

# 1 WELCOME TO SOCIAL COMMERCE

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**S**ocial commerce, like the subject often associated with it, social media, isn't brand new but it's being done in a brand new way. This chapter should help explain the concept and ensure you're able to establish whether it will help your business at all. Businesses and customers are changing and the aim of this and every other part of this book is to help you adapt to those changes.

You should also walk away from this chapter with a number of ideas of how to build a following and work out how this can actually help you build up a business.

So what, precisely, do I mean when I talk about social commerce? Many sorts of commerce can be described as 'social' and you have to zero in on it a little before it starts to become really meaningful.

Let me explain this with a scenario. Say you want to buy something simple like a pack of butter. How would you describe the process? You go out, get a plot of land, seed it, grow grass, feed a cow, milk the cow, churn the milk, and then scrape the butter off the sides and put it in a packet. Is that right?

No it's not and you know it. It's rubbish. But it's what happens when you go and buy a pack of butter. Somewhere along the line all of that stuff has happened, or something vaguely like it – anyone reading this who's in agriculture is by now probably killing themselves laughing at my oversimplification. Nonetheless the problem you'd face if you tried to buy everything just for yourself is that it's impossible to make any economies when you're just making one-offs.

So you get a bit social. A group of you go to a trader and suggest you want butter. The trader goes to a farmer and says, I can introduce you to this number of people to sell your butter, but you've got to bring the price down. The farmer says he or she would be delighted – and that is people being social to make commerce happen. So in order to buy anything at all for what might be thought a reasonable price, you have to be social in some respect otherwise it simply can't add up. This, at its most basic, is social commerce.

We're going to have to be a bit more specific than that, obviously. Otherwise everyone will think it's easy.

## Defining social commerce

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Truer forms of social commerce might be said to have started with the co-operative movement, which survives to the present day not only in the form of the Co-Op but also in experiments like the 'People's Supermarket' movement. The idea here is that a group of individuals get together to bypass the big corporate money-making conglomerates and source their food collectively. They bypass the traditional suppliers and go to smaller producers, the tiny growers on allotments, the farms who'll deal direct, and they set their own prices. Instead of profit they plough money back in and award themselves dividends, or extra discounts – non-members are welcome to buy but the price will be slightly higher.

This is a little more to do with what I'm going to describe as the modern version of social commerce. It's not the whole thing, though, and there are parts of the revived model which aren't wholly relevant. For example, this book isn't going to be unduly concerned with idealistic principles on whether big or small business should or should not make a profit. We'll be talking about people like Facebook, Google, and Groupon. These are substantial companies which either have been listed or are heading for it. They have been valued at billions and are doing very nicely out of social commerce, thanks.

This book will take as its thesis that social commerce is commerce made possible when a large group of suppliers meets a large group of buyers, and they haggle as groups and achieve the best possible price. The medium through which this happens is the Internet, just because it's the easiest way of getting so many people together.

That's not all this book is going to be about. That's the most pure form of 'social commerce' by all means but there's another facet, an overlay that

seems to have invited itself along during the 21st century. That was the subject of my previous book, *This is Social Media*. Social media or social networking (the terms are interchangeable) allows the customer to communicate directly with the producer and to have a conversation. The producer gets to know the customer and can detect trends – among the more voluble customers anyway. The producer can publicize, cajole people into taking part and buying, float ideas, research the likely responses.

As I said in the Introduction, a lot of this is happening because the customer has changed and is now digitally aware. There are lots of clichés around about how people have become empowered, how the customer is king, how engagement is everything. These are mostly clichés because they're right. The Internet means the customer has more options to switch suppliers half way through a transaction than ever before. This puts them in the driving seat more than ever before.

This chapter will focus on how the social customer is taking advantage of the sort of deal that has only become possible because mass buying is in place, and how the technology has been harnessed to make deals happen.

## **An early social business: Naked Wines**

Overall the aim of a social commerce-oriented business is to make the customer feel part of the company even when they're not technically a shareholder. This is something at which Naked Wines has been very good indeed. There is much to be gained from observing how the business makes people feel they are part of something, so the rest of this chapter will take this example in some depth.

