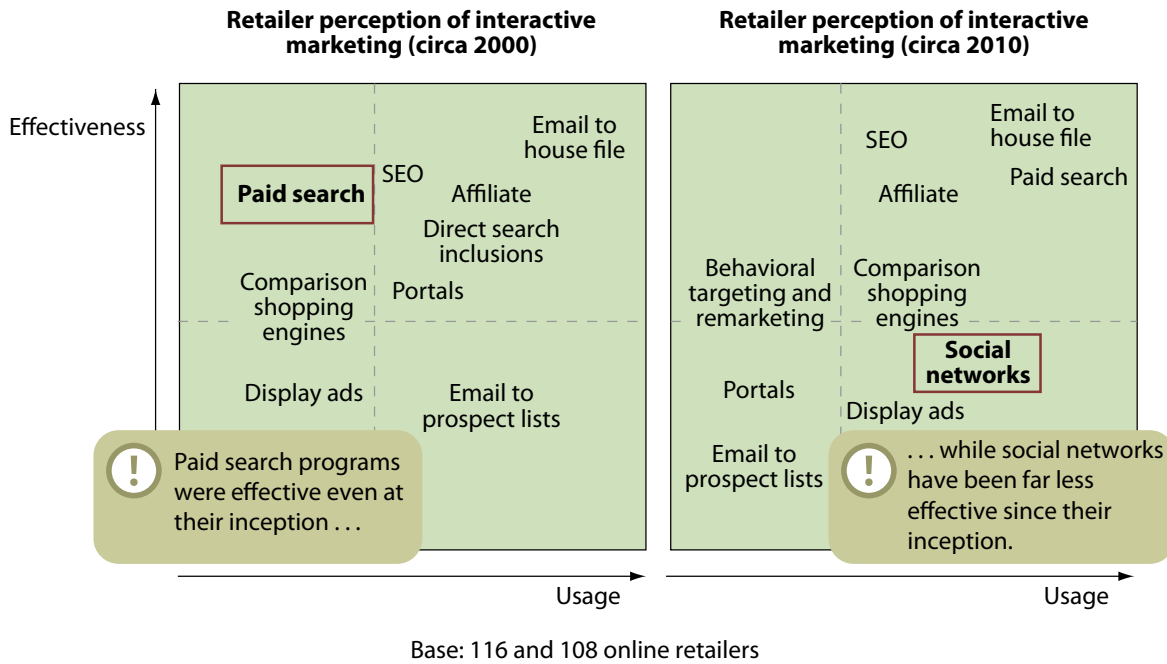
Source: “The State Of Retailing Online 2010,” a Shop.org study conducted by Forrester Research

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Source: Forrester Research, Inc.

Figure 1 Social Tactics Continue To Be Unproven (Cont.)

1-3 Retailers find social networks to be ineffective compared to search and email



Source: "The State Of Retailing Online 2002" and "The State Of Retailing Online 2010," Shop.org studies conducted by Forrester Research

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Source: Forrester Research, Inc.

Three Ways That eCommerce Companies Use Facebook

In framing the discussion around Facebook and its role in commerce, it is critical to first set boundaries on what will be discussed in this document. To determine these parameters, we specifically looked at how Facebook could measurably help a retailer or seller sell more of its products. While branding and "top of the (marketing) funnel" influence is included in this evaluation, we do not consider other benefits of social media such as customer service, which could be effective for post-transaction interactions.⁴ Furthermore, the scope of this research does not address the impact of Facebook's display ads on a company or brand. Given those boundaries, we found companies engaging with Facebook in one of three ways (see Figure 2):

- **On Facebook itself.** The activity that occurs when one is logged onto Facebook from a PC or mobile device is often characterized as "within the four walls of Facebook." Within the "on Facebook" option rest the ubiquitous and hyped Facebook stores that companies such as Alvenda/8th Bridge and Payment have helped to execute, as well as wall posts about brands, Q&A about products, and fan pages. With these use cases, Facebook is theoretically well positioned to address something that the Internet has been notoriously bad at supporting: product discovery. But the key challenge is that Facebook is about socializing rather than shopping.

Key challenges: Unfortunately, eBusiness pros in retail regard this tactic as the least lucrative of Facebook commerce opportunities as click-through and conversion rates for links from these pages/links are anemic (see Figure 3). Furthermore, they report that commonly clicked on features from their Facebook efforts center on coupons and promotions. This leads many retailers to believe they are not attracting particularly valuable shoppers through Facebook initiatives. One retailer said that its wall posts by “fans” were rarely proclamations of love and loyalty for his business but more often critiques and gripes that any discounts or special offers they did offer weren’t deep enough.⁵

Facebook stores are unable to replicate the full brand experience of a company’s official website, which will limit the appetite of many retailers to even invest in Facebook stores. These stores are even more challenged with the new page formats launched in Q1 2011, which appear to visually deprioritize shopping.

