

Social Commerce Emerges As Big Brands Position Themselves to Turn “Follows”, “Likes” and “Pins” into Sales

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The use of social networking sites has exploded. Consumers now share information online (eWOM) through recommendations, reviews, ratings and referrals in what has led to purchases as a result of social interactions via these platforms. This consumer-mediated purchasing is called social commerce, a sub-set of e-commerce. A survey of the 2013 Fortune 500 reveals that their adoption of these social media tools has increased, most notably in the newer, more commerce friendly platforms. The world’s biggest brands may have found a way to move past engagement (likes, followers, pins etc.) and generate revenue on social media sites.

INTRODUCTION

Shopping has always been considered a social activity, but when combined with the likes, follows and pins of social media platforms and the proliferation of smart phones, shopping has been streamlined. The result of this evolution and maturation of social media is the emergence of social commerce or s-commerce.

Social commerce is a subset of electronic commerce or e-commerce. It involves “using social media that supports social interaction and user contributions, to assist in the online buying and selling of products and services” (2013 Business Insider). The term social commerce was introduced by Yahoo! in November 2005 to describe a set of online collaborative shopping tools such as shared pick lists, user ratings and other user-generated content sharing of online product information and advice.

The concept of social commerce was developed by David Beisel to denote user-generated advertorial content on e-commerce sites, and by Steve Rubel to include collaborative e-commerce tools that enable shoppers "to get advice from trusted individuals, find goods and services and then purchase them" (Cohen, 2011). The social networks that spread this advice have been found to increase the customer's trust in one retailer over another.

The consumer decision process is now impacted by social referrals from friends and strangers alike. Our search for, and evaluation of alternatives is being fueled at the core by social media. Our face-to-face communication is now moving online resulting in an unprecedented amount of consumer-generated information that impacts all aspects of decision making, including those surrounding the purchase and use of goods and services (Goldsmith and Horowitz 2006).

As a result, one can certainly assume that online discussions (eWOM) can, and do, impact sales, reputations and brands. While there has been some early work on the role of eWOM in the diffusion process (Arndt 1967; Sheth 1971) the more recent research has recognized the importance of online conversations for businesses (see especially Armstrong and Hagel 1995).

In this paper we consider the growth of eWOM on social networking sites and as a result, social commerce. The Fortune 500 (F500) provide empirical evidence that the most successful corporations are embracing social media tools and that social commerce may be the next big wave in the digital marketing arena. We examine the growth in adoption of social media tools among the F500 and the corresponding growth of social commerce. We begin by looking at the evolution of the work done on WOM and later on eWOM especially as it relates to marketing.

Conceptual Background

WOM, PWOM, NWOM and the emergence of eWOM

Over 70 years ago, the two-step flow theory was tested and confirmed (Katz 1957). The hypothesis that ideas flowed from mass media to opinion leaders and from these to others, depended in large part on informal communications referred to as “word of mouth” (WOM). As early as 1955, Katz and Lazarsfeld claimed that personal influence has more effect than media because it consists of active communication rather than one-way promotion.

The WOM literature has been the focus of interest since then, mostly looking at the role of WOM in the diffusion process (Arndt 1967; Sheth 1971). The essence of WOM is its personal influence over others in their decision-making; people tend to gather opinions from sources they find credible or knowledgeable (Haywood 1989).

The potential power of influence made opinion leaders of interest for much of the early research on WOM (Arndt 1967). Arndt studied the effects of positive WOM (PWOM) and negative WOM (NWOM). He concluded that PWOM is more frequent compared to NWOM and consumers are eight times more likely to receive favorable WOM than unfavorable WOM.

More recently, East (2008) found that consumers were three times more likely to receive PWOM than NWOM across several categories. East also found that generally PWOM has more of an impact than NWOM, while others have claimed that NWOM can be more influential than PWOM (Bayus 1985). Breazeale (2008) concludes that NWOM has a more powerful influence on consumers due to the fact that dissatisfied customers disseminate their experience and feelings more frequently than those who are satisfied. Engel (1969) advised businesses that, “your best salesman is a satisfied customer.” Despite the mixed results on which has a more significant impact, East and others have found that both positive and negative WOM have a definite effect on purchasing behavior.

eWOM and Market Impact

Researchers began to look at the motivation for consumers to engage in online referral activities, in terms of both giving and receiving. Hennig-Thurau and Walsh (2003) provide a list of possible motivations including risk reduction, reduction of search time, learning how to consume a product, dissonance reduction, determination of social position, belonging to a virtual community, remuneration, and learning what products are new in the marketplace. Regardless of the motivation, it is clear that this online chatter exists in the marketing environment.

