

Simplifying Facebook Commerce

Customer Experience Led Development

White Paper

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Document History

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Abstract

This White Paper outlines concepts and approaches that support building commercial relationships with customers via Facebook (F-Commerce).

The emphasis of this paper is on putting the customer at the heart of planning and the tools and techniques that enable companies to more easily deliver the customer experience that people want and that generate profitable sales. Social media platforms by definition are people orientated, hence the emphasis on customer centric planning.

Open Minds

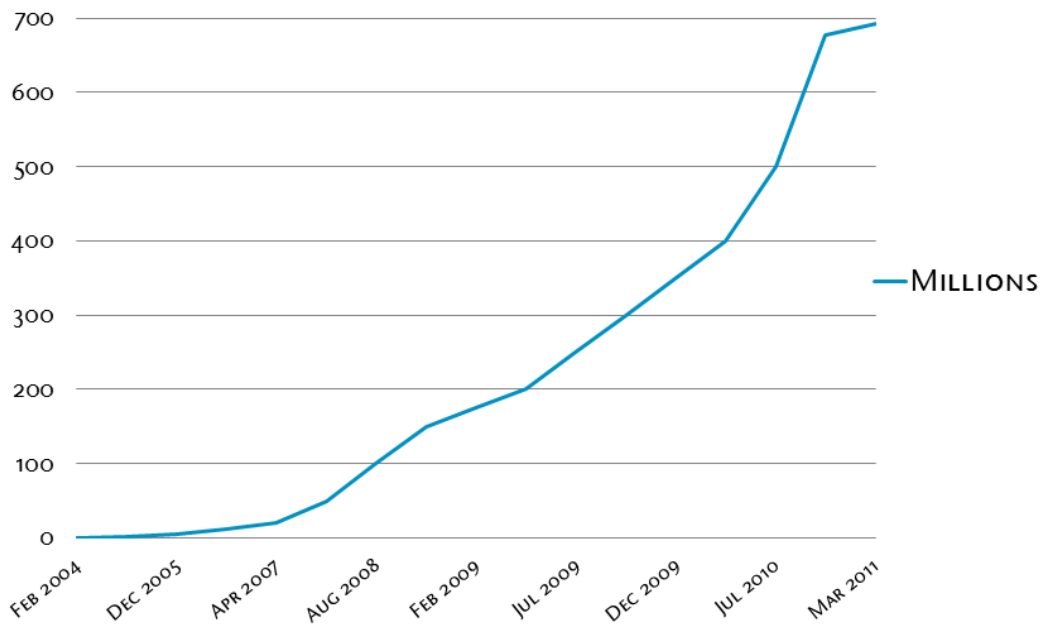
There is a wealth of examples of firms relating their successful F-Commerce stories to the outside world. Our first recommendation is to ignore these case studies, since as soon as people start reading success stories they subconsciously start to forget their own customers and inadvertently begin developing plans that replicate what other people are doing.

Suffice to say that there are strong indicators that F-Commerce is an area that warrants some thought:

- Facebook nearly has 700m users globally
- Transactions on Facebook are forecast to overtake Amazon's annual sales (\$34Billion) over the next 5 years.
- In the US, users now spend longer on Facebook than they do on Google.
- Click through rates on Facebook walls are 6.5%.
- The average number of people who see a friends "word of mouth" recommendation is 130.
- 117% is the additional amount a fan of a brand will spend, compared to a non-fan.
- If someone has clicked "like" there is a 51% increased chance they will also click buy.
- Each new fan acquired by retailers on Facebook equates to 20 extra visits to their website over the course of a year.
- Companies experience between 30% and 200% increase in registrations when a Facebook sign on is used.
- 10,000 websites integrate with Facebook every day using social plugins.
- 200 million people access Facebook using mobile devices.

- 70% of Facebook users engage with Facebook applications.

