S-COMMERCE: HOW TO TURN # INTO $

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ABSTRACT

First it was brick and mortar, then it came Internet and retail went online. Just as retailers became accustomed to possibilities of e-commerce, customers switched to their smartphones and m-commerce was commenced. With web advancement into web 2.0, social media gained new dimension thus enabling the emergence of social commerce or s-commerce. Nowadays, more and more consumers utilize social media in purchasing process, from recognizing the need to actual purchase and post purchase evaluation. Retailer who quickly adopts social media can gain multiple benefits. Moreover, if their target customers are young consumers, s-commerce is no longer an option but a must in order to strengthen their brand, tighten the relationship with customers and enhance sales. The purpose of the paper is to present major opportunities of social media for retailers, introduce the new trend in retailing and outline major drivers of s-commerce. The value of paper lies in numerous managerial implications that contribute to better understanding of the way today’s young consumers shop.

KEYWORDS: retail, social media, web 2.0, e-commerce, s-commerce, young consumers.

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1. INTRODUCTION

Emergence of information technology brought major changes in global retailing and business in general. Information technology created platform for digital economy where conventional retail in the form of brick and mortar stores was challenged by electronic commerce (e-commerce). Opportunity has been given to almost everyone because Internet enables organizations to conduct businesses in cyberspace and people worldwide to connect and surpass geographical limitations of traditional commerce. The number of Internet users worldwide recently exceeded 4 billion.¹ A major milestone was reached with creation of web 2.0 tools. In contrast to websites where people are limited to the passive viewing of the content, term web 2.0 describes websites that emphasize user-generated content, offer user-to-user interaction, communication and interoperability. Web 2.0 allows commenting, blogging and social networking and has changed the way online buyers carry out their transactions. Web 2.0 enabled e-commerce to be done through social media creating thus new retail trend known as social commerce or s-commerce.

Social media refer to online tools and platforms that people use to share opinions and experiences including photos, videos, music, insights and perceptions with each other.² The main power of social media such as Facebook, Twitter, LinkedIn, YouTube, WhatsApp, Instagram, Tumblr, Pinterest, Google+ etc., is that they enable users to create personalized online pages, communicate with their friends and share user-generated content. Social networking is not a new phenomenon, as it has always been in human nature to socialize with one another, but omnipresence and enhancement of Internet changed the way people interact with one another, as well as the speed and reach of content dissemination. Social behavior and how consumers think have conventionally been disseminated by media such as television, radio, magazines and newspapers, but in the 21st century, social media has begun to replace traditional media’s enduring and influential role on young consumers.³

Young consumers, known as generation Y or Millennials (born in the 1980s and early 1990s) and generation Z (born in mid-1990s and early 2000s) constitute vast majority of social media users. These generations have been born and raised in the digital era and screen society which is why they are often re-

¹ V. https://www.internetworldstats.com/stats.htm (May 22, 2018)
³ Duffet, R.G.: Influence of social media marketing communications on young consumers attitudes, Young Consumers, 18 (1) 2017, p. 20.
ferred to as “screen addicts” and “screen eagers”. Besides predominant online socializing, young consumers utilize social media to assist them with purchasing decision process. S-commerce goes hand in hand with mobile commerce (m-commerce) since 86% of young consumers own a smartphone and more than 57% of them approach social networks via their smartphones.

Even though many of young consumers do not have their own purchasing power yet, researches show that they heavily influence purchasing decisions of a household. Roughly 9.7% adults say their child influences 100% purchasing decisions they make. Moreover, today’s teenagers and young adults are tomorrow’s buyers which give great support to retailers in their marketing communication oriented towards young consumers.

The purpose of the paper is to present major opportunities of social media for retailers, introduce the new trend in retailing and outline major drivers of s-commerce. The value of paper lies in studying new, yet understudied concept of retail, providing thus starting point for future research. The paper offers numerous managerial implications that contribute to better understanding of the way today’s young consumers shop.

Paper is outlined as follows. After introduction, major benefits of social media for retailers are presented. Third section describes forms of s-commerce; i.e. how social media can be used in the selling process. Forth section provides literature review on major drivers of s-commerce. Final part summarizes major conclusions of the paper.

2. WHAT DO RETAILERS NEED TO KNOW ABOUT SOCIAL MEDIA?

With the wide proliferation and usage of social media across both social and professional aspects of life, it is of great importance for retailers to understand how to successfully utilize various social media platforms in strengthening of the brand, tightening relationship with customers and enhancing sales.

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The social media environment and its interactions can be grouped into the components known as the Six Ps of social media: Person, Profile, Perception, Peer, Post and Pull.\(^7\)

- **Person** refers to the individual user of social media platform. A person’s intention, personality and motives drive their eventual social media behavior, their actions and how they utilize social media.