Naked Wines is a wine club based in the UK – Norwich to be specific. It operates completely online; there are no shop fronts, no wine warehouses to visit. It is a classic example of the electronic medium introducing buyers and sellers.

There were attempts at making this happen much earlier; you might recall companies like Letsbuyit.com, which had the idea of bringing together small business customers, getting them to act en bloc and buying printers, computers, and so forth at good prices. The pitch to the seller was that these people were effectively acting like a much larger enterprise.

The reason for the failure at that stage, and we're talking late 1990s here, was that people took impossible positions. Suppliers offered thousands of small businesses tiny discounts, less than they'd typically get from a decent dealer. The businesses, meanwhile, all wanted a top of the range laser printer for a tenner. The positions taken were ridiculous so the idea fell to pieces.

Naked Wines and other modern counterparts prefer to be more realistic, and focus on the achievable. If you want to join Naked Wines and just buy wine cases that's fine. Nobody's going to mind, you just go ahead. To get more out of it, though, you become a 'wine angel.' This involves sending the organization twenty quid a month. It then puts this into an account for you and you can buy wine with it or have it back if you change your mind – there's no catch.

It then goes to small wine producers, who don't get into the supermarkets or bigger wine clubs, and puts a proposition to them. That proposition is: Naked Wines can offer them cash flow because of the regular payments from 'angels,' as long as the wine makers in question offer a preferential price to the customers in question.

## Business basics

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Very few successful start-ups rely purely on knowledge and experience of “social”. For example, founder Rowan Gormley and his colleagues set up the business after years in the wine trade. This isn't part of a social commerce but you have to have some experience of a field in order to set up a new business in it. He and his colleagues seek out small wine growers and go and visit them – this isn't done electronically, there is clearly a need for face-to-face meetings and frankly you can't taste a bottle of wine over the Internet.

Likewise, elsewhere in the book I'll be discussing a gent's barber and how it publicizes itself and attracts 'members' electronically, a smoothie drinks maker . . . many businesses. They all need the offline skills first before they attack the online side.

## The existing model

The Internet has allowed the gathering together of buyers and sellers to adopt terms and conditions they find mutually beneficial, says founder Rowan Gormley. If individuals were to try to get together and make this sort of deal happen it simply wouldn't work.

There is an argument that says the financial model on which most of the Western World is based has become flawed because of too many intermediaries. The buyer and seller have so many people between them who need to be paid. The buyer spends money on having products marketed to them, on having products marketed to the wholesaler, on shipments to intermediary points and on a great deal else before their money goes near the actual price of the product. 'The consumer is getting poor value and the (product)

supplier is struggling to make a living and it's just because of the inefficiency of the way commerce is involved,' says Gormley. And so the Internet became the mechanism by which companies like Naked Wines are able to get things moving and repair this apparent problem.

It's not just a matter of saying 'we're on the Internet so please send us regular money,' though. Gormley explains it using his co-founder Francesca Krajewski as an example. 'Let's say I introduce Fran as a wine maker and ask if you'd like to give her a hundred quid – you'd say you needed to know more. But if we say to people, "give us twenty quid a month and we'll sort out immediate delivery and all the boring bits", we get a response.'

So far so old media – but in this case the social element adds a great deal to the transactions taking place. To stick with the example on the table, Fran doesn't just ask for money. She introduces herself as a wine maker, tells you about herself, joins a social network, explains the wines on which she is working and why she thinks they'll be any good. She answers questions, listens to feedback, and the end results feature in her product. People who want to get more involved in the wines they buy have that opportunity.

Obviously this isn't going to matter to everyone – many people are quite happy picking up their favourite tipple at the supermarket and nobody has a problem with that. This is more focused on competing with the mail order companies who send brochures out claiming that the seller has known a particular wine-making family for years. So rather than read second hand that someone knows the family, you get to engage with them yourself.

naked wines  
01603 281 800

0:26:12 to go  
Order before 5pm and we will deliver tomorrow for only £4.99 \*  
FREE delivery on all orders over £100

Your Basket  
No Items £0.00

Login My Account Help ?

