Social Commerce Activities – a taxonomy

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Abstract

In recent years businesses large and small have jumped on the Social Commerce bandwagon, all in the hope of utilising social media services to facilitate various Social Commerce activities. Given the growing influence of social media on social, economic and political events globally, the rise in business interest in Social Commerce is not unexpected. This paper examines the Social Commerce activities of several Fortune 500 businesses. It analyses and categorises how businesses utilise social media to interact with customers, trading partners, employees and other important stakeholders. Two important themes have emerged, firstly, businesses utilise social media services mostly to facilitate Pre- and Post-transactional type Social Commerce activities such as marketing and customer support. Opportunities exist for businesses to leverage social media for transactional type Social Commerce activities such as purchase, payment, and order-fulfilment. Secondly, the business use of social media seems haphazard. Stakeholders wishing to succeed in Social Commerce will have to reformulate their strategies to take advantage of how users behave on social media services and opportunities to draw synergy from utilising an assortment of social media services. The paper contributes to theory by developing a taxonomy of Social Commerce activities. It contributes to practice by highlighting opportunities to engage in Social Commerce activities, in particular, to leverage opportunities from implementing Transactional Social Commerce.

Keywords

Social Commerce, social media, electronic commerce, qualitative content analysis

INTRODUCTION

Social Commerce is a paradigm shift for ways of doing business and opens up a new field for Information Systems (IS) research. According to Curty and Zhang (2011), Social Commerce refers to commerce activities, which are facilitated by social media services. The business press report extensively on how businesses have utilised social media services to facilitate a broad range of Social Commerce activities (e.g. Hardy 2011; Malik 2010). These range from Westfield Australia’s campaign to encourage customers visiting Westfield shopping centres to perform location “check-ins” on Facebook to receive location-sensitive and time-relevant deals (Moses 2011), to Best Western’s sponsorship of the travel blog “On the Go with Amy” to promote Best Western’s products (Uhrmacher 2008). However, in general most businesses are still grappling to understand the basics of Social Commerce (McKinsey 2009).

The paper discusses the preliminary stage of a project that seeks to better understand how businesses could utilise social media. To put the issue in context, not every business should engage every available social media service to support every business process or activity (Kaplan & Haenlein 2010; Lee et al. 2010). Businesses need to evaluate the strengths and weaknesses of different social media services in order to formulate the most appropriate and effective Social Commerce strategies (Hess, Lang & Hu 2011). Often, businesses are faced with the dilemma of deciding which social media services to participate in, and how to coordinate their Social Commerce activities with their existing Electronic Commerce and offline activities (Hess et al. 2011). Equally challenging for businesses is the emergence of a new generation of consumers and employees who are brought up as digital natives. These individuals have had extensive experience in utilising social media services to conduct various day-to-day activities. To court this new generation of digital natives, businesses will have little choice but to engage them directly through the highly transparent and interactive social media.

The IS community and practitioners need a deeper understanding of the Social Commerce phenomenon because Social Commerce is an emerging field of study with very little empirical evidence and businesses need to understand the appropriateness of various social media services for business.
The data for the study was collected through observation of Social Commerce activities on publicly accessible social media websites of a selected number of Fortune 500 companies. Although this approach to collecting data has its limitations (such as the difficulty in maintaining construct validity and data reliability), it is believed that the analysis of publicly accessible data provides a discernible view on how businesses interact with customers and other important stakeholders in real-life. Empirical data obtained from social media websites provides useful evidence on how businesses utilise social media services for business activities. A subsequent phase that involves interviewing stakeholders, in particular those who are involved in developing Social Commerce strategies, has been planned to complement the data gathered from social media websites. However, discussion of the subsequent phase is beyond the scope of the present paper.

This paper is organized as follows: Section 2 provides an overview of existing literature, Section 3 discusses the research methodology adopted, Section 4 provides an overview of the analysis, and Section 5 discusses the two important themes, which have emerged. Section 6 summarises the paper, its contributions and future directions.

**BACKGROUND LITERATURE**

**Defining Social Commerce**

Yahoo first used the term Social Commerce to describe their online collaboration shopping tools Pick List and User Ratings in 2005 (Yahoo 2005). Yahoo intended to build a community of shoppers who would rate products and share their experiences. The information generated by the community of users would then be made available to other shoppers (Yahoo 2005).