Feick and Price (1987) suggested that some of those disseminating information about products were doing so based on their knowledge and prior expertise or involvement in the product. These opinion leaders were referred to as “market mavens”. Their information went beyond that of the traditional opinion leader in that information was not only about a product but the marketplace as well as they shared information about prices, best places to make purchases, and couponing. These influencers, if they were identified, could play a critical role in promoting a particular product or service.

Today, the internet is revolutionizing how businesses relate to consumers who have the potential to connect with each other in new and powerful ways (Rayport and Sviokla 1994). Armstrong and Hagel (1995,1996) proposed: “Commercial success in the online arena will belong to those businesses that organize electronic communities to meet multiple social and commercial needs.” The online option has become the vehicle of choice for many to exchange opinions and share information (Hennig-Thurau et al. 2004; Gruen et al. 2006; Brown et al. 2007; Edwards et al. 2010).

As consumers flock to their favorite sites to share information, they have opportunities to express their support for products and services through Facebook “likes”, “follows” or retweets on Twitter or to “pin” things on Pinterest. There is now some evidence that these likes, follows or pins lead to purchases through these social networking sites.

One report (Smith, 2013) put Pinterest, a relatively new and less populated platform than Facebook or Twitter, squarely in the social commerce competition.

According to their findings, during the second quarter of 2013, Pinterest accounted for 23% of social commerce sales while Twitter had 22% and Facebook’s share was 28%. They attribute this success to the visual and product-oriented focus of Pinterest which creates a natural social platform for e-commerce.

A White Paper released in July, 2013 (Stadd) reports the results of a survey with over 6,000 respondents over a 17 month period. The focus is social commerce on Facebook, Twitter and Pinterest. The results include the following:

- Social media drives roughly equal amounts of online and in-store sales
- Nearly 4 in 10 Facebook users report that they have at some point gone from liking, sharing or commenting on an item to actually buying it.
- 43% of social media users have purchased a product after sharing or favoriting it on Pinterest, Facebook or twitter.

An interesting research question arises from these reports. Are businesses ready to take advantage of the potential social commerce explosion? Are they moving to increase their presence and engagement on social networking sites in order to benefit from the emergence of social commerce?

An annual study of the Fortune 500 (F500) conducted at a northeast university shows evidence of increased social media adoption, especially of newer, more visual platforms, where social commerce has shown promise. The results of the latest iteration of the survey of the 2013 F500 provides some insight into how the top businesses may be positioning themselves in this new environment of consumer mediated purchasing through social media platforms.

Fortune Magazine annually compiles a list of America’s largest corporations, aptly named the “Fortune 500” given their size and wealth. Due to the hugely influential role that these companies play in the business world, studying their adoption and use of social media tools offers important insights into the future of commerce. These corporations provide a look at emergent social media trends among America’s most successful companies. The F500 list includes publicly and privately held companies for which revenues are publicly available.

The results presented here are based on the adoption of popular and well established platforms like Facebook and Twitter and some of the newer and fastest growing social media platforms and tools (Instagram, Google+, Foursquare and Pinterest) by the F500. Indicators of engagement (such as the number of Facebook fans and Twitter followers) are also included to gauge the involvement of consumers with brands.

All corporations were analyzed using multiple steps. First, working from the published 2013 F500 list, all corporate home pages were examined for links to, or mention of, the social networking platforms being studied. If none were found, a search on the company’s site was conducted using key words with the name of the platform. Any links resulting from that search were followed and evaluated using the established criteria.

If no results were located on the home page or through a site search, other search engines were used. Both Google and Technorati (a leading blog-focused search engine) were employed to check for corporate use of social media platforms using key words that included the primary/listed company name. This proved to be an effective method since additional sites were located. A search of other sites gathering information on the F500 was also reviewed for any mention of social media networking sites in that group.

Twitter and the Fortune 500

Three hundred eighty-seven (77%) of the F500 have corporate Twitter accounts with a tweet in the past thirty days. This represents a 4% increase since last year. Eight of the top 10 companies (WalMart,

Exxon, Chevron, Phillips 66, Apple, General Motors, General Electric and Ford Motors) consistently post on their Twitter accounts. Berkshire Hathaway and Valero Energy do not tweet.

The 387 corporations with corporate Twitter accounts come from 72 of the 75 industries represented in the F500. A partial list is presented below showing those industries with the greatest presence on Twitter in the F500. The percent of corporations with Twitter accounts varies by industry. The Commercial Bank industry has 94% and the Food Consumer Products industry has 93% of their companies on Twitter. Companies in the Specialty Retail industry have 91% of their companies on Twitter. Other industries listed have half or more of their companies using this platform.

