white paper

From eCommerce to We-Commerce:
The Social Evolution of eCommerce

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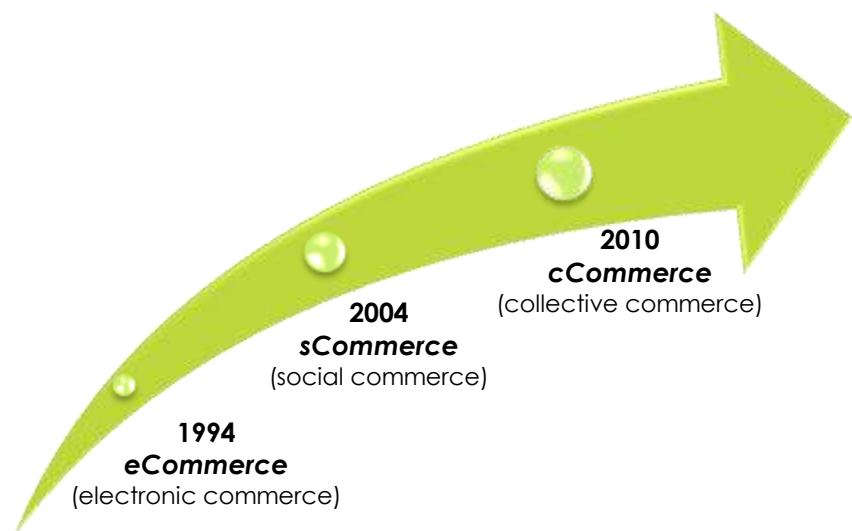
background

What started simply as a new distribution channel for merchants to sell their inventory has evolved into something more powerful than brick-and-mortar stores could have ever imagined.

The induction of eCommerce – and its social evolution – has allowed for hundreds of new ways to target and sell to a growing audience; ways that would have otherwise been considered intrusive in a brick-and-mortar scenario. With features like product reviews and product configurators, online stores can provide a more complete shopping experience than its channel counterparts.

As eCommerce continues to develop, the roles between seller and buyer change, and so do the rules of the traditional offer-and-demand system. Buyers are given more authority to get what they want while sellers are given more direction in knowing what to offer – and exactly to whom. It's a scenario where both the buyer and the seller benefit and – more importantly – save money.
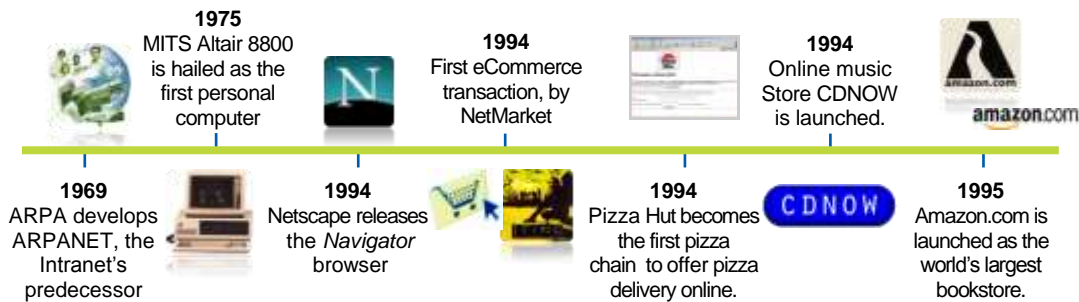
But it took more than 15 years to get there. This article seeks to explore the social evolution of eCommerce, from its inception in 1994 to its socialization in present day, and where it is headed in the future.

2010
cCommerce
(collective commerce)

2004
sCommerce
(social commerce)

1994
eCommerce
(electronic commerce)

chapter 1

eCommerce
the retailer's dream channel

1969
ARPA develops ARPANET, the Intranet's predecessor

1975
MITS Altair 8800 is hailed as the first personal computer

1994
Netscape releases the *Navigator* browser

1994
First eCommerce transaction, by NetMarket

1994
Pizza Hut becomes the first pizza chain to offer pizza delivery online.

1994
Online music Store CDNOW is launched.

1995
Amazon.com is launched as the world's largest bookstore.

It was 1994. The Dallas Cowboys won the Super Bowl, Nelson Mandela became president of South Africa, Los Angeles was hit by the 6.7 magnitude Northridge earthquake, and, according to SSL-issuer Verisign, somewhere in the United States, someone made the first online purchase in history: *Ten Summoner's Tales*, a CD by singer-songwriter Sting sold by NetMarket on August 11, 1994[1].

