EMERGENCE OF S-COMMERCE AND IMPACT ON CONSUMER GOODS INDUSTRIES

April 2013
Usage of social media

- Social media is primarily used to keep in touch with friends and up-to-date on the latest developments.
- However, it is also used to find information about products or to follow companies, as shown by the highlighted responses.
- Companies were originally sceptical about the use of social media in the business context; however, this view has now shifted as they increasingly invest and use this as a channel for communication.
- Companies and brands are vying for consumers’ attention (even more in the current competitive environment and the economic climate) and have discovered that they can reach consumers and engage them better through social media.
- However, many brands and companies still do not have a strategy for social media beyond simply being present on Facebook or Twitter.
- Companies are still in the early stages of assessing the best use and the impact of this new medium.

Uses of Social Media

<table>
<thead>
<tr>
<th></th>
<th>Uses of Social Media</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Stay in touch with friends abroad</td>
<td>78.9%</td>
</tr>
<tr>
<td>2</td>
<td>Stay in touch with local friends</td>
<td>71.8%</td>
</tr>
<tr>
<td>3</td>
<td>Find out what is going on in the world (news, opinions)</td>
<td>64.3%</td>
</tr>
<tr>
<td>4</td>
<td>Find out more about a certain product or service</td>
<td>38.3%</td>
</tr>
<tr>
<td>5</td>
<td>Read reviews or ask friends for advice (when buying products)</td>
<td>36.1%</td>
</tr>
<tr>
<td>6</td>
<td>Follow companies or brands that I like</td>
<td>25.6%</td>
</tr>
<tr>
<td>7</td>
<td>Get discounts or deals from brands/companies that I follow</td>
<td>22.6%</td>
</tr>
<tr>
<td>8</td>
<td>Share discounts/deals with friends</td>
<td>9.8%</td>
</tr>
<tr>
<td>9</td>
<td>Write reviews of products or services</td>
<td>9.4%</td>
</tr>
<tr>
<td>10</td>
<td>Find dates/internet dating</td>
<td>8.6%</td>
</tr>
<tr>
<td>11</td>
<td>I do not use social media</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

Source: Euromonitor International, Quick Pulse Survey, 2012
Digitalisation has transformed business. It has impacted brands and retailers, with Internet retailing becoming a major driver of change.

Social media and the emergence of the connected consumer could have a similar or even bigger impact on the business environment and, in particular, consumer products and brands.

**Internet Revolution**
- Consumer adoption of the internet started with the introduction of the Netscape browser in 1994, which made the World Wide Web accessible.

**E-commerce and Digital business**
- Business adoption of the internet started almost immediately. eBay and Amazon were among the first to open online stores in 1995.

**Web 2 and Social Media**
- The development of richer content, interactivity and increased penetration of broadband have led to the appearance of Web 2.0.

**Connected Consumer and the Social Business**
- Social aspects of the internet were originally adopted by consumers but are increasingly seen as powerful business tools.

### Global Internet Users and Online Sales 1995-2017
- **Internet users**
- **Internet retailing**

![Graph showing growth in internet users and online sales from 1995 to 2017](image-url)
Online product sales: High penetration

- Toys and Games and Consumer Electronics have the highest internet penetration, as these products are well suited for online sales and some of the earliest e-commerce sites were set up to trade in consumer electronics.

- Internet penetration varies greatly from industry to industry. Penetration levels and growth are not directly correlated.

- In pet care, where internet sales are currently low, there is very rapid growth in online sales.

- However, at the same time, consumer appliances, which has the third highest penetration of online sales, is also enjoying the highest rates of online growth, indicating that saturation of online sales has still not been reached.

- Penetration and usage of social media in the different industries varies significantly. Food and apparel are among the brands which utilise social media most heavily.

**Internet Penetration by Industry 2012**

- Toys & Games* – 13.9%
- Consumer Electronics* – 13.1%
- Consumer Appliances – 10.2%
- Apparel – 6.3%
- Consumer Health – 5.8%
- Retailing – 4.4%
- Beauty and Personal Care – 4.4%
- Pet Care – 2.9%

**Less than 1.5%:**
- Tissue and Hygiene, Alcoholic Drinks, Home Care*, Hot Drinks, Packaged Food, Soft Drinks, Tobacco*

*Note: Categories marked with * have provisional data for 2012*
Social aspects of retailing

- Overall, social integration within retail is still in the very early stages. One way of integrating retail is by linking user's social graph – contacts, likes, geographic information, etc – to target them with more relevant products. Examples include buying gifts for friends by seeing their likes or wish list.

- A more direct type of integration of e-commerce capabilities directly on Facebook in general has so far been ineffective in generating significant sales. Some notable examples are Nordstrom and JC Penney, which opened store fronts on Facebook, but closed them by the end of 2011.

- However, there have been some success stories with f-commerce – particularly with niche retailers, such as 1-800-Flowers, one of the first to operate a transactional site on Facebook. Pop-up stores set up for a specific occasion, such as Valentine's Day or Mother's Day have also shown very promising results.

- This shows that retailers can still benefit from social media. Asos, for example, is using it effectively to curate and spur impulse purchases and to create stickiness through its ASOS content channel.

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**Fab.com**

**2011 Timeline**

- Fab.com is an example of an online store which is utilising the social networks to get more users and to sell more products.
- The company rebranded and changed direction in early 2011.
- It launched a member's only designer sales site in June 2011 with 160,000 members, which by August had increased to 500,000 and by November 1 million. By the end of the year it had almost 1.5 million users.
- This rapid growth was fuelled by viral techniques. The company is heavily emphasising social media through its "live tracker", which shows purchases by users in real time, integrating comments and activity on Facebook and Twitter.
- By end of 2012 the company generated US$150 million and was one of the fastest growing e-commerce websites in the US.
Social media usage varies widely by industry, with some industries being more suited to social networks than others as shown on the previous slide.

Soft drinks and consumer electronic companies are taking the biggest steps and are the most popular brands on social networks, while tissue and pet care are the least so.

Soft drinks brands such as Coca-Cola, Pepsi or Red Bull have adopted social media effectively as an advertising channel very early on, to reinforce their brand equity and reach a wider audience. Consumer electronics brands (and to some extent toys and games) have a general predisposition towards new communication mediums such as social media, where Samsung, Nokia and Sony are among the top 10 brands overall; however, within consumer electronics the distinction between the company and product brand is more blurred than that in soft drinks.

For the fashion houses, social media platforms tend to work well because at the core of all social media is the notion of sharing, and there is arguably no industry more synchronised with this underlying principle than fashion, which by definition needs consumers to share with each other what they like and do not like.

The industries that would benefit most from the adoption and integration of social media and s-commerce in our opinion would be apparel, retailing and beauty and personal care. Brands within these industries already have high usage of social media and their business models and products are most suited to harness the advantages of two-way communication, and the deeper interaction between the brand and the consumer which social channel offers.