TABLE 1
CORPORATE TWITTER ACCOUNTS BY INDUSTRY

Corporate Twitter Accounts by Industry	Number of Companies w/Twitter Accounts	Percent
Commercial Banks	17/18	94%
Food Consumer Products	13/15	93%
Specialty Retailers	20/22	91%
Chemicals	13/15	87%
Telecommunications	14/17	82%
Utilities: Gas and Electric	18/23	73%
Aerospace and Defense	8/12	67%
Insurance: Property and Casualty (Stock)	9/17	53%
Motor Vehicles and Parts	8/15	53%

Rank appears to be an influence for the use of Twitter by the F500. Eight of the top 10 companies have corporate Twitter accounts. Forty-three percent of the Twitter accounts belong to the companies in the top 200 on the list, while 36% come from those ranked in the bottom 200.

Those ranked higher in the 2013 F500 are more likely to adopt Twitter than their lower ranked counterparts. More successful companies are more likely to use social media and to have greater consumer engagement using popular metrics like followers or likes. This creates a fertile environment for the growth of social commerce.

Ironically it is the popular Facebook, new to the F500, that has the highest number of followers on Twitter, followed by Google, Starbucks, Whole Foods Market, Walt Disney, JetBlue Airways and Southwest Airlines. The number of followers provides an important metric for the potential of social commerce. Higher engagement could translate into increased sales for companies.

**TABLE 2
TWITTER FOLLOWERS BY CORPORATION**

Corporation	2013 Twitter Followers
Facebook	8,629,741
Google	5,965,743
Starbucks	3,813,472
Whole Foods Market	3,381,926
Walt Disney	1,757,871
JetBlue Airways	1,732,293
Southwest Airlines	1,500,140

Facebook and the Fortune 500

Three hundred forty-eight (70%) of the F500 are now on Facebook. This represents a 4% increase since last year. Nine of the top 10 companies (WalMart, Chevron, Phillips 66, Berkshire Hathaway, Apple, General Motors, General Electric, Valero Energy and Ford Motors) have Facebook pages. Exxon does not.

The 348 corporations with corporate Facebook pages come from 72 of the 75 industries represented in the F500. A partial list is presented showing those industries with the greatest presence in the F500. The percent of corporations with Facebook pages varies by industry. Companies in the Specialty Retail industry have 96% of their companies on Facebook. The Telecommunications industry has 88% with corporate Facebook pages. Other industries listed have half or more of their companies using it while the Utilities industry has 44% and the Motor Vehicles and Parts industry has 40%.

**TABLE 3
CORPORATE FACEBOOK PAGES BY INDUSTRY**

Corporate Facebook Pages by Industry	Number of Companies w/Facebook Pages	Percent
Specialty Retailers	21/22	96%
Telecommunications	15/17	88%
Aerospace and Defense	10/12	83%
Commercial Banks	14/18	78%
Chemicals	11/15	73%
Food Consumer Products	11/15	73%
Insurance: Property and Casualty (Stock)	11/17	65%
Utilities: Gas and Electric	10/23	44%
Motor Vehicles and Parts	6/15	40%

Last year one hundred fifteen companies (23%) had neither a Twitter account nor a Facebook presence. This year that number has dropped to eighty-four companies (17%). Clearly, adoption is increasing on both these social networking sites and consumer engagement is strong.

Facebook pages among the F500 follow the same pattern of adoption by rank as Twitter and blogging. Forty-one percent of the top 200 have a corporate Facebook page while 38% of the bottom 200 use this tool. Rank clearly impacts social media adoption.

Coca-Cola dominated for the past two years but for 2013 Facebook, new to the F500 list, has the most Facebook fans. Coca-Cola followed with 66,875,169 fans. Walt Disney, Starbucks, WalMart and Target all have more than 20,000,000 fans. As Facebook increases opportunities for commerce, and companies market more directly on this platform, revenues from social commerce are certain to grow.

**TABLE 4
FACEBOOK FANS BY CORPORATION**

Corporation	2013 Facebook Fans
Facebook	92,271,077
Coca-Cola	66,875,169
Walt Disney	44,183,582
Starbucks	34,547,696
WalMart	29,090,933
Target	21,854,546

Pinterest (Pin board-style photo sharing and social networking site)

Pinterest has grown in membership since its public debut in 2010 and is showing up in the F500. In 2012, 11 (2%) F500 companies had Pinterest accounts. This year that number has grown to 45 companies or 9%. Half of the top 10 ranked companies have Pinterest boards including WalMart, Exxon Mobil, Apple, General Motors and Ford. As noted earlier, Pinterest is experiencing some early success with social commerce through its platform. Adoption of this platform mirrors the growth of social commerce on it.