Prior to the term Social Commerce being coined, companies such as Amazon.com and TripAdvisor have already experimented with Social Commerce successfully. Amazon introduced widgets on its own website that enable customers who have read a book to write a review that is then shared publicly. Rather than relying on professional book reviewers to write book reviews, Amazon hoped to promote its products by utilising non-professional reviewers to provide the reviews, and to take advantage of “word of mouth” marketing. Potential buyers could interact with customer-reviewers through a blog-like discussion area. The customer review function is now available for all other products supplied by Amazon, and users could even vote on the usefulness of reviews (Amazon 2011). In the case of TripAdvisor, an online community that was founded in 2000, the website enables customers of travel products to write personal reviews and share experiences, and the opportunity for businesses to respond to customer feedback.

The above examples illustrate how businesses have utilised Social Commerce over the past decade. Modern examples of Social Commerce include businesses that enable customers to discuss, review and recommend products through social networking sites like Facebook, micro-blogging sites like Twitter, and content communities like YouTube. The examples highlight the important concept that underpins Social Commerce, that is, to encourage the community of users to generate community intelligence, and for individuals to take on multiple roles, that of a producer and a user of information (Bruns 2007). Recognising this behavioural change of online consumers, in a recent Call for Papers for Electronic Markets, Hess, Lang and Xu (2010) described Social Commerce as “a new form of electronic commerce where individual Internet users, who are often non-professionals, are included in the offering and evaluation of products, services, and suppliers.” They argued that Internet users contribute to the “wisdom of the crowd” (Surowiecki 2004) by using social media applications for Electronic Commerce. In contrast, Stephen and Toubia (2009) used Social Commerce/Social Shopping to refer to a phenomenon whereby individuals actively market and sell products through social media services such as blogs and social networking sites.

In the context of the present study, Curty and Zhang’s (2011) broad definition for Social Commerce has been adopted – Social Commerce includes commerce activities, which are mediated by social media services.

**Commerce Activities and Social Media**

Porter’s (1996) Value Chain Analysis provides a relatively comprehensive map of internal and external Electronic Commerce activities. However, the Value Chain model is more suited for describing business activities within an organisation that manufactures or adds value to a physical product. Alternative frameworks to model Electronic Commerce activities exist, such as Kambil and van Heck’s (1998) categorisation of Basic Trade Processes and Trade Context Processes. Whilst Kambil and van Heck’s (1998) framework had been useful for describing Electronic Commerce activities supported by Electronic Auctions, however the position and role of stakeholders in Social Commerce are much more dynamic than those in Electronic Commerce. In the case of Social Commerce, each stakeholder has the opportunity to play multiple roles simultaneously, e.g. as a buyer, a seller and a reviewer. Social Commerce may be used for Business-to-Consumer (B2C), Business-to-Business (B2B), Consumer-to-Consumer (C2C) and Business-to-Employee (B2E).
Rather than developing another classification of Social Media, this research adopts Constantinides and Fountain’s (2008) Social Media classification to provide a structure for data analysis. Constantinides and Fountain suggested five sub-types of social media services:

i. Blogs – online journals, online diaries, including podcasts, microblogs, and multimedia content posted in a chronological order for one-to-many, and many-to-many networks. Examples include Wordpress and Blogger.

ii. Social Networks – third party websites and applications that allow users to build a personal webpage and link up with family members, friends, colleagues and contacts. Examples include Facebook and MySpace.

iii. Content Communities – websites that facilitate the sharing and organisation of particular types of content like text, photos and videos. Examples include YouTube and Flickr.

iv. Forums and Bulletin Boards – websites for exchanging ideas and information in special interest areas. Examples include Whirlpool.net.au and ToyotaNation.com.

v. Content Aggregators – third party applications that enable users to customise and subscribe to different content streams. Examples include iGoogle and FlipBoard.

The lack of a Social Commerce activity-based framework to better understand how businesses could use social media services for business has prompted the authors to develop a taxonomy of Social Commerce activities.

**METHODOLOGY**

Qualitative Content Analysis (QualCA) is a research method that promotes subjective interpretation of content-based phenomena. The approach involves conducting purposive sampling; an iterative inductive approach to content coding (Krippendorff 1980; Zhang & Wildemount 2009); and descriptive conclusions. This approach can be used to build mid-range theories such as typologies (Zhang & Wildemount 2009).