FACEBOOK ACTIVE USER TIMELINE



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Source: facebook.com/press/timeline

There is a long list of interesting statistics like this and if you correlate the themes it is clear that the following can be said of Facebook:

- Drives e-Commerce traffic growth
- A location where customers are and where they spend a lot of time
- Drives loyalty sales
- Increases likelihood of word of mouth sales
- Industry adoption of F-Commerce is accelerating
- Mobile adoption is increasing (suggesting this is a platform to fuel future growth)

The reason we recommend that people retain an open mind when planning their F-Commerce strategy is that it is tempting to look at these growth statistics and run full steam ahead and build an all singing and all dancing feature rich Facebook Store.

However, even for a big brand there is no guarantee that people will come flocking to you and press click to buy. It is important to put yourself in the shoes of the customer and to determine what makes sense for them in a social setting. Successful F-Commerce practitioners have an open minded, customer led, long term vision of what they are trying to achieve.

"For us it's about being at the forefront in order to recruit future customers. You could say that we are positioning ourselves for the future; we provide tools that allow people to make purchases whenever the need shows up."

Jonas Sjöstedt, Social Media Manager at Oriflame

Customer Centric Analysis

Stop Thinking "Campaigns". Start Thinking "Conversations."

Anon.

Arguably social commerce provides little different to what a shop keeper or chain of shops who know their customers really well can already do. The key difference, however, is that we have to reset the way we have been thinking over recent years.

In many respects traditional E-Commerce platforms were all about getting a shiny and easy to use store on-line. With the advent of social commerce, however, companies now have the opportunity to digitise a more natural relationship with their customers. We now have to learn how to harness the opportunity that more complex and more human interaction provided by social media platforms allows.

The on-line store front is no longer the only place where meaningful interaction occurs. For instance with a view to specifically generating sales, companies are interacting with people on social platforms across a range of different business processes:

- **Research and Development** – some companies are crowd sourcing ideas and collect customer feedback to influence the entire design lifecycle, in order to sell products as complex as cars.
- **Customer Service** – Happy loyal customers are always the most profitable. Companies are actively seeking to build social media brand advocates, who are proven to have a direct positive effect on sales performance. Bad news stories can spread really quickly

across social platforms and social strategies to counter this effect are also being implemented by many.

- **Marketing** – Companies are targeting specific social groups, such as influential early adopters and using them to drive waves of people to store fronts from their position “on the social high ground”.

This is quite a limited range of business process examples, but so it should be. What matters is what matters to your customers.

For instance, perhaps it only makes sense for some people to interact with a supermarket on a social platform as part of a local crèche community, which provides the option to click and order a basket of baby and toddler related products?

Maybe high wealth individuals might find themselves sufficiently engaged by an investment fund’s social commerce platform, to pay to deal in a high stakes social gaming equivalent of a commodity trading “squash ladder”?

The point is that you could spend thousands of pounds analysing what customers might want and then spend even more building out imaginative social commerce platforms and you still might end up wasting your time.

Successful F-Commerce companies identify a good initial target concept, implement something quite light weight and then watch, listen and observe their customers before adapting to apparent need.

The key to identifying good initial social commerce concepts is to put yourself in the shoes of your customers, which is where rapid analysis techniques can really help. We recommend undertaking some early and basic analysis of your business and your customers and to sketch out several different ways in which you could build a commercial relationship with customers via Facebook.

