EMERGENCE OF THE SOCIAL CONSUMER- THE IMPACT OF PERSONALISATION, LOCALIZATION AND SOCIAL COLLABORATION ON CONSUMERISM

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ABSTRACT: *Social media affects human behavior and culture through personalization, localization, advocacy, social collaboration. New form of virtual social interaction has emerged: Social Consumerism. Consumer brands are flocking to social networks. Traditional consumer purchase funnel no longer reflects the consumer purchase behavior. A new more sophisticated and more complicated than traditional funnel has emerged. This new approach, called the consumer decision journey, places greater emphasis on loyalty and advocacy and better reflects the dynamics of today's market influenced by social media. As the online world continues to evolve understanding how to merge e-commerce with social media is critical for retail success. "Social commerce" integrates new media, via user generated content platforms and social networking features, directly onto commerce sites. By building vibrant communities that address the passion of retailer's core audience, and spreading passion to larger social web, retailers will attract loyal and engaged customers, and will achieve better business results.*

1. INTRODUCTION

Social media, also referred to as *Web 2.0.* at times, is a relatively new phrase in the business vocabulary. It is probably at the same point in its evolution from jargon term to everyday word as the term *e-commerce* was in the mid-1990s. Businesses were

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challenged to understand how to harness the power of e-commerce and there was a discernable fear among the established brick-and-mortar models. Organizations wanted to make sure that they remained relevant and competitive in a world where the rules were changing. As the world of online commerce continues to evolve and adapt to consumer demands, the same phenomenon is happening with social media. But social media encompasses a much broader range of players, activities, and rules than e-commerce ever did. Arguably, e-commerce is a component of social media. In a 2008 survey conducted by Content Connections, 67 percent of the 664 people surveyed did not feel as though they could offer an exact and meaningful definition of social media. Yet, 99 percent of them felt that social media was going to impact their lives and the way we all do business.[i]

Social media combines two familiar words. People are social beings relying upon one's ability to interact with and influence others in order to survive. In traditional sense, media includes such things as newspapers, magazines, and television. The word media also brings up impressions of how the news is delivered: via print, audio, video, and photographs. Each is an important medium used to engage an audience by telling a compelling story or sharing important news. Thus, social media are media for social interaction, using highly accessible and scalable communication techniques. Social media is the use of web-based and mobile technologies to turn communication into interactive dialogue. Andreas Kaplan and Michael Haenlein also define social media as "a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, which allows the creation and exchange of user-generated content."[ii] Businesses also refer to social media as consumer-generated media (CGM). A common thread running through all definitions of social media is a blending of technology and social interaction for the co-creation of value.

Consumerism is a social and economic order that is based on the systematic creation and fostering of a desire to purchase goods or services in even greater amounts.[iii] The term "consumerism" is also used to refer to the consumerist movement or consumer activism, which seeks to protect and inform consumers by requiring such practices as honest packaging and advertising, product guarantees, and improved safety standards. In this sense it is a movement or a set of policies aimed at regulating the products, services, methods, and standards of manufacturers, sellers, and advertisers in the interests of the buyer.[iv] The recent developments in the world consumption through personalization, localization, advocacy, and social collaboration are fostering the emergence of a new form of virtual social interaction: *Social Consumerism*.[v] In its core, social consumerism is about integration, transparency, collaboration, and healthy competition.

2. THE IMPACT OF TECHNOLOGY INNOVATION ON CONSUMERISM

John Doerr, partner at venture capital firm Kleiner Perkins Caufield & Byers, noted "we are on the verge of a third great wave of innovation. The first was the microchip and the personal computer in the early 1980s. The second wave was in 1995: the Internet … This third wave is social, mobile, new commerce … We could be

on the verge of reinventing the web. It's people, it's places, it's relationships, it's exciting!"[vi]

From online to offline to online again, social consumers are checking into businesses, fusing online and offline engagement, and influencing behavior and decisions in the process. As technology and the internet affect human behavior and culture, the future of communication and relationships lies in status updates, tweets, "likes", and recommendations that the consumer receive from their circle of trust. Consumer brands are flocking to social networks, some with strategies and others simply experimenting with community building. Social media is fast becoming the most effective approach to boost brand awareness, understand their customers, receive feedback, as well as direct traffic to a company's web site.