Electronic commerce, soon to become known as eCommerce, didn't happen overnight. For eCommerce to be possible, four major technology events had to pave the way for its formation: the development of the Internet in 1969 by the Advanced Research Projects Agency of the United States Department of Defense[2]; the invention and mass production of the personal computer in 1975[3]; the creation and release of the World Wide Web by Tim Berners-Lee in 1989 and 1991[4], respectively; and the release of Netscape's *Navigator* browser in late 1994, which introduced secure socket layer (SSL) encryption, making online transactions safe and reliable[5].

The invention of eCommerce offered retailers the opportunity to sell to a wider audience with minimum extra effort, overcome in-store product shortage setbacks, and operate at lower costs than most of the other sales channels. And for online shoppers, eCommerce was all about one thing: convenience.

When Amazon.com launched in July 1995, CEO Jeff Bezos claimed to have over 1 million titles in stock[6]. At that time, the largest brick-and-mortar bookstore carried about a fifth of Bezos' variety. Ecommerce offered shoppers an unprecedented product variety, at their fingertips. Shopping from home had never been easier.

While convenience was one of online shopping's major benefits, trust was one of its biggest challenges. Without being able to touch, feel, try on, listen, preview, taste or smell the items they wanted to purchase, buyers were required to trust their online merchants – most of which they've never heard of before – and their products. Merchants had to come up with a solution to this challenge, which was only aggravated by the security issues some of these websites were experiencing at the time.

sCommerce
putting the "we" in web

The Internet can be considered as a social system that has been responsible for connecting computer networks, as well as their owners and users, all over the world. A couple of years after eCommerce stole the headlines in the technology and retail worlds, applications like instant messenger and chat rooms were making news for allowing the general population to communicate in real-time. Although instant messaging predates the Internet – first appearing on multi-user operating systems like CTSS and Multics in the mid-1960s – modern, Internet-wide, GUI-based messaging clients were released in 1996, with *ICQ* instant messaging being the first[7].

All of these innovations, and their increased acceptance and popularity, made online merchants wonder about the power of social influence and how they can leverage it online. In an effort to overcome two of eCommerce major challenges – trust and transparency – online merchants started combining social elements with eCommerce to create what we know today as social commerce.

Social commerce (also known as sCommerce) involves integrating user-generated content and social networking capabilities within an eCommerce website – to create a community of enthusiastic consumers who will buy more, come back often and value greater engagement with the retailer. This fusion of social and commerce transforms that retail site into a lively community of consumers who interact with each other and with the retailer, promoting loyalty, increasing sales and igniting enthusiasm and advocacy for the retailer's brand.[8]

Patents for social commerce elements predate the invention of electronic commerce. However, most of the social commerce applications in use today for eCommerce were pioneered by Cendant Corp., the company behind NetMarket, and Amazon.com. Wish lists, message boards, and product ratings, reviews and recommendations were among the first technologies to be patented and used in social commerce (see *Key sCommerce Patents* table).

When combined with rich media and other Web 2.0 technologies for product display and preview, social commerce offers shoppers a sense of transparency to evaluate the product as they would in real life, at a

sCommerce Features & Functionalities

- 360° product view
- Actual size product comparison
- Alternative views
- Blogs
- Color swatching/colorizing
- Forums
- Instant Message
- Integration with social networking sites
- Lifestyle merchandising zones
- Live chat
- Microsites
- Personalized stores
- Previews/Search Inside/Virtual Tours
- Product configurator (Build Your Own)
- Product reviews
- Purchase trends and item popularity
- Quick looks and rollovers
- RSS feeds
- Seller feedback
- Tagging
- User ratings
- User reviews
- Videos and animated overviews
- Wikis
- Wish Lists
- YMALs (You Might Also Like)
- Zoom

Key sCommerce Patents

- **U.S. Patent 6782370**
  Filed by: Cendant Corp.
  System and method for providing recommendation of goods or services based on recorded purchasing history (currently known as "personalized recommendations")

- **U.S. Patent 6525747**
  Filed by: Amazon.com, Inc.
  Method and system for conducting a discussion relating to an item (currently known as "product reviews")

- **U.S. Patent 5583763**
  Filed by: John Atcheson, James Miller
  Method and apparatus for recommending selections based on preferences in a multi-user system (currently known as "You Might Also Like" or "YMALs")

- **U.S. Patent 20080065995**
  Filed by: Amazon.com, Inc.
  System and method for providing active tags (currently known as "tagging")

store. The richer experience, enhanced with better product information and detail, allows online shoppers to make well-informed decisions, feel satisfied with their purchase, and share their positive experience with their network.