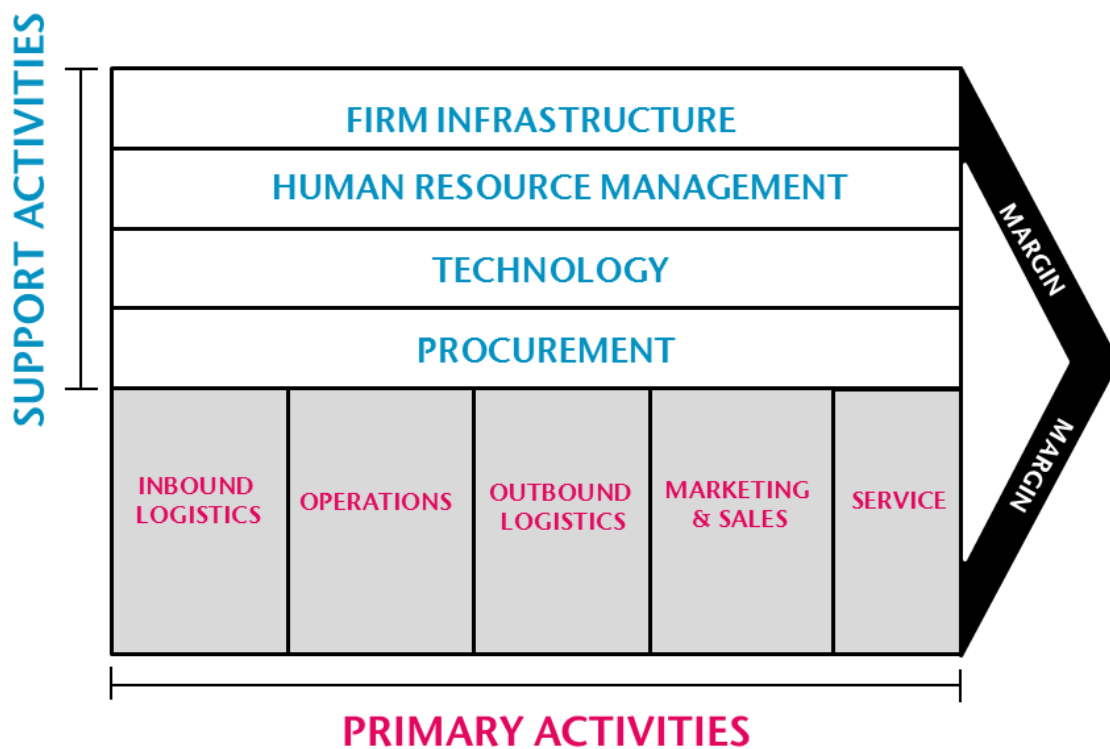
The following techniques are useful because they provide a structured way to quickly analyse your business from a customer centric perspective:

- **Value Chain Analysis** – map out the key functions of your business, including your partners, which have an impact on your customers overall experience.
- **Persona Driven Analysis** – Who are your customers, what motivates and drives their behaviour?

Value Chain Analysis has long been a tool of analysis that is used to generate innovative ideas. When you consider how key customer types experience each stage of your business it will throw up a range of different social commerce concepts for you to evaluate.

A key insight to remember, however, is that your value chain is no longer linear as Michael Porter originally described pictorially in 1985.

MICHAEL PORTER'S VALUE CHAIN



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You are now seeking to influence a digital social conversation, your value chain is circular. Your customer service reputation really does influence your ability to sell:



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“Customer Service is the new marketing”
Lane Becker, President at Get Satisfaction

Concept Planning

The point of customer centric planning is to get something out into the marketplace quickly, that provides an experience that customer's value, feels intuitive and that works. In short, make it easy for people to buy.

All too often people come up with new and imaginative ideas, they bring in a design agency to flesh out the concept and mock up some screens and then go to their technical colleagues to get an estimate on what something will cost to deliver.

The sharp intake of breath following the initial technical estimate, is often followed by a prolonged period of re-shaping and re-estimation, during which people lose the will to live and the initial energy and enthusiasm for a concept is lost.

The solution to this inertia is to bring in multi-disciplined teams from day 1. As soon as you are able to articulate a concept in its loosest form, bring in a technical architect, and a user experience specialist and discuss the concept.

Apart from breaking the concept planning inertia, there are other benefits of working with a cross skilled team from the beginning:

- **Moon-On-A-Stick** – engineers have a habit of telling business people that anything is possible, it just might cost a lot to build. Involving technical people very early, will help you kill off outlandish concepts, or simplify concepts without losing the strategic intent of what you are trying to achieve.
- **Highest Priority** – if engineers understand the heart of a concept whilst it is forming, it is easier for them to emphasise the aspects that make your strategy a winner within their technical solution. Too often technical people are blind-sided by all the bells and whistles that business people have added as they fleshed out their concept. It is easy to accidentally obscure the strategic intent, since the technical person is thinking about the complexity of delivering everything you have described and not the aspect that you value most.
- **Usability** – a great user experience improves the sales conversion rate and promotes a positive attitude towards your business. A clean design, intuitive information architecture and smooth technical operability are the foundations of great user experience. You need to plan for great user experience upfront, you do not want to have to accommodate technical bodes late in the day that impact your on-line sales performance.