Wall posts by brands to fans may supplement emails but are frequently deprioritized by Facebook’s algorithm for relevance and are hence not always easy ways for companies to reach shoppers.

- **Off Facebook (i.e., on other sites).** This aspect of Facebook commerce is the piece that takes advantage of what is called the Open Graph. It enables shoppers to sign in to Facebook from any site that offers the option and to push or pull information to and from Facebook. (For example, customers can “like” a product on a retail website and that action is posted on that person’s wall and the walls of their friends. The Open Graph also allows a website to list fans who may also be your friends when you are browsing a site). Other implementations of this approach include the ability to share one’s purchase with Facebook friends from a site’s shopping cart as a site like Eventbrite offers or the ability to invite Facebook friends to chat about a product as a site like Wet Seal offers (see Figure 4). Opportunities in this bucket continue to emerge from companies such as TurnTo and PowerReviews and are viewed favorably by retailers because consumers have the ability to receive social network information when they are at an online “point of sale.” But the key challenge is that the Open Graph isn’t for everyone.

Key challenges: “Off Facebook” efforts are most effective when there is large network of users. Amazon.com, as an example, is in a better position to showcase the products that others within one’s social network may have viewed or purchased because the site has tens of millions of users. But similar information on a less-trafficked site is harder to gather. Less-trafficked sites are therefore best positioned to use generic user-generated content because there is simply more of it, rather than content from friends (which may not even exist). This fact ultimately renders the Open Graph (and the specific value of Facebook) inadequate for all but the very large companies. To illustrate this challenge, most retailers have ratings/reviews for specific products from anyone who submits a review rather than reviews from friends because in the cases of most products, there simply would be no such reviews (an exception could be reviews for films or a widely owned product like the iPhone).

Facebook critics argue that Open Graph data puts too much power and customer data in the hands of Facebook alone.⁶

- **Through Facebook's data layer.** Facebook has copious amounts of demographic, behavioral, and brand data about its users. Analytics companies in particular are among the first to scrape unstructured text to (theoretically) create richer customer profiles from Facebook content. This process can assist with customer scoring to influence a marketer's contact strategy or outbound messaging. Facebook's data is considered so rich that government organizations such as the FBI reportedly find it a key input to tracking down criminals and criminal behavior.⁷ Large companies with CRM programs may stand to gain the most as they already have sophisticated programs for mining data from millions of customers and could benefit from the additional insight that online social networks are also able to provide. But the key challenge is that the data is vast but messy and personal.

Key challenges: The unstructured nature of data from social networks (the multitude of languages, the non sequiturs) makes it difficult for even the most sophisticated natural language processing tools to shape meaningful conclusions. Furthermore, the inconsistent nature of details that fans share about themselves can make the process of matching those customers back to a master database all the more challenging.

Whenever data is available, there is a chance that it could violate privacy regulations; even though some consumers reveal their phone numbers and addresses on Facebook, the availability of that information in APIs is still undecided.

Figure 2 Facebook Supports Retail eCommerce In One Of Three Ways

2-1 How retailers use Facebook



Source: Spinback website; Levi's website; JCPenney Facebook page

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Source: Forrester Research, Inc.

Figure 2 Facebook Supports Retail eCommerce In One Of Three Ways (Cont.)

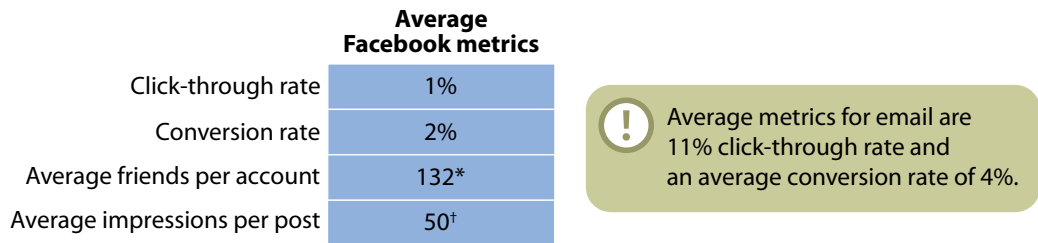
2-2 Startups supporting Facebook commerce

Approach	Sample executions	Example companies
Data extraction	Sentiment analysis, measuring pass-alongs	BuzzLogic, Forsee, NM Incite, SAS, Spinback
Off Facebook	Incorporating social graph onto retail sites, enabling co-browsing with Facebook friends, integration of social networks into ratings/reviews (capturing user-generated content and disseminating it)	Fluid, PowerReviews, Quorus, Sesh, ShopIgniter, TurnTo
On Facebook	Facebook stores, selling from posts, Facebook advertising	Alvenda, Fluid, Milyoni, Payvment, ShopIgniter, YardSellr

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Source: Forrester Research, Inc.