- **Profile** is a platform for expression that is within users full control and users are able to design their profile to communicate the desired massage they want to send to the public and their peers.

- **Perception** in general refers to the process by which people select, organize and interpret stimuli into a meaningful and coherent picture of the world.\(^8\) In the context of social media, perception refers to paid advertisements and endorsements, communication exposure through posts, attention seeking and retention, and interpretation of social value of a massage. Since it is extremely time consuming for an individual to consume all of the information that is being shared by all the peers, it is highly likely that social value associated with a post would be closely linked to the existing impression and image users have of the person sharing that information.

- **Peer** is defined as any other person who is on the social network as seen from the perspective of an individual user. A peer can be a related peer who is connected to the user or an unrelated public peer who is not directly connected to the user. According to the perceived social status, there are three kinds of peers: the upward peer who is perceived to enjoy better quality of life as compared to the user, downward peer who is perceived to be irrelevant or irritating to the user, and on-par peer which is perceived equal to the user and treated with mutual respect.

- **Post** refers to the act of content creation and sharing by users. Posting includes interactions such as conversations, tagging, status updates and messages. Regarding the nature of the content, posts can be categorized as expression, informational, impression, intimacy indicator and reciprocity posts.

- **Pull** refers to amount of social capital and influence that an individual user is able to command from their peers through their social network. Regarding their social capital, users can be categorized as patricians (who have real and actual influence over their peers), parvenus (who thrive on social connection and interaction), poseurs (who lack social capital and may not

\(^7\) Wang, H.: *Six P’s of youth social media from a young consumer’s perspective*, Young Consumers, 13 (3) 2012, p. 304.

be popular in real life) and proletarian (who do not care much about making their virtual presence felt).

Person determines the intention and purpose of social media existence and their personality and intentions will be reflected through their Profile and Posts. Based on the Profile and Posts made, Peers will form their own Perceptions about what kind of Person a particular user is and would react in accordance to the amount of Pull associated with the Person and how it will affect their relationship. Understanding the Six Ps of social media will allow retailers to better plan, create and execute social media initiatives in order to attain desired marketing and commercial goals.

Table 1 outlines most popular social networks worldwide measured by the number of users. It can be seen that Facebook is an absolute leader. Croatia has a very high Internet penetration rate of 90.9% of total population and almost one in two Internet users has a Facebook profile. Penetration rate of Facebook in Croatia is 43%, which is slightly higher than European average of 41% and well above world average of 28%.


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<tr>
<th>Social Network</th>
<th>Users (Millions)</th>
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<td>Facebook</td>
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<tr>
<td>YouTube</td>
<td>1500</td>
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<td>WhatsApp</td>
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<td>Facebook Messenger</td>
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<td>Sina Weibo</td>
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9 Wang, H.: Six P’s of youth social media from a young consumer’s perspective, Young Consumers, 13 (3) 2012, p. 316.

The basic ways retailers can utilize social media are: rising brand awareness through fun pages on social media, interactive online marketing communication, creating and managing word-of-mouth and ultimately sale of their products and services.

The first step in utilizing social media is creating an official company fun page or fun club on social media platforms. Through its fun page retailer can present its company, products and services, new arrivals and corporate social responsible activities to current and potential customers. Many of the world’s leading brands have already identified the potential of an official presence on the social media platforms. For example, in 2015, 90% of the top 100 brands in the world defined by Interbrand had a presence on Instagram.\(^\text{11}\) Moreover, retailers can raise brand awareness and make strong relationship with their current or potential customers by providing incentives to engage their brands in communication with their peers. An example of such incentive can be giveaway contest the winner of which is determined on the number of shares and likes.

More sophisticated way to utilize social media is through interactive online marketing communication. With the evolution of web 2.0, online marketing communication has long outgrown simple advertising on the Internet in the form of hyperlinked graphical images displayed on a website. Nowadays, online marketing communication includes video, audio and a number of other innovative technologies. The primary objectives of online marketing communication has always been to create brand awareness, generate consumer demand, provide information, stimulate traffic, build relationship, give customer service, establish brand loyalty, create word-of-mouth and increase sales.\(^\text{12}\) The distinguishing feature of marketing communication through social media is that it entails two-way communication which allows for real-time feedback, but acts as a possible threat as well in case of negative word-of-mouth.

Research results show that individuals who spend longer periods of time on social media (two or more hours a day) and who update their profile more regularly (daily and several times a week) show favorable attitude toward online marketing communication.\(^\text{13}\) Personality strongly affects social media usage.