“A lot of what we do is getting design out of the way”

Jonathan Ive, Senior VP of Industrial Design at Apple

In essence teams with combined skill sets are able to get to a better answer sooner, wild expensive ideas are crushed and the user experience of the delivery is cleaner, which is better for sales.

You will also be able to generate more realistic construction estimates sooner and get to market faster, generating return on investment sooner. There are two further insights worth considering:

- Traditionally companies, including external suppliers, set up silos of skill. Although it is common sense to combine skills sets from the outset, tradition is hard to break and you need to put in effort to overcome a business as usual mentality.
- It is important to keep mixed team skill sets throughout the life of product development. In particular people all too often only deploy usability and design skills upfront. Regular input from people with these skill sets over the life of the development will ensure that user experience is optimised.

Minimum Marketable Features

So you have broad brush concept, you want to launch it, you don't intend to build an all singing all dancing Facebook store because you intend to be guided by your customers in order to grow your social commerce platform over time in accordance with their needs. The question now, is what should I deliver to my target customers on day one?

With the advent of Agile development methods, people have got better at honing in on a minimum feature set, but this has not eradicated a tendency to over engineer initial releases.

The MoSCoW prioritisation technique (**M**ust have, **S**hould have, **C**ould have and **W**on't have) does eventually help an analyst grind out a reduced requirements list, yet in many cases it is possible to launch with less.

What seems to be missing is the confidence to know how little you need to do to launch (Assuming that you are listening to your customers and plan to react rapidly to them after release).

The following is a case study from the Public Relations (PR) firm for IKEA, who accidentally stumbled upon the minimum marketable feature set necessary to launch IKEA's new iPhone app:

Everyone is making iPhone apps nowadays – it's nothing new. Launching an app which is essentially a flat PDF of a store catalogue and making a splash about it to drive downloads was going to be tough.

The IKEA team was realistic in its expectations around the launch of the app, expecting “a few online sites” to cover the story. IKEA’s PR firm, however, decided to turn the negative of having an asset which was not particularly newsworthy nor technologically advanced, into a positive. Bearing in mind IKEA’s philosophy of being “for the many”, the PR agency decided to use this approach and put IKEA’s customers in charge. Recognising that the best ideas often come from the consumer itself, the PR agency decided that they should reach out to online communities from within the store’s core customer base and ask them to feedback on how they would improve the apps themselves – what kind of features would they want to see in an app from IKEA?

The app was released, positioned as a “beta test”, inviting people to use it and then to tell the team how to improve it. Users were asked to feedback via email, using the hashtag #IKEAappideas, or by phone with their suggestions. Every tweeted suggestion was immediately responded to from the bespoke Twitter feed, with all improvements logged. A variety of users were identified in the blogger outreach research, from IKEA fans, to environmental activists and mobile and app enthusiasts.

This led to widespread buzz online, which in turn provided the PR team the perfect opportunity to speak to leading national print journalists alerting them to the noise which had been created through the Version 1 launch.

This PR strategy resulted in the app launch securing over 1,807 pieces of coverage for the IKEA catalogue application, including 1,383 tweets and 328 blog posts on the story. The chatter ultimately generated over 300,000 downloads of the application in the first month – 12 times the industry average for mobile application launches (roughly 25,000).

Version 2 was launched just three months later – a record in time taken for app updating – now featuring the public’s most popular suggestions of a contents page, a search function and a bookmark function. All suggestions collected will now continue to inform IKEA as they look to update and improve their app on an ongoing basis.