Figure 3 Key Facebook Metrics Are Weaker Than Other Online Marketing Tactics



*Base: 17,176 US online adults who have at least one social network account

Source: North American Technographics® Online Benchmark Survey, Q2 2010 (US)
 *Source: "The State Of Retailing Online 2010," a Shop.org study conducted by Forrester Research
 †Source: 24 retailer and technology provider interviews

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Source: Forrester Research, Inc.

Figure 4 Open Graph Allows Users To Sign Into Facebook From Other Sites

4-1 Eventbrite drives incremental traffic with social network sharing

Eventbrite
Powered

Contact [Gre](#)

Greenville Ghost Tour: Downtown walking tour 7PM

Weekly Event - Every Friday & Saturday
Greenville, United States

[Email](#) [in](#) [Tweet](#) [Like](#) [Sign Up to see what your friends like.](#)

! Eventbrite calculates that each share on Facebook generates 11 visits back to Eventbrite and \$2.52 in revenue.

Ticket Information

Select a Date to Attend:

TICKET TYPE	SALES END	PRICE	FEE	QUANTITY
Ghost Tour Adult Ticket	3 hours before event	\$20.00	\$1.49	<input type="text" value="0"/>
Ghost Tour Kids Ticket (13 under)	3 hours before event	\$10.00	\$1.24	<input type="text" value="0"/>

[Enter Discount Code](#)

[PayPal](#) [BANK](#) [DISCOVER](#) [AMERICAN EXPRESS](#) [MasterCard](#) [VISA](#)

Check out with PayPal
The safer, easier way to pay

You will be taken to PayPal's secure checkout to complete the purchase.
[Show other payment options](#)

Source: Eventbrite website
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Source: Forrester Research, Inc.

Figure 4 Open Graph Allows Users To Sign Into Facebook From Other Sites (Cont.)

4-2 Co-shopping with Facebook friends on Wet Seal

The image shows a screenshot of the Wet Seal website with a chat interface overlaid on the left side. The website header includes navigation links like 'Email Sign Up!', 'Mobile', 'Change Country', 'Log In', and 'Store Locator'. A search bar and '0 ITEMS CHECKOUT' are also visible. The main content area features a large banner for 'glam. survivor' with a woman in a red patterned top and sunglasses. Below the banner are several promotional boxes: '\$5 SHIPPING ON ALL ORDERS', '\$7 GRAPHIC TEES', '\$5 for \$20 TEES, TANKS AND SHORTS', 'spring into SANDALS from \$5.50', and 'junior plus deals \$15'. A chat window on the left shows a conversation between Doug and Annie. A callout box with an exclamation mark icon says 'Wet Seal enables shoppers to invite Facebook friends and get their opinions while browsing.' Another callout box with an exclamation mark icon says 'Chat interface'.

Source: Wet Seal website

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Source: Forrester Research, Inc.

Some Companies Can Drive Cottage Businesses With Facebook Commerce

While most of the retailers we interviewed said that they were not yet seeing direct sales from Facebook, it would be an overstatement to say that Facebook was entirely ineffective in commerce. In fact, several of the technology vendors cited successes among their clients. One reason for the difference in Facebook's effectiveness for different groups is that the technology vendors frequently serviced niche players or brands in specific verticals that often exhibited unique characteristics that enabled them to more effectively gain value from Facebook (see Figure 5). The types of businesses that Facebook proponents believe are best-positioned to gain some benefit (often in some modest way rather than through any explosion in revenue) from Facebook are companies that:

- **Are small pure plays.** For small businesses looking to hang a shingle online, Facebook is the 2011 version of Yahoo Merchant Solutions or eBay ProStores. Because the online sales of these sellers are often generated by their own word-of-mouth advertising and because Facebook

is essentially their eCommerce platform, it is not uncommon to hear of 100% of the online revenues of such sellers coming through Facebook — many of Payment’s thousands of clients, for instance, can be described this way. Unlike Yahoo’s or eBay’s small business offerings, Facebook allows a seller to easily promote new products or offers to one’s fans without having to go through the more cumbersome process of collecting and managing email addresses. The reason that Facebook could potentially grow among these sellers is that there is a cost to maintaining even a modest eCommerce site with one’s own URL. For such small businesses, it can be more cost-effective to direct customers to one’s fan page on Facebook rather than invest in setting up one’s own website.