A qualitative content analysis of Social Commerce activities of 74 Fortune 500 companies was performed in 2010-2011 to formulate a taxonomy of Social Commerce. The purposive sample of 74 businesses from businesses in the travel, food and retail, and financial services sectors were selected because anecdotal evidence suggested that businesses in these sectors were early adopters of social media and have experimented with using social media to interact with various stakeholders (customers, suppliers, employees, and shareholders).

The unit of analysis used in the study is the organisational-level of the selected Fortune 500 Company. As opposed to using business units, business divisions and departments as the unit of analysis, the organisational-level unit of analysis provides a better coverage on social media services involved, and thus a better perspective on the underlying Social Commerce strategies. A matrix that contains five columns, each representing one of the five categories of social media services suggested by Constantinides and Fountain’s (2008), with the rows representing the businesses, was constructed to collate the data and its interpretation. The content collection process was completed in two steps. The first step involved an examination of the companies’ official website to study the content of company-specific social media widgets and apps. The second step involved an examination the companies’ official profile on third party social media services such as Facebook, Youtube, Twitter and Flickr. The matrix was populated with relevant screenshots and textual descriptions of businesses using social media.

An inductive, iterative approach was adopted for the coding of content. The coding scheme consisted of two separate phases. In the first phase, the two researchers independently coded the matrix by assigning generic Social Commerce activity labels, such as marketing and promotion, advertising of job vacancies, and soliciting customer inquiries and feedback. Subsequently, the coded matrices populated by the two researchers were compared and reconciled. This approach was adopted to increase the trustworthiness and credibility of the content analysis (Romand et al. 2003). In the second phase, the two researchers collaboratively discussed and collapsed overlapping codes. Higher level labels were then generated to encapsulate broad categories of Social Commerce activities, e.g. Sales, Marketing and Human Resources (an example of this process can be found in the Results and Analysis section).

It is also important to highlight the content analysis process was performed on publicly accessible data with the practical assumption that the intended Social Commerce strategy observed is the one which is visible in the public domain.
RESULTS & ANALYSIS

Analysis of data suggests that businesses utilise social media services predominantly to facilitate Social Commerce activities such as promotions, advertising and product launches. Businesses offered inducements like discounts that are exclusive to social media users, and exclusive access to free trial of new products. For instance, in the US, Starbucks used Foursquare to offer a $1 discount for a cup of Frappucino for customers who perform location check-ins regularly on Foursquare (see table 1 – i). Businesses have also utilised social media services to facilitate management of customer queries and feedback, and attending to after-sales support. For example, Starwood Hotels used the “direct messaging” feature in Twitter to handle specific customer complaints (see table 1 – ii). Employees of Starwood Hotels respond directly to customers’ tweets, asking customers how the hotel could assist them, or make improvements. There were also instances of businesses using social media services to sell products to users directly. Delta Airlines has a Facebook Application that enables customers to make flight reservations from within Facebook (see table 1 – iii).

<table>
<thead>
<tr>
<th>1st round</th>
<th>2nd Round</th>
<th>Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starbucks – Offers discount for product on Foursquare (i)</td>
<td>Promotion</td>
<td>Pre-transactional</td>
</tr>
<tr>
<td>Walmart – Introduces new products on Facebook</td>
<td>Product launch</td>
<td>Pre-transactional</td>
</tr>
<tr>
<td>Walmart – Posts new employment opportunities on Twitter, Youtube &amp; Facebook (iv)</td>
<td>Recruitment</td>
<td>Support Services</td>
</tr>
<tr>
<td>Target – Offers daily deals on Twitter</td>
<td>Promotion</td>
<td>Pre-transactional</td>
</tr>
<tr>
<td>General Mills – Uses product placement on Flickr</td>
<td>Advertising</td>
<td>Pre-transactional</td>
</tr>
<tr>
<td>Delta Airline- Sells Air Line Ticket on Facebook (iii)</td>
<td>Sales</td>
<td>Transactional</td>
</tr>
<tr>
<td>Starwood Hotels – Handles customer complaints on Twitter – “direct messaging” (ii)</td>
<td>Customer Support</td>
<td>Post-transactional</td>
</tr>
<tr>
<td>American Airline – Handles lost luggage inquiries on Twitter</td>
<td>Customer support</td>
<td>Post-transactional</td>
</tr>
<tr>
<td>Citigroup – Provides instructional videos for iBanking on Youtube</td>
<td>Customer support</td>
<td>Post-transactional</td>
</tr>
<tr>
<td>Southwest Airlines – Invites customer reviews and feedback on Southwest blog</td>
<td>Customer support</td>
<td>Post-transactional</td>
</tr>
<tr>
<td>Starwood Hotels – Invites customer to contribute to product development on Second Life (v)</td>
<td>Product development</td>
<td>Support Services</td>
</tr>
<tr>
<td>Bank of America – Posts new employment opportunities on LinkedIn (iv)</td>
<td>Recruitment</td>
<td>Support Services</td>
</tr>
</tbody>
</table>