Social networks and technology applications that have dramatically changed the way people interact with each other and with brands are:

Facebook is a social community giving people the power to share and make the world more open and connected. It has more than 500 million active users, 50 percent of the active users log on to Facebook in any given day, an average user has 130 friends, and people spend over 700 billion minutes per month on Facebook.[vii] *Places* is a Facebook feature that allows users to see where their friends are and share the user's location in the real world. When people use Places, they are able to see if any of their friends are currently checked in nearby and connect with them easily. Places enables Facebook users to experience connecting with people on Facebook in a completely new way.[viii]

Twitter is a micro-blogging platform that has become a real-time information network. Twitter has over 140 million registered users who send more than 140 million Tweets a day which adds up to a billion Tweets every 8 days. While it took Twitter about 18 months to sign up the first 500,000 accounts, there are now close to 500,000 accounts created every day.[ix]

Foursquare is a location-based mobile platform that makes cities easier to use and more interesting to explore. By "checking in" via a smartphone application or SMS, users share their location with friends while collecting points and virtual badges. Foursquare guides real-world experiences by allowing users to bookmark information about venues that they want to visit and surfacing relevant suggestions about nearby venues. Merchants and brands leverage the foursquare platform by utilizing a wide set of tools to obtain, engage, and retain customers and audiences. Foursquare has over 6.5 million users worldwide.[x]

Yelp is a user-generated review platform whose purpose is to connect people with great local businesses, like dentists, hair stylists and mechanics. Yelpers have written over 15 million local reviews, 83% of them rating a business 3 stars or higher. In addition to reviews, people can use Yelp to find events, special offers, lists and to talk with other Yelpers. The Weekly Yelp is available in 42 city editions to bring its registered users the latest business openings and other happenings.

Shopkick is a mobile application that is bridging the in-store and mobile retail experience. Beyond rewarding users with perks as soon as they enter a store, Shopkick's location-aware smartphone application also guides users through physical retailers, letting them see reviews and multimedia content.[xi]

Groupon is integrating web and the real-world shopping experience, changing consumer behavior, democratizing small businesses, and spawning an entire new category. The fastest-growing company in Web history, Groupon's flash deal site offers local daily deals for group buying at considerable discounts in more than 500 markets and 44 countries.[xii]

Gilt Groupe provides invitation-only access to highly coveted products and experiences at insider prices. Each day, Gilt offers its members a curated selection of merchandise, including apparel, accessories and lifestyle items across the women's, men's and children's categories. In addition, Gilt provides the best in home decor and entertaining essentials, along with luxury travel packages and fantastic offers on local services and experiences. Most sales start at noon ET and last only 36 hours, making Gilt.com an exclusive shopping destination for luxury at up to 60 percent off.[xiii]

According to a recent comScore report[xiv], 23 percent of Twitter users follow businesses to find special deals, promotions, or sales. 14 percent of Twitter users reported taking to the stream to find and share product reviews and opinions. In March 2010, Chadwick Martin Bailey published a study[xv] that showed 25 percent of consumers connected to brands on Facebook did so to receive discounts (Figure 1). In the same report, comScore found that Facebook and Twitter visitors spend 1.5x more online than average Internet users. Herein lies the opportunity for brands looking to add yet another "C" to the many C's of Community – commerce.
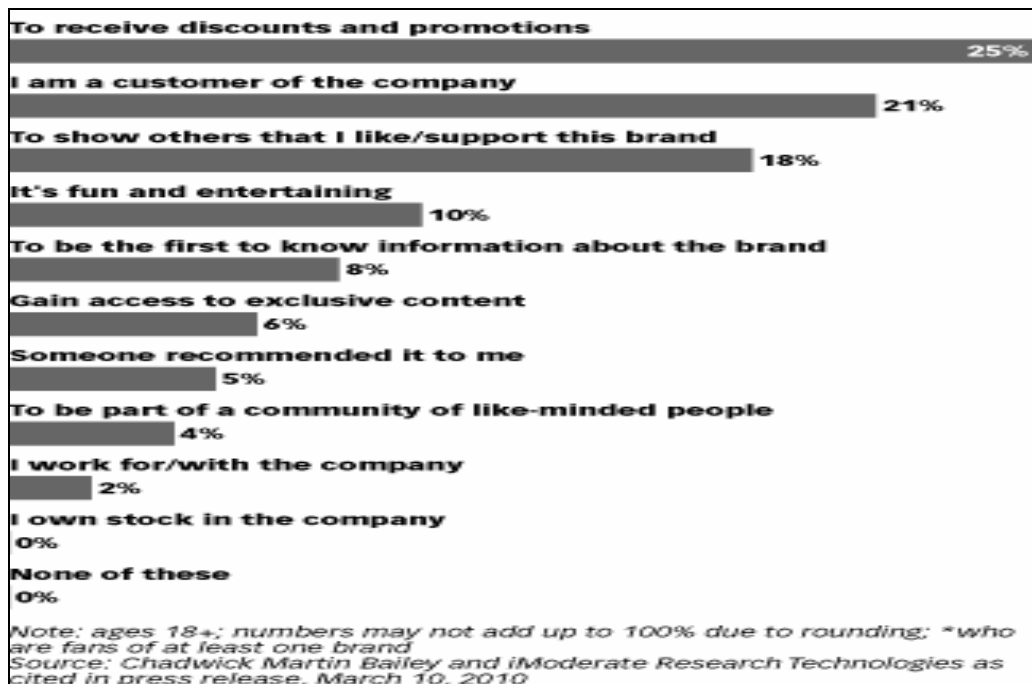