Personal care and home fragrance retailer Bath & Body Works noticed that product reviewers on BathandBodyWorks.com became more frequent customers, purchasing even more than they did before. Bazaarvoice, a Guidance technology partner that specializes in hosted social commerce applications, provided Bath & Body Works' engine for online ratings & reviews.

Other online retailers who like Bath & Body Works have made social commerce part of their online strategy have boasted better conversion, cross-selling and up-selling rates, and have gained authenticity and free word of mouth. Social commerce is about letting users take control of their shopping experience, where retailers provide the platform and users provide the content.

chapter 3

cCommerce
greater than the sum of its parts

Key Elements of cCommerce

- The **proposal** , where either the consumer or the retailer or service provider set the rules and conditions of the transaction. These rules and conditions will include the minimum number of participants required to carry out the transaction and the deadline to find them, as well as other specifics such as discounted pricing, location or time of service, shipping date commitment, and other intricacies.

- The **review**, where the opposite party evaluates the proposal to determine whether it is reasonable and whether they'd like to participate. The proposal may be accepted, declined or modified for new approval.

- The **search**, where both parties look for other interested buyers to commit to purchasing the goods or services, as presented on the proposal. The actual search process may happen before or after the proposal. Once the proposal has been approved by both parties, buyers interested in participating in the deal must commit to purchasing the goods by paying in advance for the product or service.

- The **transaction**, which happens only when the agreed number of buyers is reached. If the number isn't reached, the retailer or service provider still has the option to provide the goods or must refund the buyers that had already committed to the purchase. Whether or not the transaction takes place, the retailer or service provider must comply with the conditions established on the proposal.

If social commerce is about letting users take control of their shopping experience, collective commerce or *cCommerce* is about letting the consumer take control of the experience *and* the rules of the transaction, dictating what they want, and how and when they want it. Consumers are also the marketers of the transaction, recruiting other consumers to secure the deal with the retailer.

Collective commerce happens when a group of consumers join together to influence and drive the demand of an item or service, resulting in a profitable transaction for the retailer and a satisfied group of customers. This new concept is also known as *crowdsourcing* or *crowdfundng*. Here are a few examples:

> (Travel) Chartering a private jet is known as one of the best ways to travel -- and also one of the most expensive. But those who don't want to spend their bank accounts on a private flight for themselves and still want to fly in style, may be willing to spend a little more than what they do on commercial traveling by chartering a jet along with a group of people; small enough to keep the flight somewhat private, but large enough that it make the travel affordable for everyone. If 50 people say they want a private jet to Rio, they can book it together.

> (Events & Entertainment) Agents, promoters and tour managers typically select major venues in major cities to schedule their events. But, if enough people in one city say they want an event to take place in their area, they can be a strong influence to make it happen.

> (Retail Goods) If you're in the market for a 50-inch LCD TV screen, chances are you'll spend somewhere between $1,600 and $3,000, depending on the brand and model. But what if you find 50 buyers who like you are in the market for a 50-inch LCD TV screen? A manufacturer may be willing to cut a deal for you and your group, based on a set of conditions.

If this concept sounds all too familiar to you, then it's probably because collective commerce has been around for some time in more conventional, non-eCommerce forms. Membership warehouse chain Costco uses collective commerce to sell items at low prices to their participating members. If Costco didn't have such a large clientele – which they can anticipate based on the number of registered members – it wouldn't be able to afford selling items at such low prices. But contrary to Costco's business model, online collective commerce allows consumers to establish some of the terms of the transaction, much like Priceline.com does for travelers who want to set the price and conditions of their travel arrangements.

Collective commerce may be an emerging trend online, but it has already found a niche in fundraising. Sites like BountyUp, Crowdfunder, ChipIn, Kiva and many others have recently launched to help users raise funds and finance what they need by reaching out to a community of people.

cCommerce presents a win-win situation for both the retailer and the consumer. Retailers are guaranteed the revenue of the transaction, where buyers become the marketers and deal-closers of the product or service and, by selling to an audience that has already expressed interest in their merchandise, retailers will save themselves from the trouble and the costs of marketing to the wrong audience. In the meantime, consumers are driving the market, rather than taking what the market offers to them with no alternative. And by taking advantage of the conditions they have dictated themselves, customers get exactly what they want, which is the perfect recipe for customer satisfaction.

what's next?

Collective commerce has yet to take off, but it sure won't be long until it hits mainstream, especially for luxury or more expensive items and brands that consumers are refraining from purchasing during financially-hard times. If consumers can't afford to get what they want and retailers can't sell what they have, cCommerce may just be the solution to get people buying and items off the warehouse … maybe even off the shelf.

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