

## Social Commerce: A Paradigm Shift in E-Commerce

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### Abstract

*This paper aims to address the new trend of social commerce as electronic commerce integrates with online social media. The phenomenal growth of internet users combined with growing popularity of social networking sites have paved the way for a new trend termed Social Commerce. Social Commerce is about allowing users to like, rate, and review, recommend and last but not least make a direct purchase from a social media platform. Social Commerce has given a vital opportunity to online business owners to expand their customer base and thereby drive more and more sales. The focus of this article is to increase understanding on quickly developing concept of Social Commerce, study its importance from the user's point of view as well as from the point of online business owners. This paper also aims to discuss the pros and cons of leveraging social commerce as well as the popular social networking sites that are commonly used for the same.*

*Today an online retailer can't take chance to ignore social media. Social media has become a necessity for online retailers to survive and to differentiate over competitors. Social media not only provides behavioral information about customers but also serves as a channel for direct purchasing. Facebook, LinkedIn, Twitter are some of the commonly used social networking sites for social media marketing.*

**Keywords—** *Electronic Commerce, Facebook, Social Commerce, Social Media.*

### Introduction

With social networks increasingly looking at social commerce, giving consumers the opportunity to buy direct from brands, marketers need to understand how to convert today's browsers into tomorrow's buyers. Social networks are becoming the new online marketplaces. Although consumers are not yet able to buy all products directly through social media channels, they are already using brands' social pages for inspiration to buy, which should act as an indicator of the potential value of social commerce. Social commerce offers a real opportunity for retailers to shorten the path to purchase for customers. Today Social media platforms are acting as a sort of catalogue. It's the younger demographic that are driving the social shopping trend. Brands need to keep up with this demand if they are going to make the most of the future generations of shoppers.

If brands do not prioritise social channels, there is the risk that they will miss out on a vital opportunity to engage with a captive audience of customers and convert browsing into sales. If fully implemented shopping on social media could become a primary shopping channel.

### Social commerce defined:

While shopping was always a social activity, the combination of social media platforms and Smartphone owning shoppers has made it more prominent.

**Social Commerce** is a part of electronic commerce that involves using social media to help in the online buying and selling of products and services. The term social commerce was

introduced by Yahoo! in November, 2005, to describe a set of online collaborative shopping tools such as user ratings and sharing of online product information.

**Social commerce** is online shopping made easier and/or more useful by social media integration. **Social commerce** is a platform where customers can collaborate online, get advice from other individuals, find products and services and then purchase them. **Social commerce** has evolved gradually over time as social networks have gained momentum and online purchasing has become more convenient.

**Social commerce** involves the activity where consumers with similar interests and needs collectively engage in conversations related to products and services. Such conversations usually result into several types of actions, such as recommending the products and services to their friends, and ultimately the purchase of those products and services.

**Social commerce** is shopping-oriented social media marketing that touches buyers before, during and after their purchase. **Social commerce** is commerce generated via social recommendation. **Social commerce** in simple terms is an activity where people talk, share and buy using a social media platform. A social media platform provides a chance to share, like, tweet, comment and review product related information and ultimately purchase that product.

### **Evolution of Social Networks/Social Media**

**Social media** has become an integral part of modern society. There are general social networks with user bases larger than the population of most countries. There are sites to share photos, videos, status updates, sites for meeting new people and sites to connect with old friends.

### **PRECURSORS TO SOCIAL MEDIA**

#### **1) Usernets**

Usenet systems were first launched in 1979 by Tom Truscott and Jim Ellis. They allowed users to post articles or posts (referred to as “news”) to newsgroups.

#### **2) BBSs (Bulletin Board Systems)**

The first BBSs came online in the late 70s. Originally these were primarily hosted on personal computers and users had to dial in through the host computer’s modem. Only one person at a time could gain access to the BBS.

#### **3) Online Services**

After BBSs came “online services” like CompuServe and Prodigy. CompuServe was the first company to incorporate a chat program into their service. Prodigy was responsible for making online service more affordable.

Genie was an early online service created by a General Electric subsidiary (GEIS) in 1985. It ran through 1999 and was one of the earliest services available. It was a text-based service, and considered the first viable commercial competition to CompuServe.

#### **4) IRC and ICQ**

IRC (Internet Relay Chat) was developed in 1988 and used for file sharing, link sharing and otherwise keeping in touch. ICQ was developed in the mid-90s and was the first instant messaging program for PCs.

### **Early Social Networks**

#### **1) Dating Sites**

Dating sites are sometimes considered the first social networks. The first dating sites started cropping up almost as soon as people started going online. They allowed users to create profiles (usually with photos) and to contact other users.

## **2) Forums**

Online forums also played a large part in the evolution of the social web. Various forum platforms, including vBulletin and phpBB, were developed, many of which are still used for forums.