Account Balance £0.00

Home Winemakers Wines Cases Groups MarketPlace Angels Naked Me

Hello. Welcome to Naked Wines

All Wines or  Go

We invest in independent winemakers...

just like Jock

Got a voucher?  
from one of our lovely partners?

£41  
Claim Now

Pick from our cases...

See Cases

What's happening right now?

- Leslie liked Nomada Georquina 2008 2 minutes ago
- Leslie liked Jodie's Margaret River Cabernet Merlot 2008 2 minutes ago
- Carlos has just posted on Carlos' wall 3 minutes ago
- MARGARET has just added Stephen as a buddy 3 minutes ago
- MARGARET has just added Stephen as a buddy 3 minutes ago

What's naked about Naked Wines?

- ✓ We are a completely new and different online wine retailer.
- ✓ What makes us different is that we invest in independent winemakers, in exchange for preferential prices. Which we pass on to you.
- ✓ The wines taste great because the winemakers can pour their passion into making great wines, without compromise.
- ✓ And they cost anything up to 65% less, which makes them taste all the better
- ✓ It is such an obvious idea you have to wonder why all wine retailers don't do this.
- ✓ To find out more about us, read [here](#).

Are you a winemaker?

Pitch your wines directly to our 175,000 customers

Tell Me More

Source: [www.nakedwines.com](http://www.nakedwines.com) page used with permission of Naked Wines.

## Like minds

Peer recommendations make a powerful difference and start to add up to a genuinely personal-feeling service. It starts with the idea that the other customers who insist on communicating with the artisans are going to be like-minded to an extent. They will therefore care what other people have thought about the wines these people actually produce.

So you get to rate the wines you've bought online. Krajewski explains: 'It's one thing us saying, buy this wine, it's delicious, we recommend it, but it's another thing if the customer comes on to the site and they can see 93 percent of 5,121 people would buy this again.'

It starts to sound a bit like the sort of review you might pick up from the aforementioned Amazon for a book, but it can go a little further. Apply this model to books for example. Rather than going and buying a stock of books, the author publishes the first two chapters of a book online and then asks what readers think. The readers come back through an intermediary, who collates the results and says 'yes, they'd be happy to buy this, they'll pay £12 and would rather go straight to paperback than worry about a hardback. So if we buy 1000 from you at £6 each do we have a deal?' The author can then assess the time and costs and work out whether this is viable but the readers, you'll note, have had a say in whether the book gets produced at all.

## **Sell the idea first, the wine second**

Part of the trick of applying a model like this is to simplify, simplify, simplify. This is something that any new social commerce business should learn. If you are looking to consider something similar, you should bear in mind that it can take time to become established and frankly, for the target customer to 'get it.'

Nine months into the business, Naked Wines was still busy explaining how it worked to lots of new customers and prospects. A breakthrough happened when the business started offering half-cases as a taster. Gormley explained: 'We said to people, look, here are six bottles of wine made by winemakers our other customers have funded. If you like them, become an Angel for £20 a month.' Crucially the old trick of knocking out a second rate cheap case to get people's interest is redundant. In this and any other social business, in which feedback will be taken very seriously, the 'acquisition case' or acquisition offer has to be as good as the regular offering.

The figures stack up. At the time of writing, in mid 2011, about half the customers who buy a case of wine become more involved as wine angels, while a high participation figure of

44% leave feedback and comment on the wines. Gormley explained: 'Originally only 9% added their comments. We changed it to a button asking them whether they'd buy a wine again and why. 44% responded, and 17% added more detailed comments. So there's a lot more feedback.'

## Not just for wine

Of course, this business is built on people feeling they're getting personal recommendations, built on like-minded people's preferences for wines. The same principle can apply to any other product bought and reviewed by peers in this way. The people who rate, who take part, really feel they're part of the thing, they're in contact with the end producer, and this is why they keep coming back. Amazon pulls off the same trick with books and makes recommendations based on ratings; can your business do the same thing?

If it can, then this is a model that can improve the customer's experience overall. In the case of Naked Wines the social model eliminates the experience of buying a mixed case of wine in a supermarket or a warehouse, during which you find there are two or three wines you really liked, two or three you didn't, and the rest were OK. By reporting back on your tastes and the business having the right algorithm in place on its website it should be possible, the company believes, to all but eliminate any you don't think are superb.