IKEA Catalogue App Launch by PR firm Cake

There is nothing worse than launching your hard work to near silence. How much better to start recruiting your customers whilst you build and even better to be confident that every penny you are spending will be valued by your target audience? IKEA did a great job launching their app.

The leverage of social media platforms such as Facebook and the power to connect and enthuse a very wide network of people, who actually enjoy helping you and who will convert the trust you show in them with sales, is an opportunity which should not be missed with F-Commerce.

Another lesson to take from the IKEA case study, however, is to observe how slowly it took to respond to customer feedback and build really basic functionality for their second release (ignoring the PR firm's fluff where they state they released in record time). The use of combined skill sets within a team, who planned to respond to customer feedback and needs, would have largely eradicated this three month delay.

In summary, do not over engineer. Only do enough to meet the minimum needs of your customers. Ensure you plan to respond to your customers quickly.

Building Blocks

When designing your F-Commerce concept you need to be aware of some of the basic building blocks available. The following table outlines components to consider for transactions conducted whilst users are on Facebook:

Transactions ON Facebook



Facebook Stores:

- Consumer – use real currency to purchase goods without leaving Facebook.
- Company – customers can buy directly from your Facebook page and newsfeed.



Facebook Deals:

- Consumer – pre-pay credits that you use to buy goods across Facebook.
- Company – easily attract new customers with a frictionless payment mechanism that people are familiar with.



Facebook Credits:

- Consumer – buy credits using a card or PayPal to easily pay for deals across Facebook.
- Company – a simple purchase mechanism for deals on Facebook. Mandatory currency for games.

These components are important to consider when engaging people on-line on your own website external to Facebook, or to drive footfall to your physical locations:

Transactions OFF Facebook



Facebook Check-in-Deals:

- Consumer - check in on Facebook with a smartphone to see special deals from nearby businesses.
- Company – drive footfall and loyalty towards your business for customers near you.



Facebook Storefronts:

- Consumer – find on-line stores that your friends or social groups have recommended.
- Company – Drive e-commerce traffic with product catalogue apps installed on your Facebook Page.



Facebook Authentication:

- Consumer – click the Facebook login button on sites across the web to ensure that the retailer automatically recognises you and your details.
- Customer – improve the customer experience on your web-site and make it easier for people to do business with you.



Open Graph Protocol:

- Consumer – if you see familiar Facebook features on a different companies web-site such as “like”, you can click and update your Facebook newsfeed so that your friends can see what you’ve liked or commented on. You can also see which sites across the web that your friends enjoy.
- Company – drive internet traffic to your web-site by encouraging people to interact with Facebook’s social features installed on your own web-site.



Facebook Social Plugins:

- Consumer – You can keep your friends up to speed with what you like, by clicking like on other companies web-sites.
- Company – You can both push updates to and target your advertising directly towards people who have liked content on your own web-site



Facebook Graph API:

- Company – Create shopping app and sites that integrate with (read and write to) Facebook.



Facebook Advertising:

- Drive e-commerce traffic or footfall with Facebook advertising.



Facebook Marketing:

- Drive sales and loyalty with news and promotions posted to your Facebook page.

Whilst you can work out how to leverage these components yourself, there is merit in bringing in external expertise in order to benefit from people who have implemented F-Commerce before. Specifically external assistance should be able to help you:

- Understand what works well and how to deploy simply.
- To optimise the profitability of transactions.
- Manage the customer data ownership contention. How much do you know about your customers, compared to data which is wholly owned by Facebook?