- **Have rich customer databases.** Direct mail merchants, catalogers, and large retailers with their own loyalty or proprietary credit card programs generally fall into this bucket and are well poised to take advantage of Facebook’s data layer. Why? These are marketers with significant quantitative insight into their shoppers’ behavior, and Facebook offers the opportunity to append additional information to those customer profiles. Imagine being able to subcategorize the top decile of spenders into the most influential high-spending shoppers. Also for “off Facebook” initiatives, larger retailers are particularly well positioned to win as discussed above.
- **Sell categories that people talk about and that can be digitally distributed.** Some categories such as books, movies, and entertainment are fundamentally viral products. To this end, user-generated content on sites like Netflix and Amazon.com have been mainstays for years but only promise to be more effective as commerce can now be integrated to products that consumers are most likely to discuss with their friends. For these product categories, which are also shifting to digital distribution, friction in the sales process will be reduced even further as shoppers can read the endorsements of their peers for, say, a movie and purchase tickets in a block for a Friday viewing, which is what Disney’s Tickets Together Facebook application is pioneering.
- **Are virtual goods and gaming companies.** The most frequently cited commerce success story on Facebook is of course any game from Zynga, the maker of FarmVille and CityVille. Game makers for social networks have been able to successfully persuade their most active players to spend actual dollars to ascend to new levels within various games. This spend actually proves to be the bulk of transactions that Facebook generates from consumers and is estimated to be more than \$5 billion in value.⁸ Vendors like ifeelgoods are riding the wave of this interest, enabling retailers to provide virtual incentives to shoppers to drive conversions in lieu of coupons or discounts.
- **Sell high-consideration goods.** For products like mobile phones, PCs, consumer electronics, or even items like sporting goods or baby gear, consumers actively seek to have their “shortlists” validated by others. Peer-generated commentary supporting or repudiating a product, brand, or company are reported to be effective both on Facebook and off Facebook in driving sales for products that consumers spend time thinking about prior to purchasing.⁹

- **Sell fast-moving consumer goods.** Because of the vast reach of these types of products (e.g., often grocery products that are household names like Pampers or Pop-Tarts), these brands have legions of fans that provide brand managers with copious amounts of data. This not only provides rich information that can be appended to a master contact file, but it also provides a targeted list of customers to reach for promotions like coupons or new product launches on Facebook. Off Facebook, the ability to indicate which friends may like a particular product can be useful on a manufacturer's site or on the product detail page of a retailer selling the item, again because their reach enables a broad user network. Brand and "top of funnel" benefits, though, are perhaps the biggest benefits that Facebook provides to these companies. The well-publicized online success of Procter & Gamble's Old Spice campaign is perhaps a textbook use of social media (though its success was as much from YouTube as Facebook), where sharing of various Old Spice videos over time drove an increase in brand sales.
- **Are limited (time or distribution) sale businesses.** Flash sales in particular are well suited to spreading their message on Facebook because the offers are often brands and products that have a limited shelf life and are likely to be of interest to others in a given social network. One such site Kembrel.com, which targets college students, reportedly generates 20% of its revenues from its Facebook store, which in turn generates traffic from college students posting links about the company's sales on one another's walls.¹⁰
- **Are peer-to-peer marketplaces.** Individuals looking to sell things but who find the anonymity of craigslist a bit daunting may find the ability to reach friends through Facebook to be a bit less intimidating. Likewise, buyers in the Facebook Marketplace are more likely to find the community more trustworthy for small or "one-off" transactions. In fact, companies like [Yardsellr](http://Yardsellr.com) (called by some "the eBay of Facebook") are finding exactly this sort of success.¹¹
- **Are community and local businesses.** Local businesses or offers are particularly suited to Facebook as well because individuals often have other local friends in their online social networks. [Yelp](http://Yelp.com), for instance, is an example of a company focusing on local businesses and which uses Facebook's social data to help viewers see the activity of others in their networks. One of the successes of ticketing site [Eventbrite](http://Eventbrite.com) is that it leverages Facebook (among other social networks) to drive consumers to local events that are likely to appeal to others in a given social network.

Figure 5 Opportunity For Retail Businesses To Engage Facebook In Different Ways

	Type of company	Data extraction	Off Facebook	On Facebook	Estimated size of opportunity*
Channel/size	Small pure plays			●	Large
	CRM companies (e.g., catalogers, large companies with loyalty programs)	●	◐		Large
Type of goods	Media sellers (e.g., books)		●	●	Medium
	Virtual goods/gaming			●	Small
	Hard goods and commodities (e.g., cars, refrigerators)		◐	◐	Large
	Soft goods (e.g., clothing)			◐	Medium
	Fast-moving consumer goods (e.g., cosmetics, cleaning supplies)	◐	◐	◐	Large
	Miscellaneous	Flash sales			●
	Marketplaces			●	Medium
	Community/local		◐	●	Large

● = Company can likely engage this approach effectively
 ◐ = Company can less effectively engage this approach

Gray represents greater branding benefit (i.e., "top of the funnel"); black represents greater sales benefit (i.e., "bottom of the funnel")

*Represents total consumer spend online and offline in the US. Small: less than \$5 billion; medium: \$5 billion-20 billion; large: \$20 billion-plus

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Source: Forrester Research, Inc.