Source: www.marketer.com: Figure 112907

Figure 1. Primary Reason that US Facebook Users* Are Fans of Brand on Facebook, February 2010

3. THE NEW CONSUMER PURCHASE FUNNEL

The core goal of marketing is to reach customers at the moments that most influence their purchase decisions. Marketing has always sought those moments, or touch points, when consumers are open to influence.   For years, touch points have been understood through the metaphor of a "funnel" (Figure 2). Consumers start with a number of potential brands in mind (represented as the wide end of the funnel), marketing is then directed at them as they methodically reduce that number and move through the funnel, and at the end they emerge with the one brand they chose to purchase. [xvi]
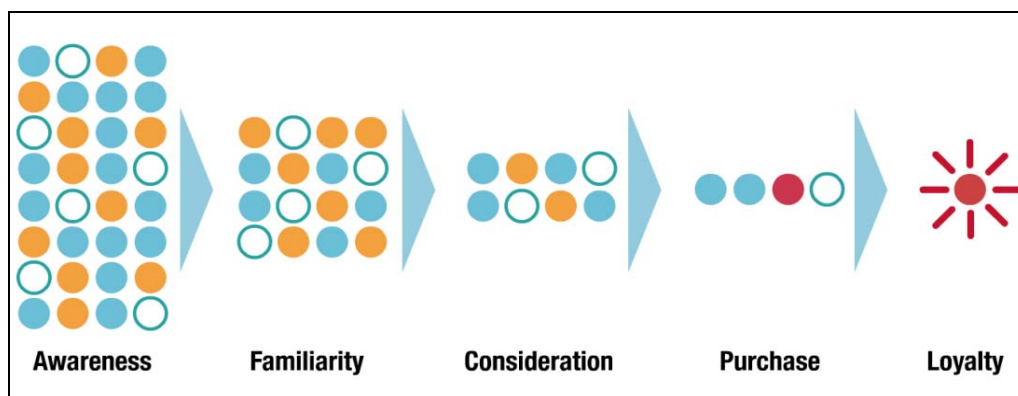
Source: "The Consumer Decision Journey", McKinsey Quarterly 2009 Number 3, page 2

**Figure 2. The Traditional Consumer Purchase Funnel**

Today, the traditional funnel concept fails to capture all the touch points and key buying factors resulting from the explosion of product choices and digital channels, coupled with the emergence of an increasingly discerning, well-informed consumer. Technology gives consumers more control over the information they see and how they see it.

A compelling argument is to be made for honouring consumer's limited time and attention. When viewed in the overall context of time – 24 hours per day or 1440 minutes – we begin to understand the tremendous competition for customer's time. Consumers are spending only about 28 minutes each day researching and buying goods and services – that is less than 3 percent of waking hours. It would seem logical that increasing the available opportunities for consumers to buy would have increased the amount of time consumers spend buying. However, the introduction of around-the-clock e-commerce and 24-hour store schedules has not significantly changed the amount of purchase time. The time spent on shopping and services in the Unities States have remained relatively steady. Ultimately more and more goods and services are attempting to reach the customer through a small window of time. Meanwhile, the amount of information available on the internet has exploded. [xvii]

Marketing used to be driven by companies; "pushed" on consumers through traditional advertising, direct marketing, sponsorships, and other channels. In today's

decision journey, consumer-driven marketing is increasingly important as customers seize control of the process and actively "pull" information helpful to them. The touch points during the active-evaluation phase involve consumer-driven marketing activities, such as Internet reviews and word-of-mouth recommendations from friends and family, as well as in-store interactions and recollections of past experiences. Traditional marketing remains important, but the change in the way consumers make decisions means that marketers must move aggressively beyond purely push-style communication and learn to influence consumer-driven touch points, such as word-of-mouth and Internet information sites.