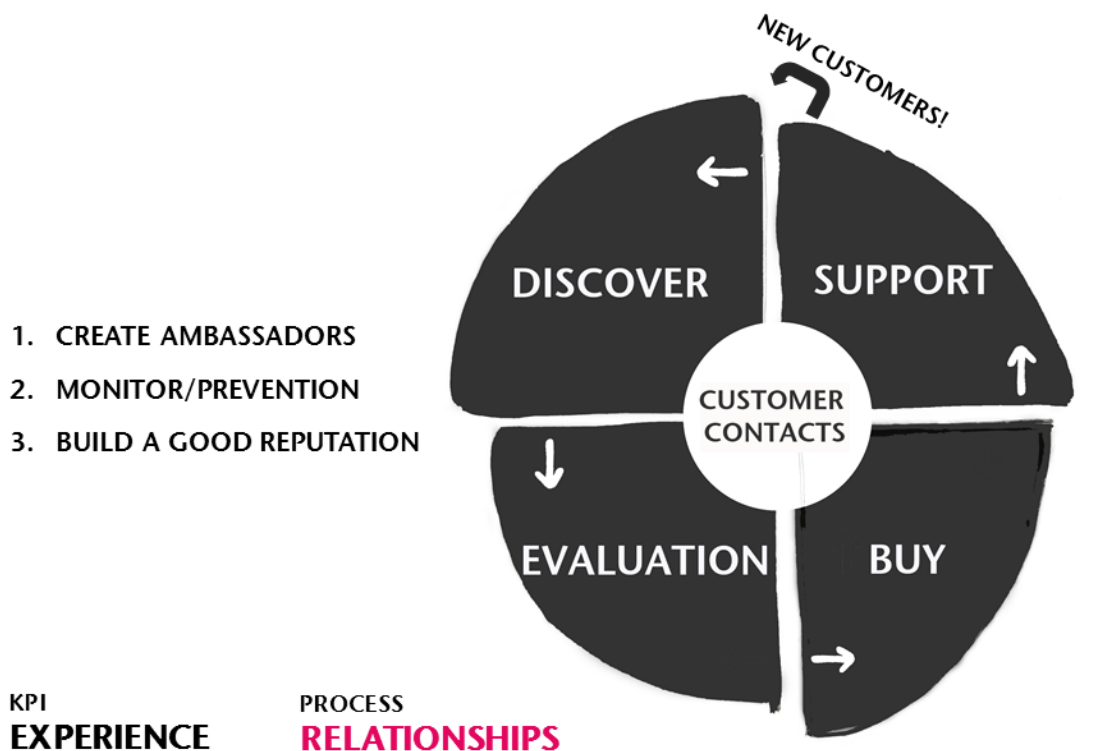
Measurement

Over and above listening to your customers, it is important to observe the data in order to order to improve your service. In essence, on a continual basis, it is good practice to inspect, adapt and improve.

Why is it so important to take this continual improvement so seriously with F-Commerce? The simple answer is that you should be doing everything to harness the power of the social network. If you recruit brand ambassadors who “like” your products and services, you will drive more people to your store, who are statistically proven to be more likely to buy. Continual improvement is a tactic to ensure you grow your quantity of brand ambassadors, who in turn further leverage your influence over an ever wider network of potential customers.

The simple way to manage this is to set Key Performance Indicators, which define the various goals that you want to achieve and to then measure your performance in hitting them. There are some examples below which show typical aspects which are useful to measure.

Firstly and possibly most importantly you need to measure the engine of F-Commerce, your ability to attract new customers and recruit brand ambassadors to leverage the power of the social network and drive even more people to your store:

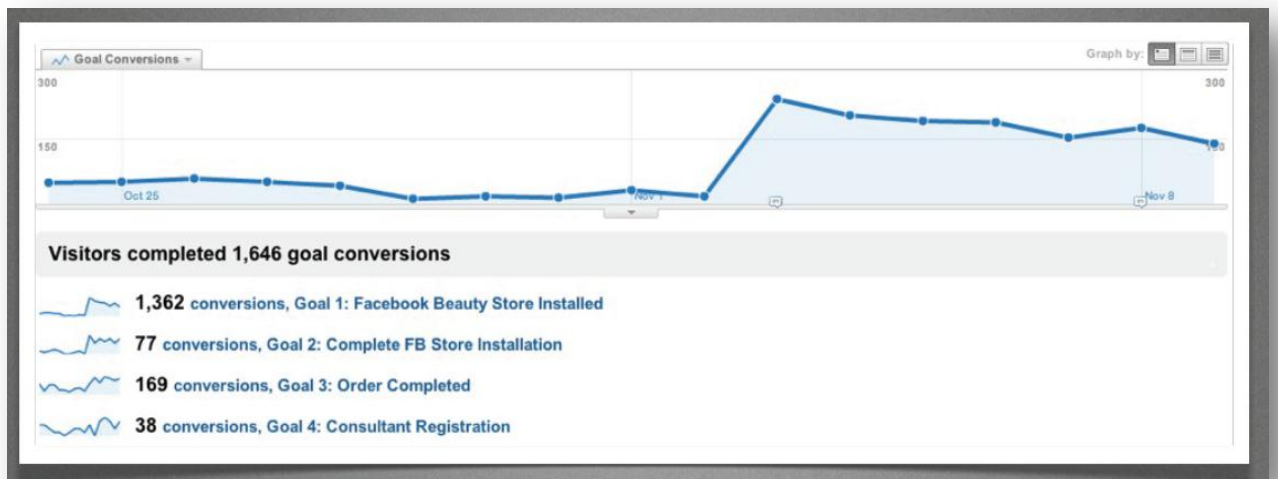


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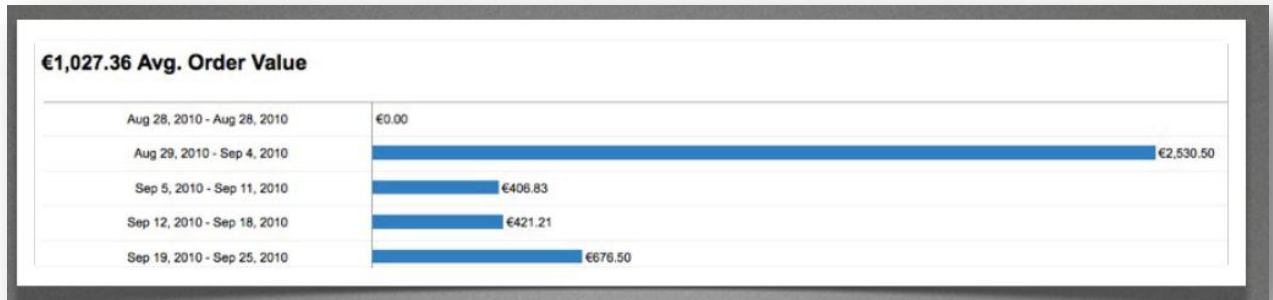
The Google analytics graph below shows data from a live Facebook Store showing visitor numbers. It is useful to observe the impact of major changes, in this case the store being launched in the Czech Republic and Poland.



The example below shows goal conversions. If there are defined steps the customer has to take before clicking buy, then measure your effectiveness in converting them towards paying customers.



Product order value not only gives you a view on daily sales, but helps inform you of the effectiveness of promotions, or the impact of changing the layout, wording or product mix in some way.



	Product None	Quantity ↓
1.	S8 Night Eau de Toilette	66
2.	Oriflame Beauty Conceal Kit	10
3.	Silk & Cashmere In-Shower Moisturiser	7
4.	North For Men Shine Control Cream	5

Total Events 38 % of Site Total: 100.00%		Unique Events 36 % of Site Total: 120.00%	Event Value 41 % of Site Total: 100.00%
Event Action None	Total Events ↓		
1. invite-friends	30		
2. wall-post	8		

Change Agents

Whilst we have outlined the benefits of simplification and customer driven planning and development, it is a truism that you can often only really make something simple once you have mastered it. The simplest approach for your organisation might be to bring in people who have done this before.

Although an external company would not understand your business and customers as well as you, adding external experience into the mix often has some useful effects:

- **Innovation** – internal people can't always see wood for trees
- **Forces pace** – internal projects often suffer from inertia
- **Expertise** - bring in skills that complement and enhance your own

If you are inspired by the topic of F-Commerce or would like to either follow or influence Valtech's own F-Commerce journey then why not join the conversation and click "like" at <http://www.facebook.com/ValtechUK>

References:

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