THE MANY CHALLENGES OF FACEBOOK TRANSFORMING ECOMMERCE

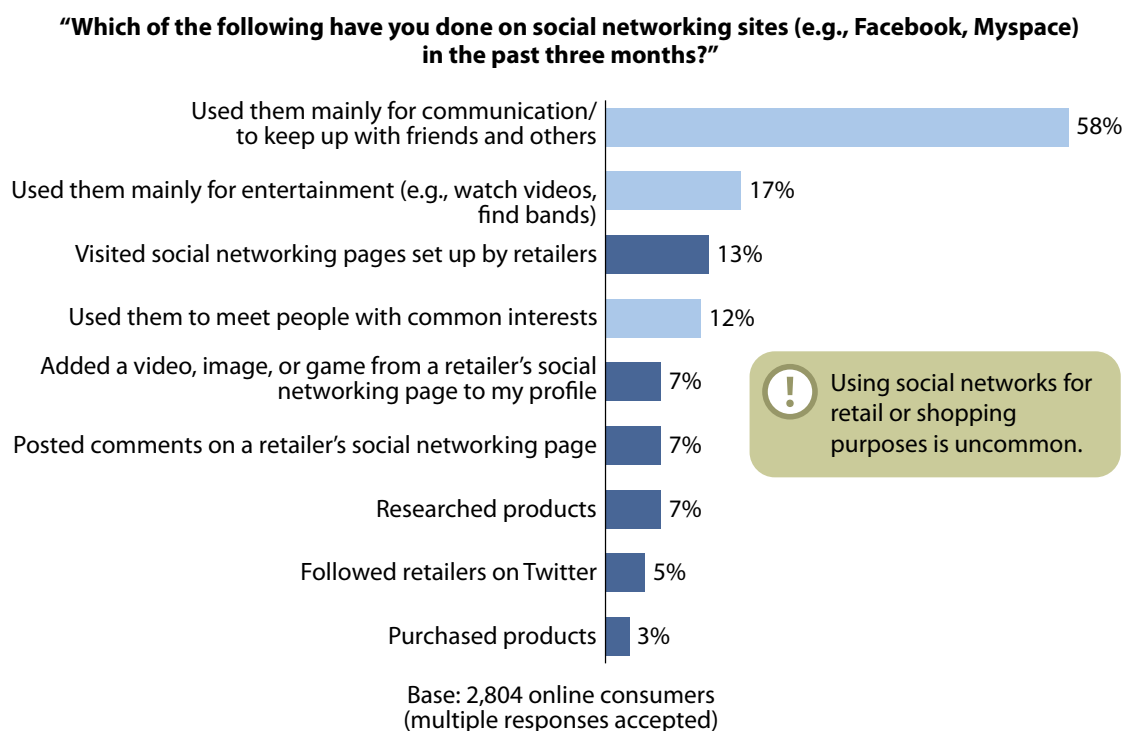
While pockets of opportunity for Facebook do exist, the likelihood that Facebook will ever be “the next Google,” thereby becoming a key sales-driving tool for retailers and creating a reliable revenue stream for Facebook, is unfortunately far-fetched. The most formidable challenges for Facebook are:

- **Budgeting the poor on-Facebook metrics.** Because Facebook stores are largely ineffective, particularly for bigger retailers, Facebook’s own account managers have evidently discouraged retailers from investing in them, steering them instead to Facebook display ads. While the stores have been critical to some small sites that have no other way to reach customers, on average, Facebook stores generate less than 1% of eCommerce revenue for retailers with robust web businesses. Even for off-Facebook efforts, such as when shoppers share items they’ve purchased or reviews they’ve written or even products that they like, the overall influence of those actions

is relatively small when shared on a Facebook wall. In addition to generally low metrics, companies need to contend with wall posts being turned off, a post getting lost on a wall, or a post being deprioritized by Facebook's algorithm for popularity and relevance.