## **3) Six Degrees**

Six Degrees was launched in 1997 and was the first modern social network. It allowed users to create a profile and to become friends with other users.

## **4) Live Journal**

Live Journal started in 1999 and took a different approach to social networking. While Six Degrees allowed users to create a basically-static profile, Live Journal was a social network built around constantly-updated blogs.

## **Major Advances in Social Networking**

The early 2000s brought some huge developments in social networking and social media. Some of the latest happening social networks are:

### **1) LinkedIn**

LinkedIn was founded in 2003 and was one of the first mainstream social networks devoted to business. Originally, LinkedIn allowed users to post a profile (basically a resume) and to interact through private messaging.

### **2) Facebook**

While Facebook started out as a Harvard-only social network back in 2004, it quickly expanded to other schools, then to high schools, businesses and eventually everyone (by 2006). In 2008 Facebook became the most popular social networking site. Facebook has added a number of features over the past few years such as writing on another user's wall, changing privacy settings of one's profile to allow different users to see different parts of their profile, commenting on the posts of friends. There are more than 1 million small or medium sized businesses advertising on Facebook and it is estimated that larger companies are spending as much as \$100 million on Facebook advertising per year.

### **3) YouTube**

YouTube was the first major video hosting and sharing site, launched in 2005. Users can upload videos up to 10 minutes long and share them through YouTube.

### **4) Twitter**

Twitter was founded in 2006 and has gained a lot of popularity. Twitter has developed a devoted following and has a number of famous users.

### **5) Instagram**

Instagram was launched in 2010 and became one of the fastest growing apps. In April 2012 Facebook bought it for \$1 billion. Today Marketers use Instagram to market products and services. There are more than 300 million monthly active users on Instagram, of which 75 million are daily active users.

### **6) Google+**

This site has 300 million monthly active users and is used for relationship marketing. It has over a 53 percent positive interaction between Google+ users and brands.

Social media has come a long way since the days of its inception and it continues to evolve on a daily basis. Social networks and social media will keep on evolving in coming years and will last till the time something new comes across.

### **Importance of Social Networks/Social Commerce**

Business owners often wonder about the "ROI of social media". Is my Facebook page actually driving sales? Is all this tweeting really doing anything for my business? The answer to these questions is yes social media nowadays has given a vital opportunity to online business owners to expand their customer base and thereby drive more and more sales.

According to a report "Digital Shopping Tool Impact Study 2015" by global marketing company Epsilon Data Management LLC. "Social media influences more shoppers' buying decisions than retail websites". The report finds that "retailers' social media posts and pages have a greater influence on the stores and brands consumers buy from than any other channel".

"Consumers often aren't on social networks to shop, but if a brand hits them with the right message it can drive a purchase. "It's that very 'element of surprise'—that ability to insert itself into non shopping life and friendly conversations—that makes it so influential," the report says. The report is based on an online survey of more than 2,800 consumers, along with in-depth interviews and discussion boards with more than 50 shoppers.

Over the past years, due to increased and easy access to information, people have become more aware of what they want and actually need. They have become more social, and nowadays they are not likely to purchase something if they don't have some pre-awareness. And the pre-awareness comes from the experience they have with a brand on social networks or from the friends they have on social networks.

Today an online retailer can't take chance to ignore social media. Social media has become a necessity for online retailers to survive and to differentiate over competitors. Social media not only provides behavioral information about customers but also serves as a channel for direct purchasing. Buyers worldwide are turning to social networks for a variety of things, like reading reviews and staying on top of fashion trends. According to September 2015 research these social media activities influence their shopping behavior.

### **Pros and Cons of Social Commerce for Business**

#### **THE PROS:**

**1) Increased Brand Recognition:** Social networks acts as channels through which brand related information can be easily accessed by new as well as existing customers which in turn helps to create awareness and makes a brand widely recognizable.

**2) Nurtures Brand Loyalty:** According to a report published by "Texas Tech University", brands who engage on social media channels enjoy higher loyalty from their customers. Social media provides a platform which facilitates more interactive relationship with the targeted customers or audiences which in turn generates trust and thereby creates brand loyalty.

**3) More Opportunities to Convert/Higher Conversion Rates:** Whenever a blog is posted, an image or video is uploaded by a company about its product, it creates a chance for a person to visit company's site and eventually lead to a conversion. It's not compulsory that every visit to a company's site will lead to a conversion but every positive interaction will eventually lead to a conversion. Social media adds a human element to the marketing efforts done by the companies thereby leading to higher conversion rates.

**4) Social Commerce Involves Low Cost:** One of the main advantages of social networks over traditional media advertising is the considerably low cost that makes it more appealing for businesses. The most popular social media networks are practically free to join and all tools for interacting with other people are all available for free.