Krajewski monitors the reactions on Twitter – another way of getting a lot of feedback (and it's possible to arrange to Tweet all of your wine recommendations to friends, so they can compare tastes). 'I often see Tweets that say, I was happy bumbling along buying my wine in the supermarket and now you've ruined that for me because now I've had two or three cases from you,' she says. 'They can't possibly go back to the supermarket because they get that consistency and they start to discover the kind of stuff that they like.' The Facebook page also allows for a lot of interaction in longer bursts.



Source: [www.facebook.com/nakedwines](http://www.facebook.com/nakedwines) page used with permission of Naked Wines. Facebook and the Facebook logo are trademarks of Facebook, Inc.

## Flexibility: interacting where you want

Yes, staff. Although there's no shop front there is a member of staff attached to each customer for wine advice by phone if they want it – clearly this book is about social commerce but sometimes personal service has to be precisely that.

This raises the idea of melding the internal and external social media feeds. The company has its own Twitter feed and Facebook page. So how, then, do they marry this together with their own highly socialized but private network? 'Well it's just another place to have a conversation and to update our customers on what we're up to, to share information and

winemakers to offer their opinion,' says Krajewski. 'We'll often put polls out on Facebook and Twitter. We will let customers know if we need funding for a particular wine or wine-maker. So, you know, it's somewhere to get to know them as well. And so customers just love coming on and saying, tried this last night, absolutely loved it and, you know, there's pictures of their wines and dinner parties. And so it's just an added extra really.'

You can usefully take a step back and consider how this might work in another business. A customer posts a picture of your product or service in action and says how satisfied they are. This gets seen by a whole bunch of people who trust the poster's judgment.

It's difficult to imagine that sort of advertising arriving without substantial payment in any other way. It's useful to note that the company is happy to engage people where they are and wherever they feel comfortable talking. Other businesses have tried and failed to get people from Twitter onto a company site where money will change hands; if the customer wants to go they'll have gone already.

Other social elements are on the site as well. Customers can sync their Gmail, Yahoo! and Microsoft Outlook databases – with safeguards and confidentiality – to see whether any of their friends are already on the wine angel network. 'So you can say instead of 94 out of 105 people liked this wine, hey, Fran liked this wine,' says Gormley. It's worth stressing very loudly at this point that anyone can make their account completely private and not searchable if they wish – but they're likely to miss out on a lot of the fun.

## Developing a theme

Once a business has started using the social model other ideas should start to emerge, not just about selling existing products but also about product development, research, and probably other areas.

Take some of Naked Wines' ideas. One plan is to get people noting where they've had really, really good wines in restaurants – to try to persuade the restaurants in question to offer discounts in exchange for increased bookings and then to find where the wines came from.

If they are widely available then Naked Wines, which doesn't like to compete on price, is unlikely to stock them; however, as Krajewski says, if it's a little wine supplier in Cornwall and that's the only place you can get it, they may be able to offer some mutually beneficial business. Clearly, customers choosing the wines on offer is a major way of making the social part of the business very commercial. There may be ways of applying this to other businesses – a customer is encouraged to report back on something in your field which they find useful, and they find it's available from your business after they've requested it. It helps build a sense of community.

A theme you'll find throughout this book is that companies making special offers on their own terms on social media rarely do as well as the ones which listen to what the customer actually wants. Gormley used to work for another wine company and remembers its first time on Twitter, when it offered a 35% discount on a particular case, saying that people could send their email addresses and get a voucher. 'It was like saying, this is all about me,' he says. 'It's best as a pull media. If you're too pushy, nothing happens, but if you allow yourself to be gently taken along by the customer when they respond to something it's better.'