This new approach (Figure 3), called the consumer decision journey, is more sophisticated, less linear, and more complicated than the traditional funnel suggests. It places greater emphasis on loyalty and advocacy and better reflects the dynamics of today's market influenced by social media.
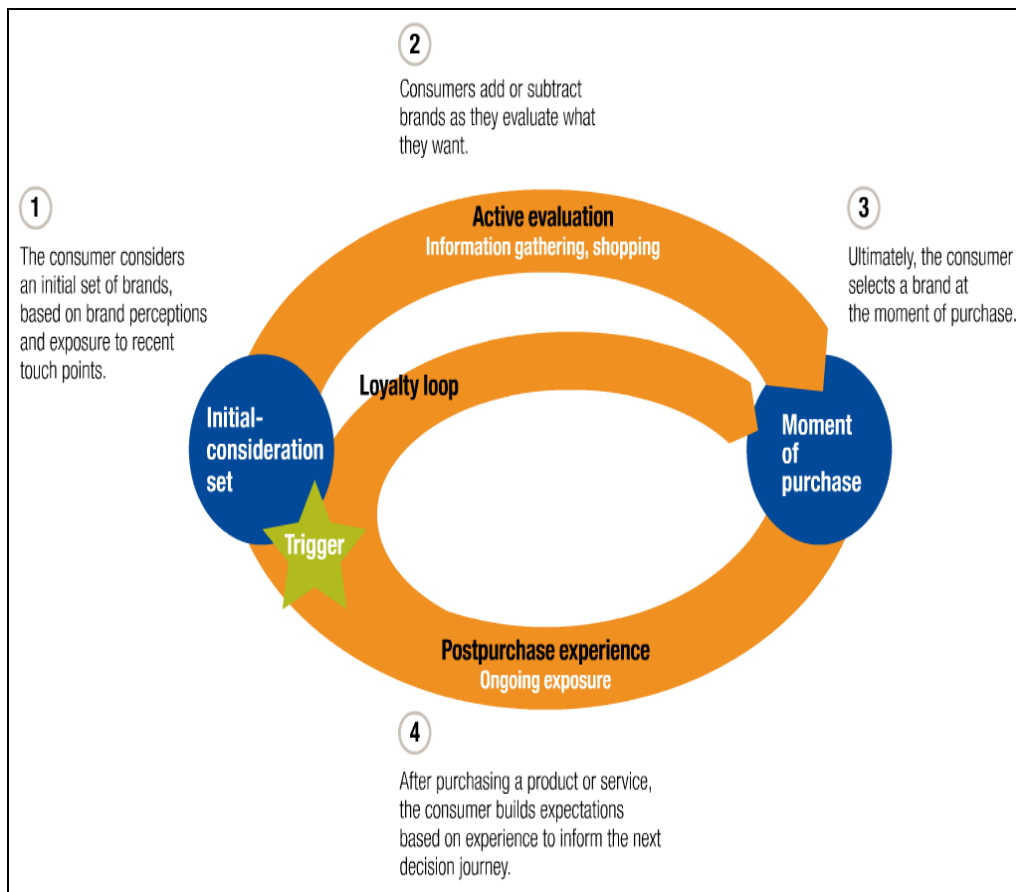
Source: "The Consumer Decision Journey", McKinsey Quarterly 2009 Number, page 3

Figure 3. The Consumer Decision Journey

4. CONCLUSION

To look beyond funnel-inspired push marketing, companies must invest in vehicles that let marketers interact with consumers as they learn about brands. The epicentre of consumer-driven marketing is the Internet, crucial during the active-evaluation phase as consumers seek information, reviews, and recommendations. Retailers today continue to have a great opportunity to leverage social media in a way that's both beneficial and effective for consumers and for themselves. And while it is known that retailers are true pioneers in social media, the fact is that many still struggle with ways to fully integrate it with their e-commerce platforms. To accomplish "social commerce," retailers must be able to integrate social media elements, such as social networking features and user generated content platforms, directly into their commerce environments.

Instead of selling to nameless, faceless shoppers, retailers can build relationships with real customers by enabling them to establish user profiles that pull in data - and relationships - to retailer websites. Customers can then interact with other shoppers, join groups centred around product-related topics, rate and react to product content, contribute project journals and how-to content, and answer each others' questions about products and use cases. The retailer, meanwhile, gains the opportunity to build a long-term relationship - and a "social CRM" practice - around these efforts.

As the online world continues to evolve and become more competitive, understanding how to merge e-commerce with social media is critical for retail success. "Social commerce" integrates new media, via user generated content platforms and social networking features, directly onto commerce sites. By building and maintaining vibrant communities that address the passion of the retailer's core audience, and then spreading that passion to the larger social web, retailers will attract loyal and engaged customers, and will achieve better business results.[xviii]

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