- **Contending with the fact that Facebook is not a search engine.** Shoppers go to sites where they can easily find what they are looking for. Most shoppers are in fact “spearfishing” when they shop online.¹² That is why Google is so critical in the shopping process — it helps to match shoppers' needs with specific products and stores that can deliver against that search query. Facebook, however, is a directory and a communication tool and, as a result, a place where relatively few shoppers engage with brands (see Figure 6).
- **Serious challenges in the payments world.** Facebook Credits was vaunted upon launch as being the way that Facebook would keep transactions on its site. Payment systems, however, are complex and labor-intensive to build and maintain, and retailers are unlikely to adopt another payment form given that many have yet to even adopt PayPal, which is a far more common, mature, and proven online standard. Furthermore, Facebook faces the same challenges with its proprietary payment method that Google did with its Google Checkout tool — the fact that retailers do not want to share sensitive transaction details with a company that could be an adversary. Google Checkout continues to languish with little adoption by major retailers. And this remains true even with a fee structure that is significantly lower than the 30% of transactions that Facebook takes from sellers that offer Facebook Credits.
- **A reputation for apathy around privacy issues.** Facebook has not yet lived down its maligned Beacon efforts from years ago when shoppers unwittingly shared purchases with others in their social networks as a result of a Facebook opt-in option. Even outside of commerce issues, CEO Mark Zuckerberg has been questioned, most recently by two US congressmen, on various questionable actions stemming from his stance that privacy is no longer a social norm.¹³ This could risk permanently shutting out from third parties much of the useful information (e.g., birthday, marital status, employer, phone number) that consumers share about themselves. Particularly on issues related to personal financial information (which would be critical to anything commerce-related), social networks fare particularly poorly. The majority of consumers say they would have no interest, for instance, in accessing their banking information through social networks, with the top concerns being the safety and privacy of their personal information.¹⁴
- **A sparsity and quality problem in peer-to-peer Facebook recommendations.** Even to the degree that people are able to rely on information served through social networks for some types of transactions, the reality is that there may simply not be enough volume to generate meaningful peer-to-peer endorsements. Relying on a social network for information about whether it makes sense to purchase a particular digital camera requires that others have made a similar purchase decision in the recent past and that those buyers can be trusted to provide credible advice about this particular purchase decision. In the case of unique products like the iPhone or iPad, which is owned by millions of consumers, such a problem does not exist, but most products are not owned by millions of consumers.

Figure 6 Social Networks Are Primarily Communication (Versus Shopping) Tools



Source: North American Technographics® Retail Online Benchmark Recontact Survey, Q2 2010 (US)

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Source: Forrester Research, Inc.

WHAT IT MEANS

THE BEST OF FACEBOOK COMMERCE IS ALREADY HERE

While Facebook disciples believe that there will be something that will in the future transform shopping, the truth is that large brands just have not experienced any sizable gains in direct sales from Facebook. In spite of hundreds of thousands of developers (not to mention numerous Hackathons) having been given the opportunity to create useful shopping applications or to integrate commerce into Facebook, there has yet to be a blockbuster success. Without some measurable success for large brands in the next 12 months, the calls that the best of Facebook is coming risk having the credence of a cultist who insists that the world will end next year. More likely, Facebook's commerce successes with large retailers will be extensions of the pockets of success that already exist on the social network — particularly, the usage of the Open Graph and the integration of shopper data from Facebook to a master customer file. While none are likely to be Google-killers, they promise to be solid services that help individuals and businesses make the most of their presence and relationships on Facebook and other social networks. Some likely outcomes will result:

- **Social network service providers will be winners.** In the same way that the email landscape spawned email service providers who helped companies navigate through all the executional challenges of that medium, watch for “social network service providers” to emerge to help execute promotional messages, optimize them for newsfeeds or other displays, monitor performance, and leverage consumers who could be effective Facebook direct sellers. This applies both to promising early movers (e.g., Alvenda/8th Bridge, Milyoni, ShopIgniter, TurnTo, YardSellr) that are likely to be long-term players and even more established companies like PowerReviews that are wisely leveraging the Open Graph to supplement their core products.
- **A new category of “inbox marketing.”** Years ago at a Forrester consumer forum, an analyst joked that Facebook would be the end of email. Retailers and brands we interviewed said they were using Facebook and posts to their fan walls in much the same way as email — to disseminate timely information about sales, specials, new arrivals, and promotions. The reality is that email continues to be an incredibly effective interactive marketing tool and in fact is supplemented by Facebook brand posts, as email helps to drive total Facebook fans and Facebook posts reinforce email messaging. Look for significant overlap in email lists, Facebook fans, and mobile lists, with each serving a separate but complementary objective. Expect data gleaned from one platform to support the content and messages in other channels.
- **Facebook’s hands-on play in commerce will be short-lived.** Facebook has yet to “show retailers the money;” but perhaps even more troubling is that it has yet to show its shareholders any money from retailers (beyond advertising). Several of the retailers we interviewed insisted that Facebook’s only plan for monetization (other than virtual goods) was advertising on the site’s “right rail.” Several retailers also reported feeling little partnership from Facebook account managers. With no clear path to monetization from retailers, Facebook risks much of the same challenge that Google faced in its retail forays (e.g., checkout, product search) and will likely be forced into a similar outcome: ultimately deprioritizing commerce and focusing on higher-potential initiatives.
- **Off-Facebook winners will engage behavioral targeting.** While most retail applications “off Facebook” are about logging onto Facebook and sharing purchases, or seeing what other friends may have done on a site, perhaps the biggest opportunity is in the growing marketing field of behavioral targeting. This area is quickly emerging as an effective customer acquisition tool to bolster otherwise weak-performing display ads. Already, mentioning one’s friends in ads on Facebook has been vaunted by Facebook as widely effective. By also layering this same Open Graph data to display ads outside of Facebook, the effectiveness is likely to be amplified in an even broader context.
- **eBay’s marketplace may be the most at risk.** Perhaps the company that stands to lose the most from Facebook’s foray into commerce is eBay. Not only have former eBay employees launched Facebook-friendly marketplaces, but those efforts have gained significant traction. Whereas a significant percent of eBay’s sales depended on PowerSellers (that demarcation