Google+ (Multilingual social networking and identity service site)

One hundred and seventy-seven (35%) of the 2013 Fortune 500 have active Google+ accounts including WalMart, Phillips 66, Apple, General Motors, General Electric and Ford Motors. Additionally, 93 (19%) have Google+ corporate accounts that have not yet become active. This is the only platform studied where there were a significant number of open, but inactive accounts. It may be that corporations are still learning about Google+ or have not yet found the best use of this platform in their social media mix.

Instagram (Photo-sharing and social networking site)

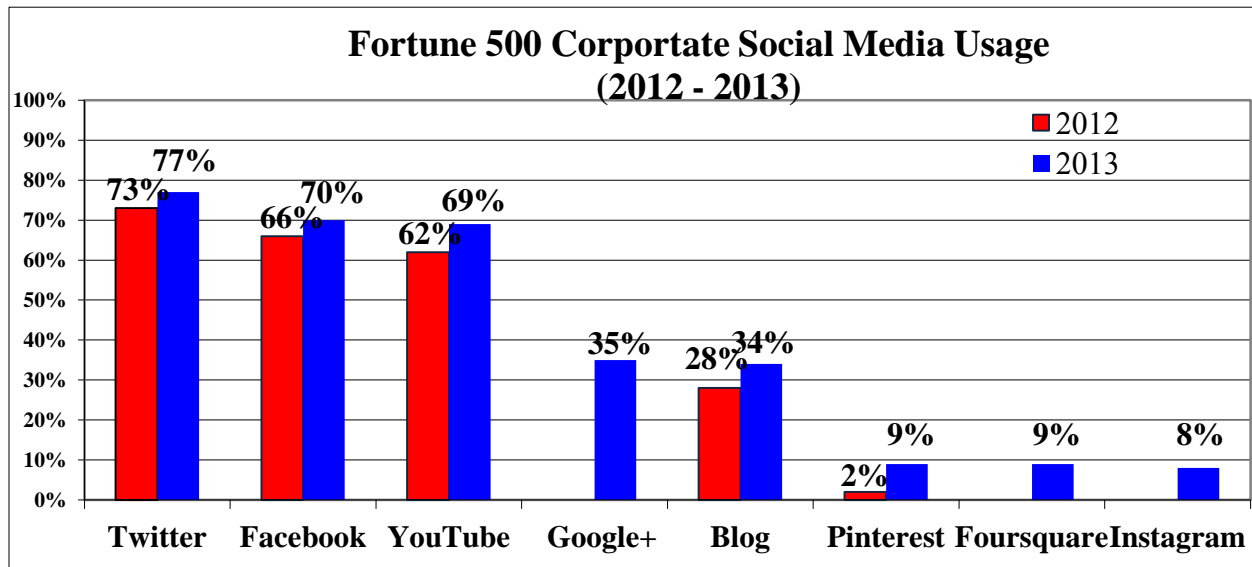
Instagram, owned by Facebook, is a first time F500 company. Forty-four (9%) of the 2013 F500 have a corporate Instagram Account, although 1 is inactive. Ford Motors is the only top 10 company on Instagram. Other adopters include AT&T, Avon and Home Depot. Like Pinterest, Instagram is a visual site with increasing numbers of users. It has also been connected with the rise in social commerce.

Foursquare (Location-based social networking site)

Forty-four (9%) of the 2013 F500 have corporate Foursquare accounts for use on mobile devices. WalMart is the only top 10 company using Foursquare. Other adopters include Target, WalGreen and Lowe's. Unlike the other platforms, Foursquare is location based so it may see social commerce generated off line as it directs it's users to places of business in order to "check in" and win titles and awards.

The chart below shows the usage of social media platforms among the F500 in 2012 and 2013. Foursquare, Instagram and Google+ were included for the first time in 2013 and debuted with respectable numbers. All other platforms show an increase in adoption.

**FIGURE 1
FORTUNE 500 CORPORATE SOCIAL MEDIA USAGE**



CONCLUSION

As consumers share opinions about products and services via their favorite social networking sites, the opportunities for increased sales exist. The Fortune 500 companies appear to have taken note of the significant new marketing opportunities as a result of the abundance of consumer-generated content. The 2013 Fortune 500 have now fully embraced new communications tools that have taken so many other sectors by storm. In the past year, these business giants have increased their adoption of Twitter for corporate communications by 4% and their adoption of Facebook pages by 4%. Sixty-nine percent of the 2013 F500 use YouTube, up 7% last year. Those social networking sites showing social commerce activity like Pinterest and Instagram, also show an increase in adoption.

This data indicates that there is a growing presence of big brands on social networking sites and that these sites are experiencing growth in social commerce or consumer-mediated sales. If other businesses follow this path, social commerce is destined to be the next big trend.

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