\(^{13}\) Duffet, R.G.: Influence of social media marketing communications on young consumers attitudes, Young Consumers, 18 (1) 2017, p. 30.
Individuals that are more extroverted and opened to new experiences are more inclined to use social media platforms.\(^{14}\)

Social media and electronic word-of-mouth (e-WOM) allow consumers to actively contribute to the marketing content and information dissemination from consumer to business and from consumer to consumer. Businesses have little to no control over user-generated word-of-mouth, particularly within the online interface. Since marketers can hardly influence consumer-to-consumer communications on social media, it becomes of urgent need to monitor what is being said and identify potential pitfalls for the brand. The implications of negative word-of-mouth resulting from a bad customer experience which go unnoticed or unanswered can be damaging for the retailer’s reputation.

3. SOCIAL COMMERCE: THE POWER OF LIKES AND HASHTAGS

The power of social network has stimulated businesses to use social media platforms to conduct e-commerce. S-commerce is a subset of e-commerce that involves the use of social media with social interactions and contributions to assist online buying and selling of goods and services.\(^{15}\) In other words, s-commerce leverages the power of social media in order to sell, using the power of social influence, referrals and recommendations of social network peers. Initially was formed in 2005 as a concept of combined experience in business-to-customer (B2C) and customer-to-customer (C2C) communication. Examples of s-commerce include customer ratings and reviews, user recommendations and referrals, social shopping tools (sharing the act of shopping online), forums and communities, social media optimization, social applications and social advertising. S-commerce is rapidly expanding worldwide, and it has various models including flash sales, group buying, social shopping, purchase sharing and personal shoppers.\(^{16}\)

S-commerce has become a really broad term that covers a lot of different activities. All forms of s-commerce can be broadly categorized into onsite s-commerce and offsite s-commerce. Onsite s-commerce includes incorporating social sharing and other social functions into retailers’ websites (e.g. allowing users to share their purchases online and show things they have bought), providing live feed of what shoppers are buying in real time and simple addition


\(^{16}\) Kim, Y.H.: *Social commerce market trends and policy issues*, Information & Communication Policy, 23 (11) 2011, p. 44.
of a comments section or a forum to existing online store, so that customers can discuss purchases with one another or ask questions. Offsite s-commerce refers to s-commerce that occurs not on the official retailer’s website but on social media platforms such as Facebook, Twitter, Instagram, Pinterest, etc. In the simplest form, companies and individuals post pictures and descriptions of products and services they offer, and customers can purchase the products by expressing their intent in comment box or inbox. Next, customers are given account number to finish their purchasing transaction and are agreed upon other purchasing and delivery terms. Somewhat more sophisticated form includes hyperlinked pictures and videos of offered products and services that redirect users to retailer’s official website where they can easily and quickly complete their purchase. In order to facilitate s-commerce, Facebook recently introduced Marketplace which connects local sellers and buyers, Instagram is testing its “Shop now” button and Pinterest its buyable Pins that allow direct purchase of viewed items. The method of offline s-commerce is less effective than onsite selling methods. Recent poll suggested that only 2% of Facebook users have ever bought directly through the platform. However, given large number of Facebook users, the magnitude of Facebook commerce, often referred to as f-commerce, is impressive. Even more impressive is the fact that s-commerce result in about equal volume of in-store sales.

The main benefit of offsite s-commerce is broader social reach and visibility, whereas main benefit of onsite s-commerce is enhancement of website experience and keeping shoppers on official website where they can easily convert into purchasers. Best results are gained when combining offsite s-commerce with onsite s-commerce with the intent of building more engagement, brand recognition and social influence around offered products and services.

Social media offers opportunities to small companies, especially self-employing businesses, to gain visibility, reach new audience and build committed relationships with their customers. Results show that small entrepreneurs find Instagram more convenient for business purposes, whereas Facebook preserves its function as primary source of marketing communication. Major powers of Instagram lie in its open structure that allows communication not only with acquaintances but also with unrelated public peers and its “hash tagging” feature.

A hashtag is a keyword or a phrase preceded by the hash symbol (#), written within a post or a comment to highlight it and facilitate a search for it. Whenever user adds a hash mark to a post, post is indexed by the social network and becomes searchable and discoverable by other users, even if they are not friends, fans or followers of that particular user. It is a simple way in which social media users generate content and add to e-WOM. Hash tagging feature allows retailers to study and understand how some social media users perceive certain brands, trends and activities and to easily approach their target customers on social media.

Along with social media, new form of referred group emerged, the so-called citizen influencers whose presence is felt at most in Instagram. Citizen influencers are upward peers, patricians, who leverage their social capital for online and offline selling, and are compensated for their posts, shares and stories by retailers and brand owners. For years we have been accustomed to celebrities and well-known persons to use their social status and fame to help promote and sell a product, service or just raise awareness on a certain topic. Nowadays, celebrity endorsement is often replaced by citizen influencers since consumers often find them more authentic and their services offer higher return on investment for retailers.