It also means taking the rough with the smooth. For example one woman went onto Facebook to complain that Naked Wines were crooks and didn't return money when they said they would. 'In this particular case it was that someone cancelled their Angel account and we refunded their money but it takes three days to get through the banking system, so they went overdrawn while waiting for their 20 quid to come back,' explains Gormley. But when Naked Wines went to respond to this, quick though they were, they found that a number of customers had already been online speaking on its behalf and pointing this out. Get your engagements right and customers will undoubtedly become your best advocates. A public relations person I know works for a major camera manufacturer and has a policy of never commenting on blogs or review sites which are hostile to the products, first because the business doesn't want to be perceived as defensive and second because she is aware that committed customers often start defending the cameras unprompted. This, since they have no vested interests, carries more weight than someone from the PR department replying – so the social model takes over.

## Misrepresentation

It will be clear from the Facebook instance described in the Naked Wines case study that it is possible to put notes up about goods or services without declaring an interest. In this instance a woman recommended a competing service for which she in fact worked.

This is a bad idea for a number of reasons. First, if you get caught you look worse than a numpty, you look like a dishonest numpty. Second, it now falls foul of Advertising Standards rulings.

These became quite stringent in 2011. Not only must you declare whether you have an interest in a commercial promotion (many public relations executives get around this by inserting the word 'client' in brackets after a Tweet, Facebook message, or Google Plus update – nobody minds as long as there is disclosure) but your customers should too.

This can make it tricky. One interviewee in this book – and I'm not saying which because they abandoned the practice – at one point offered extra discounts for positive reviews on social networks. This would now fall foul under the current rulings unless someone spells out that they have been incentivized to make the review a positive one, at which stage most people will stop taking it seriously.

Just about the only way around this is to allow reviews both positive and negative to grow naturally.

Watch out for people misrepresenting themselves. One person put a note up on Naked Wine's Facebook page asking what people thought of a particular wine. People responded positively, except one individual who insisted the delivery times and quality from a competitor were better. Gormley thought this was odd and Googled her. She had a blog, and her 'about me' section on this blog said she worked for a Naked Wines competitor.

Gormley asked on Facebook whether she was the same person who ran the blog and worked for another company; her Facebook account and blog vanished very quickly. Whether any damage was done or custom lost to Naked Wines is impossible to track; businesspeople just have to be aware that this stuff can happen.

Mostly existing customers will be honest and open – and if they really don't like a service or product they're entitled to say so. You'll need to deal with it, learn from it, and move on. Get the product or service right and many will volunteer their enthusiasm and give you an excellent write-up for the newer customers to read.

## In with the old, in with the new

Acquiring new customers can be an expensive business, and the costs should tumble when a social means is utilized.

First have a think about the usual business models in your trade. Perhaps you're used to sending out fliers (fix that cost in your mind). Obviously not everybody responds to a flier and your sales are likely to be in the single percentages – so the cost of acquiring a customer goes up. So could you be doing something else with that money?

Let's relate that back to the Naked Wines example and see how it works. Consider, if you're a buyer by the case, how many fliers you get through the door; someone has to pay £1 for each of those pieces of mail. A really good response to a mailshot – and the wine industry does well – is about 6% of people buying, so about one in 16 people will buy a case.

This means every case sold in that promotion has cost £16 in direct marketing materials, so if the case being bought is on promotion and costs £50 then there's only room for £34 worth of wine, bottling, packaging, taxes. Naked Wines eliminates the mailshots by the very simple expedient of giving a voucher to everyone who buys a case to give away.

These vouchers – usually £50 – can't be used by the person who bought the wine, they go instead to new customers. These might be friends of the buyer, they might be colleagues,

they might be random people on Twitter or Facebook (just try offering £50 of no-strings-attached wine to your friends if they enjoy the stuff and see how popular you become very quickly) – and crucially the amount of people who re-order after their first discounted case is about two-thirds. Giving a voucher for £50, which clearly is based on the retail price rather than the cost to Naked Wines, makes acquisition of new customers very cost effective indeed – and once again it's possible exclusively because of the amount of electronic communication involved. If the friend for whom you've reserved the case is in a position to buy quickly, the new customer can be fully acquired within seconds of the voucher appearing on the existing customer's screen.

