

Social Commerce – *Why Now?*

By Henry Wong, Founder, Chairman and CEO of Adgregate Markets, Inc.



Web 2.0 was just the beginning of the shift from the rigid "destination web," where content was isolated in discrete websites, to a "distributed web" where content is now consumed across the web. While this phenomenon is firmly underway in the case of content, the distribution of commerce is just beginning.

One doesn't need to look further than traffic patterns in the past few years to understand that destination commerce sites have flat-lined while content networks, gaming sites, blogs, and social networks have taken off. Facebook has overtaken Google now as the most visited site on the Internet. People are spending even more time on the web today, but in different places than they were just a few years ago. The implications for our industry are boundless, and only one thing remains certain today: marketers, technology providers, and ultimately business models need to adapt as well.

The first phase of the distributed web occurred in content because the underlying technology to enable this shift was relatively simple. Much of the infrastructure surrounding democratic publishing was already built in the first internet boom. On the other hand, the technology required to enable distributed commerce requires 'talking' to other layers of legacy (and sometimes disparate) infrastructure: ad networks, social networks, and commerce platforms. Until recently, no one had developed the underlying technology and standards necessary to seamlessly communicate among all three of these networks. Along with our partners, Adgregate is building the platform to support this new distributed commerce world. Like the recent widget revolution in content, we believe the future of commerce on the web will happen in portable applications – social network applications, mobile applications, web widgets, and rich media display ads. We believe a paradigm shift is occurring, from the current marketers' "pull" strategy, to a new "push" focus on finding and converting customers where they are.

The data points are forming as we speak. Social commerce is white hot, and the demand for a truly social commerce solution like our product ShopFans™ is exploding. The opportunity is easy math for a marketer: The 'destination' ecommerce marketplace today is about \$200 billion, and while Facebook has overtaken Google as the most trafficked site on the web, barely any brands have set up actual storefronts on Facebook. If only 1% of ecommerce dollars shift toward social commerce, that's a \$2 billion market overnight.

Based upon Forrester Research's Q4 2009 US Retail Executive Online Survey, 64% of respondents named social commerce as one of the top 5 investment priorities in 2010. As more retailers look to woo would-be shoppers, a recent report from Foresee Results indicated that Facebook is by far the most effective way to turn conversations into conversions. According to the report, of the 69% of online shoppers who are social media users, 56% have also chosen to "friend," "follow," or "subscribe to" at least one store brand on Facebook. And 49% of those who follow brands through Facebook want to hear about deals, and 45% want to browse products. Finally, eMarketer recently reported that more than 50% of US Internet users are more likely to

purchase from brands whom they are a 'fan' of, and over 60% of respondents claimed their Facebook fandom increased the chance they would recommend a brand to a friend on Facebook.

eMarketer reports that, of the Internet Retailer Top 500, 284 retailers maintain a presence on Facebook. After the initial drive to garner followers on Facebook, brands are now scratching their heads wondering how to monetize these fans. Early attempts at social commerce have been compared to teenage sex: everyone is doing it, but no one knows what they're doing. We believe, however, that in order for true social shopping to exist, brands need access to a holistic solution which ties directly into all of the Facebook social hooks, allows users to shop without ever leaving Facebook, and provides a secure ecommerce experience.

Adgregate Markets took this initiative on with ShopFans, which allows consumers to make secure purchase transactions directly in Facebook without compromising security and privacy. Moreover, ShopFans was built as a native Facebook application, which allows brands for the first time to tie directly into all of the social plumbing of Facebook, including promotion through "Wish lists", "I want this!", "Likes", "Shout outs", gift registries, private and exclusive sales, and more.

To underscore the importance of consumer trust in social commerce, the Forrester survey concluded that security compliance and protection of its users was a 'must-have' competency for successful online retailing. In addition, a recent Consumer Reports study found that 71% of consumers look for a trustmark or privacy seal before doing online business with a merchant. Unlike existing social commerce solutions offered in Facebook today, Adgregate's ShopFans has won the public endorsements from both security and privacy heavyweights, McAfee and TRUSTe, to protect brands' reputations and pave the way for consumers to buy confidently within Facebook.

New social commerce apps will also demand new standards and business models. Just as democratic web publishing eroded the "old media" model and raised new questions on privacy and free speech, the shift to distributed commerce will require new answers as well. Although we've already put a significant amount of thought into these issues, where it ultimately ends up and what questions will be asked along the way remains uncertain. We are committed, however, to leading the ongoing discussion. And we ask all other companies (marketers, ad agencies, ad tech, ad networks, ecommerce solution providers, social networks, etc.) to join us in creating the new standards and models that will drive the next evolution of web commerce. We welcome any questions and comments you have and look forward to pioneering social commerce together.

Best Regards,



Henry Wong
Founder, Chairman and CEO