serving as a proxy for merchant reliability and credibility), Facebook has the benefit of one's own friends and first-degree connections as endorsement. This achieves the same goal of establishing merchant credibility while also expanding the universe of credible merchants to small, local sellers, while also enabling sellers to avoid eBay's listing fees and rules.

RECOMMENDATIONS

GOOGLE (NOT FACEBOOK) WILL BE THE NEXT GOOGLE

While the hype around Facebook and commerce is likely to continue into the foreseeable future, especially as companies point to growing levels of "referral" traffic, the reality is that that traffic is unlikely to lead to any meaningful lift in sales, primarily because it just reflects the growing amount of time all consumers are spending on Facebook versus the ability of Facebook to drive interest in products. To that end, eBusiness executives in retail should:

- **Bet on behavioral targeting and mobile.** These are two buzzwords that have earned their hype. Retailers are already finding that investments in behavioral targeting are cost-effective. Consumers are increasingly likely to have mobile or tablet devices and are likely to use them even more than their PCs, particularly for features such as price comparisons (and ultimately purchasing).¹⁵ And with only a few years under its belt, mobile commerce is generating a healthy single-digit percent of sales and a disproportionately higher percent of traffic to web retailers. The truth is that the "next Google" will likely be Google, particularly as it expands its nascent mobile search efforts.
- **Keep an eye on social metrics.** While social metrics are lackluster now, they may gradually shift over time and prove to be viable measurements. Retailers currently are most likely to be measuring the total number of followers or growth in new fans, but other more nuanced measures that take into account brand affinity and likelihood to purchase may be more appropriate. New metrics altogether may emerge since traditional online marketing metrics such as last-click attribution may simply not be as relevant.¹⁶
- **Cross-train your email team.** Because email marketing is likely to be the area of biggest overlap with social networks, eBusiness professionals in retail would be well served to direct their teams to pay close attention to how your consumers are using Facebook for email purposes. This effort ensures that message content, timing, and frequency are in lock-step to maximize return.
- **Exploit social networks where they make the most sense.** Across the board, virtually all marketers we interviewed agreed that social networks were useful for promoting sales, coupons, promotions, and specials to drive short-term sales. This channel was also effective in disposing of excess or after-market inventory. Because this is what shoppers expect, don't forget to take advantage of your fan base to promote these sorts of messages.

SUPPLEMENTAL MATERIAL

Companies Interviewed For This Document

Alvenda/8th Bridge	Payment
Bronto Software	PowerReviews
ChannelAdvisor	ResponsysSAS
Cleverbridge	ShopIgniter
Milyoni	TurnToVML
NM Incite	Yardsellr

ENDNOTES

- ¹ Quantcast reported that 134 million people in the United States (approximately 40% of the population) visited Facebook in December 2010. Source: Quantcast (<http://www.quantcast.com/facebook.com>).