**5) Social Commerce is Time saving:** Any information or news about company and its products can be disseminated to the targeted audiences within no time frame whenever and wherever it is available.

**6) Social Commerce is Good for Customer Service:** Customers frequently post either praises, suggestions or complaints about a brand or company on social media sites which in turn provides companies a platform to provide good customer service by addressing such posts and reacting and responding to them.

**7) Social Commerce Caters to a Big Audience:** One of the main advantages social commerce has over traditional media marketing is that traditional marketing only caters to a fixed audience while Social networks have the potential of reaching out to a very big audience that is totally unlimited in scope and reach – from around the globe.

#### **THE CONS:**

**1) Social Commerce is Time Consuming:** Marketing using Social networks is time consuming. Online Marketers have to spend many hours in order to reap the benefits of using social networks. Moreover if it is not done correctly then it leads to wastage of time and no eventual conversion.

**2) Social Commerce Generates Negative Users:** Social Media attracts both negative as well as positive users. Positive users who post genuine feedbacks and comments whereas there are some negative users who intentionally post some negative content in order to spoil company brand's online reputation.

**3) Social Commerce Makes You Lose Control:** Once something is published through social networks it goes viral in the online sphere, it can be seen by anyone, and one has no control over it. It can be seen by both positive as well as negative users those who can spoil online brand reputation.

**4) Social Commerce ROI is Hard to Define:** Digital marketers often wonder about the returns that they are driving from their social media marketing efforts. Though the returns cannot be tangibly defined but social media marketing efforts surely deliver some favorable results for the business provided they are being utilized correctly.

#### **Facebook as a Social Commerce Tool**

- **Facebook is the most popular social network.** It has over 1.4 *billion* users and over 900 million of those users visit the site every day.
- **Facebook users encompass all demographics.** Its users include teenagers, middle aged group and senior people as well.
- **Facebook is “sticky.”** Facebook users spend a lot of time on the site — 40 minutes per day, on an average.
- **Facebook is growing.** Facebook is projected to top 169.2 billion users by 2018. [Source: eMarketer]
- **Facebook advertising is affordable.**
- **Facebook advertising is highly targeted.** Audience can be targeted by location, age, gender, interests and other factors.

- **Facebook allows reaching out to website customers.** Facebook's re-targeting option allows you to show Facebook ads only to people who have previously visited your business website.
- **Facebook spreads the word to Friends of Friends.** When a person sees his Facebook posts or ads, his Facebook Friends see them too, thus multiplying the effectiveness of Facebook marketing efforts.

### **LinkedIn as a Social Commerce Tool**

- LinkedIn operates the world's largest professional network on the Internet with more than 313 million members in over 200 countries and territories.
- Professionals are signing up to join LinkedIn at a rate of more than two new members per second.
- There are over 39 million students and recent college graduates on LinkedIn.
- LinkedIn counts executives from all 2013 Fortune 500 companies as members.
- LinkedIn is the most powerful marketing tool of the 21st century due to the following reasons:
  - a) Media:** Media exposure is critical for raising awareness and positioning any brand in the market. Even if a company provides best product or service in the world but if nobody knows about it then it is of no use. LinkedIn provides a platform for the same that is cost effective and less time consuming as compared to other methods.
  - b) Partnerships:** Building up strategic partnerships is a powerful way to grow a business. With the right partner one can refer clients to each other, leverage the power of offering complimentary products or services, and help grow each others' businesses. LinkedIn is the platform that helps in finding the right joint venture and alliance partners.
  - c) Clients:** LinkedIn is also a powerful tool for finding clients. Regardless of industry, size or location we are all in the business of marketing. And to be a successful marketer, its 10 percent what we say and 90 percent how we say it.

### **Twitter As a Social Commerce Tool**

#### **• Twitter as a Popular Social Platform**

Twitter is becoming an increasingly important platform for online communication. Tech Crunch reported that Twitter is receiving 8 million unique visitors per month and about 500 million messages are posted daily.

- **Twitter as a Media Outlet** we can use Twitter to post news or updates about company or products.
- **Twitter as a Promotional Palace** It's not uncommon for companies to post promotions, sales, or specials on Twitter.
- **Twitter as a Customer Service Tool**

Twitter helps a company to interact with its prospects and customers. With the help of twitter companies can get engaged and involved with their customers thus providing optimal customer service.

### **Conclusion**

With the phenomenal growth of social media in the last few years the purchase intent and actual purchase of products and services are being affected by social referrals; whether it be people we know or even strangers. Both discovery and consumption of the products and services online are being affected by social media. In the nearby future it is to be sure that social media will continue to influence online and offline merchandising related to shopping. While the basic framework of social commerce already exists, it will continue to evolve as consumers' will adapt to using it more.

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