Table 1: An extract of the result of the content analysis

The content analysis also reveals that businesses are using social media services such as LinkedIn to announce job vacancies, and to recruit potential employees (see table 1 – iv). Some businesses utilised specialised social networking services to headhunt for, and screen suitable candidates, whilst others used more generic social media services like Facebook and Twitter to announce upcoming job vacancies. For example, Walmart use Twitter, Youtube and Facebook to disseminate information about upcoming job vacancies, whereas the Bank of America used LinkedIn for recruiting executive staff (see table 1 – iv). Another area where businesses are increasingly utilising Social Commerce was in product development. For example, Starwood Hotels used the 3D virtual world of Second Life to present to its potential customers a replica of its Aloft Hotel product. Potential customers were invited to provide feedback on the physical appearance, ambiance, interior and exterior design of the product (see table 1 – v).

The content analysis suggests that businesses have used social media to facilitate various Pre-transactional, Post-transactional, support, and to a lesser extent transactional activities (see table 1 – 2nd round). These Social Commerce activities could be grouped into a higher level “Relational” vs. “Transactionl” taxonomy (see table 1 – Themes). Relational Social Commerce activities are business activities such as Pre-transactional; Post-transactional and support services that use social media to forge new relationships with stakeholders (such new customers or suppliers or even with potential employees), as well as to maintain relationships with existing customers and trading partners.
Further analysis of data revealed three levels of social media engagements. The first group of businesses did not have any social media services in their official online presence or in the third party social media services. The second group of businesses used social media for Social Commerce activities in a very ad hoc manner. They usually utilised one or two social media services for a selected set of Social Commerce activities. The main feature was the uncoordinated content on each of their social media services. Figure 1a illustrates a map of Sara Lee’s social media engagement. In this example: Sara Lee use Twitter, Facebook and Metacafe for product promotion, but their activities on all three platforms appear to be uncoordinated.

The third group of businesses had an array of synchronised and integrated Social Commerce activities on different social media services. The defining characteristic was how the different social media services were used to complement each other, to achieve a common strategic objective. Figure 1b illustrates how Coca Cola have used Facebook to facilitate a diverse set of Social Commerce activities. The map of Social Commerce activities of Coca Cola illustrates how the different social media services complemented each other.

The next section discusses the main themes that were evident in the content analysis.

DISCUSSION

Two important themes have emerged from data synthesis.

**Theme 1: Relational and Transactional Social Commerce**

The businesses investigated were found to have used social media to facilitate Pre- and Post-transactional activities. This observation is consistent with the early days World Wide Web where businesses used their online websites to promote their online audience, rather than using the website to take in orders and facilitate transactions. Whilst businesses have allocated resources to learn about Social Commerce, most have taken the more conservative path in utilising Social Commerce for relational activities. It is believed that Social Commerce would follow the path of development as Electronic Commerce – Relational Electronic Commerce preceded Transactional Electronic Commerce, and the integration of Relational and Transactional Social Commerce will spur the growth of online stores hosted within social media services, e.g. Facebook. The recent introduction of payment systems and currencies for social media services, e.g. Facebook Credits, suggests that the Transactional Social Commerce will be the next growth area. Warner Brothers trialled the streaming The Dark Knight through Facebook, charging customers a fee of 30 Facebook Credits, roughly the equivalent to US $3 for the service.
The combination of Transactional and Relational Social Commerce will complete the Social Commerce picture (See Figure 2). The prospects of such an activity model replacing existing Electronic Commerce channels are high, and the channel will be one that online retailers and service providers ought to monitor closely. Social Commerce also has the ability to combine Electronic Commerce with physical commerce, in that the online behaviour and activities of individuals are closely matched to their offline activities.
A hypothetical equivalent of an eBay stores within social media services would be Twitter-based markets and Facebook-based stores. Innovative businesses such as Express, a clothing retailer, provide a preview of how an electronic catalogue that is hosted within Facebook could enable customers to place an order and complete a purchase. Figure 3 features a screenshot of the shopping bag function that can be accessed from within a user’s Facebook account.