## Technology and legality

Clearly none of this can be achieved without a basic grasp of some pretty strong technology. This isn't a book on how to build a website – there are plenty of those around. The most important thing you can do from your own site in social terms, other than analyze the reviews and see what's doing well (also analyzing sales to see what's moving and what isn't as you'd do with any other business) is to identify and welcome the returning customer and understand their habits. This is done through cookies. These are the bits of technology that allow your computer to recognize a returning customer when they come and see you again.

Cookies, straightforwardly, are little bits of code in your website that go out to your customers and sit on their computers. They tell a business's system that it's a returning customer and who it is; this is how you get sites like Amazon saying 'Hi (your name), here are some recommendations based on what you've ordered before'. The cookie is the piece of code that's told Amazon it's you, simple as that.

## The Cookie Code

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If you need to know, they look like this:

```
<script type="text/javascript">cookieSet();</script>
```

This tells the Javascript on your website to send a cookie to the customer's computer. A quick Google search tells me the website should also have the following code in the <header> area:

```
var cookieText = "Put your desired cookie value here";
var cookiePrefix = "";
var myPage = location.href;
var wwwFlag = myPage.indexOf('www');
if (wwwFlag > 0) {
    cookiePrefix = "www";
}
var cookieName = cookiePrefix + "cbCookie";
function cookieSet(){
    if (document.cookie != document.cookie) {
        index = document.cookie.indexOf(cookieName);
    } else {
        index = -1;
    } if (index == -1) {
        document.cookie=cookieName+"="+cookieText+"cbEndCookie;
        expires=Monday, 04-Apr-2020 05:00:00 GMT";
    }
}
```

... and my head's bleeding already, how about yours? If you're into coding you'll be able to check that lot. If you're briefing a web designer then you'll need to alert them about using cookies.

The law has changed regarding cookies. You can't just assume they'll be OK with customers any more, you need to make sure you have the client signed up to the idea that you're going to be sending them along. This is to prevent abuses and people sending things to customer computers without telling them.

Laudable though this might appear it does have disadvantages. American sites, quite reasonably, are unaffected by British and European laws, so they don't feel as bound to request permission before sending cookies to customers. So they don't bother asking, so customers don't know. They're harmless enough and nobody is doing anything crooked but you might find that customers who've read about identity theft and the like will refuse to have you putting something on their system.

It is what we call in the trade a right nuisance and an area in which we are completely out of step with American law, giving our homegrown businesses an inbuilt disadvantage. It is also European law and something about which we can do precisely nothing.

## Action points

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The people at Naked Wines are an engaging bunch and there's a lot for other businesses to learn from their business model. What's noticeable is that their customers feel part of the business; this really is social media turning into social commerce and feeling that they have joined something. Gormley and his colleagues were already steeped in the world of wine selling and really knew their stuff. Sourcing what they perceive as new and unique products is something that has to be done by going out and visiting people – there isn't a 'social media' or 'social commerce' way of doing this.

Making it pay, though, and making deals happen which otherwise couldn't, is something social media are doing very well. It's also allowing the digitally-aware

customer to communicate with and engage with his or her suppliers in the way he or she chooses; there's really no point in insisting everyone goes to your Facebook page if they're happier on Twitter or on your own website.

Naked Wines has this group ethos written into its DNA. It's how it started. In the next chapter we'll look at fast ways of getting social commerce into an established business and ways of making it pay. Meanwhile here are some specific pointers:

- Use social media, whether on your site or elsewhere, to give customers a say in the development of your products and what you actually sell. They will buy into the idea if they feel they have a stake.

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- Encourage customers to choose the products, to make them feel very well looked after.

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- Set systems to note the customer's individual landing page or a customer's previous behaviour and buying patterns on the site, then tailor offers to those behaviours.

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- Base new offerings and the products on the customer's individual landing page on previous behaviours. This will almost certainly allow them to feel that a service or product set is for them.

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- Get your customers recruiting from each other to help add to the personalization of the experience. Get them to buy into a service or set of goods like this and you'll find they become one of your best advocates online.

- Find suitable prompts to encourage customers to review things. Responding to prompts to buy or at least try something from people you know is bound to perform better than responding to someone with vested interests in the purchase taking place.
- Use cookie technology so that your systems know what your customers did last time they were on your site – and address them by name.

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