4. WHAT DRIVES SOCIAL COMMERCE?

Majority of social purchases are made via mobile devices: e.g. 62% of Pinterest users, 57% of Facebook users and 81% of Twitter users use their smartphones to engage in s-commerce activities. In general, mobile social shoppers are predominantly males (69%) age 18-34 (68%).

Social media users develop social identification with social media platforms and virtual groups fostered in this environment. Commonly excepted definition of social identity says it is a part of an individual’s self-concept, which derives from his knowledge of his membership of a social group (or groups) together with the value and emotional significance attached to that membership. Study results show that this social identification drives both usage of social media platforms and purchase behavior in s-commerce. Managers

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22 Wang, T. Social identity dimensions and consumer behavior in social media, Asia Pacific Management Review, (22) 2017, p. 46.
should acknowledge this insight and focus on user identification to encourage both use and purchase behavior.

User-generated content on social media favorably influences purchasing behavior in form of purchase intentions among young consumers.23 When speaking of marketing communication, research results show that customers give higher credibility to user-generated content than company-generated content, even when users merely share content and posts created by companies.24 Moreover, user-generated content is more likely to influence items that are more complex, higher priced, and highly coveted—like technology and consumer electronics. But it is less likely to influence low-involvement products and/or those primarily purchased in stores like consumer-packaged goods.25 Recent study results confirm this insight revealing that 34% of Twitter purchasers and 25% of Facebook purchasers say their most recent social-inspired purchase was in technology or electronics.26

Results of study conducted among young consumers show that perceived usefulness, perceived ease of use and subjective norm have positive effect on purchase intention through social media.27 Perceived usefulness can be enhanced by speeding up orders and delivery process, as well as price comparison through social media. Perceived ease of use refers to simple navigation around social media website. Subjective norm refers to vulnerability of young consumer to social influence of people whom they value and admire such as friends, parents, professors, celebrities, influencers etc.

Lack of trust is often cited as a major obstacle when deciding to engage in commercial activities online.28 Likewise, trust is positively related to purchase

intention in s-commerce as well. The more consumers trust s-commerce, the more likely they are to demonstrate purchase intention. Moreover, recommendation and referrals, rating and reviews, communication and word-of-mouth have positive effects on both trust and purchase intention, whereas forums and communities and dealing with security concerns have positive effects specific to trust.\textsuperscript{30}

Many retailers still have some doubts regarding the effectiveness of social media in the selling process. However, four in ten social media users have purchased an item online or in store after sharing or favoring it in Twitter, Facebook or Pinterest. Half of social media related purchasing takes place within one week of sharing or favoring the ultimately purchased item. A highly valuable insight is that social media not only drives people to make purchases online, but it also drives an equal volume of in-store sales. Customers who browse online often buy offline. Pinterest is the network most likely to drive spontaneous purchasing, whereas Twitter and Facebook purchasers are more likely to make social media related purchases of product they were already researching or considering. Such results can be reasoned by high visual identity of Pinterest.\textsuperscript{31}

\section{5. CONCLUSION}

Social media introduce users to new products and services that they normally would not know about, allow them to communicate with their peers, gather and share word-of-mouth and enrich their shopping experience in general.

Social media offer numerous opportunities to retailers, ultimately leading to selling of products and services. Retailers should learn how to utilize power of social media to create brand awareness, generate consumer demand, provide information, stimulate traffic, build relationship, give customer service, establish brand loyalty, create word-of-mouth and increase sales. With web 2.0 advancement, social media present both a threat as well as opportunity.

Inarguably, consumers respond favorably to brands that have noted presence on social media. While user-generated content was found to have a somewhat stronger influence on consumer attitude and purchase intention, users of social media are still interested in and influenced by the brand generated communication


they see online, especially if it is favored or shared by upward peers. By being more active and more engaging with their followers on social media, brand attributes such as brand image and perceived attractiveness can be increased, both of which have a positive impact on brand attitude and purchase intention.

The first step to moving customers towards purchase through social media is to understand what customers do and do not like about each social platform they use. Yet, this is not enough to predict purchase drivers. It is also crucial to ask customers directly how their use of each social network influences their purchase decisions. Retailers should use customer insights to introduce products on right social network, to filter product information that will be included in social network updates, to decide which sales and deals to offer and to refine the kind of content will be posted. Given high percentage of smartphone users, an inevitable part of every marketing strategy should be creation of mobile-friendly content that is both informative and inquiring in nature.

With rapid changes in retail, driven and enabled by fast innovations in technology, one can only wonder what will be next. It can be argued that it is only matter of time that s in s-commerce will stand for smart and our smartphones will intuitively pop up invitations to purchase products and services advertisements of which we are currently viewing.

LITERATURE


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    –DOI: https://doi.org/10.2501/S0021849907070456


    –DOI: https://doi.org/10.1016/j.sbspro.2012.03.195


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**ONLINE SOURCES**