In late December, numerous media articles appeared announcing that Facebook intended to forge formal relationships with retailers. Source: Zak Stambor, "Facebook reaches out to retailers," *Internet Retailer*, December 22, 2010 (<http://www.internetretailer.com/2010/12/22/facebook-reaches-out-retailers>).
- ² Retailers approach social networks as an interactive marketing tool that can support customer acquisition or retention efforts. Paid search is generally regarded as the single-most effective customer acquisition tool for online retailers. Some online retail industry insiders believe Facebook could be equally as effective. Source: "Social: The Next Search" Gigya, June 22, 2010 (<http://info.gigyahosting1.com/thankyou.php?>).
- ³ *The Economist* attributed this expression to Lanier in its September 2, 2010 issue in an article titled "The virtual curmudgeon." It implies that the hype around online social media is an aggressive campaign of groupthink pushed by social evangelists that outcasts nonbelievers. Source: "The virtual curmudgeon," *The Economist*, September 2, 2010 (<http://www.economist.com/node/16909935>).
- ⁴ Forrester has extensive research on the role of social networks in assisting customer service efforts. There are two reports that articulately address this issue. See the October 18, 2010, "[Getting Social Customer Service Right](#)" report, and see the May 10, 2010, "[How To Create A Social Customer Service Strategy](#)" report.
- ⁵ Razorfish authored a Digital Brand Experience Report in 2009 in which the top reason (cited by 36.9% of respondents) that a person friended a brand on Facebook was to receive exclusive deals or offers. December 2010, Bizrate Insights Proprietary Social Commerce Survey.

A similar study executed in December 2010 by Bizrate Insights (www.bizrateinsights.com) found similar findings. In that survey, respondents were asked specifically if they were Facebook fans/friends of a retailer where they had recently purchased and if so, the reason. Sixty-eight percent of respondents said it was to find out about special deals (e.g., sales, coupons).

- ⁶ Open source and Google advocate Chris Messina eloquently points out the risks of Facebook's Open Graph, "Your identity is too important to be owned by any one company." Source: Chris Messina, "Understanding the Open Graph Protocol," *FactoryCity*, April 22, 2010 (<http://factoryjoe.com/blog/2010/04/22/understanding-the-open-graph-protocol/>).
- ⁷ FBI director Robert Mueller supposedly visited the Facebook offices when reporter Lev Grossman was researching his Man of the Year piece for *Time*. Source: Lev Grossman, "Person of the Year 2010: Mark Zuckerberg," *Time*, December 15, 2010 (http://www.time.com/time/specials/packages/article/0,28804,2036683_2037183_2037185,00.html).
- ⁸ Investors have reportedly valued Zynga, Facebook's top application developer and leading games partner at \$5.4 billion or higher. Source: Lev Grossman, "Only Connect. Mark Zuckerberg and Facebook Are Changing How We Interact — and What We Know about Each Other," *Time*, December 27, 2010.
- ⁹ Restaurants were in fact the top category mentioned, but PCs and mobile phones also ranked highly. Source: "Invoke Live! Social Commerce Key Findings Report," presentation, SlideShare, October 15, 2010 (<http://www.slideshare.net/involesolutions/invoke-live-social-commerce-report>).
- ¹⁰ Source: Lauren Dugan, "Facebook Shoppers have 7-10% Larger Shopping Carts," *All Facebook*, December 1, 2010 (<http://www.allfacebook.com/facebook-shoppers-have-7-10-larger-shopping-carts-2010-12>).
- ¹¹ Count on TechCrunch for the great one-liners. Source: Erick Schonfeld, "Yardsellr Scores \$5 Million Series A From Accel To Become The eBay Of Facebook," *TechCrunch*, November 22, 2010 (<http://techcrunch.com/2010/11/22/yardsellr-5-million-ebay-facebook/>).
- ¹² Eighty percent of online consumers agree with the statement "I generally know what I'm looking for when I search for products online." Source: North American Technographics® Retail Online Survey, Q3 2008.
- ¹³ The Co-chairmen of the Congressional Privacy Caucus (Edward Markey and Joe Barton) sent Mark Zuckerberg a letter dated February 2, 2011 requesting details on disclosing addresses and phone numbers of Facebook account holders to application developers. Source: Jackie Cohen, "U.S. Congressmen: Don't Turn Facebook Into Phonebook," *All Facebook*, February 2, 2011 (<http://www.allfacebook.com/u-s-congressmen-dont-turn-facebook-into-phonebook-2011-02>).
- ¹⁴ Seventy-one percent of online adults said they would be uninterested or extremely uninterested in accessing their bank account information on any social network. Of those that were uninterested, the top reason they were uninterested was because of a concern that hackers would access their information. See the May 19, 2010, "[Banking On Social Sites Is A Work In Progress](#)" report.
- ¹⁵ Consumers are likely to use mobile devices, including tablets, even more than PCs to research and ultimately buy products online. See the February 15, 2011, "[Location-Based Commerce: An Evolution In Mobile Shopping](#)" report.
- ¹⁶ Components of effective social measurement can include user impact and volume and energy related to participation. See the October 29, 2009, "[Three Steps To Measuring Social Media Marketing](#)" report.

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