Businesses that sell digital products, or enable customers to make reservations for services could also take advantage of Transactional Social Commerce. For instance, Thompson Reuters allow customers to access the Reuters Insider product from within YouTube. Providers of digital content, e.g. Netflix and Spotify, may also leverage Transactional Social Commerce to enable on-demand video and music streaming from within social media services. Recent agreements between Facebook and Hulu and Netflix to support the streaming of premium content via Facebook demonstrate how Transactional Social Commerce may develop (LA Times 2011). An integrated Social Commerce model that links Transactional with Relational activities seamlessly may be the solution that many online retailers had wished for.

**Theme 2: Integration of Strategies for Social Commerce**

The integration, or lack of integration of Social Commerce strategies among the Fortune 500 companies studied was the other emergent theme. It was noted that there was a cluster of businesses that possessed highly integrated Social Commerce strategies. For these businesses, their presence on different social media services are highly coordinated, cross-referenced, hyperlinked and hash-tagged, to encourage users to explore the content posted across different social media services. For instance, to market a physical product through digital channels, Coca Cola relied on running virtual and physical campaigns that target different demographic groups through different social media services. The underlying strategy has the same execution style and objectives, however they are implemented across different channels in a highly coordinated manner. For instance, Coca Cola host innovative and exciting online competitions that require its younger customers to participate actively, either through creating video and musical content, or through sharing advertising content virally on multiple social media services. In contrast, Coca Cola target the more mature demographic groups through more subtle methods, e.g. product placement, sports sponsorship and experiential marketing, with these relying more on coordinated campaigns that are implemented across social media services, mainstream media, and physical promotions.

The other distinct group of businesses have Social Commerce strategies that are highly fragmented. Although these businesses may have engaged in several social media services simultaneously, their Social Commerce activities on the different platforms were not coordinated. Often, their Social Commerce activities are managed by different entities within the business to achieve vastly different business objectives. For instance, a local division may focus on a Facebook campaign, while the marketing division at the global level emphasise on maintaining sponsored customer blogs and micro-blogs.

**CONCLUSION**

The growth in Social Commerce has generated substantial interest among practitioners and researchers. The present study found that whilst many Fortune 500 businesses have concentrated on facilitating Pre- and Post- Transactional Social Commerce activities, they have not yet explored opportunities to utilise social media services for Transactional Social Commerce activities, e.g. order-taking, payment processing and fulfilment. The introduction of payment systems and currencies within social media services, e.g. Facebook Credit, promises to bring us a step closer to Transactional Social Commerce. The presence of secure and widely accepted payment systems, e.g. PayPal, which could be accessed from within social media services may also be instrumental to successful uptake of Transactional Social Commerce. Data from the study also suggest that Social Commerce strategies for Fortune 500 companies fall into two distinct clusters – those with highly integrated Social Commerce strategies, and those with fragmented Social Commerce strategies. Businesses with highly integrated Social Commerce strategies have aligned their operations on multiple social media services.

A major limitation of the current study lies in the use of publicly accessible data on social media services for understanding Social Commerce strategies. As discussed earlier, a subsequent phase that includes interviews with important stakeholders involved in formulating and implementing Social Commerce strategies would address this limitation, however discussion of the subsequent phase is beyond the scope of the present paper. It is believed that Social Commerce activities taking place within social media services, managed directly by stakeholders within Fortune 500 companies, provide a clear indication of the underlying Social Commerce strategies.

The paper contributes to research by highlighting two important themes, which have emerged from the analysis of data. As the adoption of Social Commerce matures, themes could be tested in subsequent studies to validate
the findings as well as to tease out the underlying factors that influence the adoption of Social Commerce. It contributes to theory by suggesting a taxonomy of Social Commerce strategies. The paper contributes to practice by highlighting the opportunities that exist to utilise social media services for Transactional Social Commerce.

REFERENCES


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