



BRANDED!

**How Retailers
Engage Consumers
with Social Media
and Mobility**

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CHAPTER

Social Media

Not a day goes by that a story about social media isn't headlined in traditional print media such as the *New York Times*, the *Wall Street Journal*, or *USA Today*. During the past 12 months, the growth of social media has been astounding, with Facebook, YouTube, Twitter, and other social sites continuing to gather new users at triple-digit rates. New applications and new uses continue to emerge, for example, Google Buzz and location-based social gaming sites such as Foursquare, Brightkite, and Gowalla. Consider that in 2003, none of these social-media sites even existed and today Facebook has far more users than the entire population of the United States. At the same time, hardware continues to rapidly improve, making it faster and easier for users to view information anytime, anywhere, using devices such as GPS-based smart phones and the Apple iPad. In a matter of a few short years, the speed of change will devastate, invigorate, and create industries that we never before could have imagined.

The speed of change and growth in social media and its transformation of the Web have and will continue to revolutionize marketing,

shopping, socializing, publishing, gaming, and music. Let's take a look at a few recent statistics:

- Forty-eight percent of Americans currently have personal profile pages on Facebook, MySpace, LinkedIn, or other social-networking Web sites, and this figure has doubled since 2008.¹
- As of July 2010, Facebook had more than 487 million users and is expected to surpass 500 million users in a matter of months. If Facebook were a country, it would be the third largest in the world.²
- With 125.5 million users in the United States alone, over 40% of the U.S. population has Facebook pages. Facebook gained more than 4.4 million active users in April 2010 and accelerated on that in May 2010 with 7.8 million new users to reach 125 million.³
- Since the summer of 2009, Twitter has been growing at a rate of more than 1000%, with similar growth in the previous year.⁴
- Twitter's more than 105 million users create more than 50 million tweets a day.⁵
- MySpace serves more than 119 million members, with 57 million in the United States alone.⁶
- LinkedIn boasts more than 60 million users.⁷
- YouTube now carries more than 32.4 billion videos per month from the United States alone.⁸
- The number of blogs is estimated to be more than 200 million.⁹

Social-media usage over the past couple of years has grown at a frenzied pace, proliferating so fast that it's nearly impossible to keep statistics current. In fact, we recognize that by the time this book is published, many of the statistics cited will be obsolete. But rather than focus on absolute statistics, we describe the general trends and major aspects of social media that retailers should evaluate when building their communication strategies.

When we first decided to write this book in the fall of 2009, many retailers wondered whether the social-media phenomenon was just a passing fad and therefore were questioning the necessity of

becoming involved with it. At the time, although a few retailers had a Facebook or YouTube presence, social-media initiatives were delegated to an outside media agency or an internal marketing department. Retailers hadn't yet realized how powerful these tools are in engaging with customers. Over the past year, however, social media has gone mainstream, and its longevity and viability are now widely understood.

DEFINITIONS

Since this book focuses on retailers' use of social media and mobility, we first define our use of the terms "social media," "Web 2.0," and "social network."

Web 2.0 is appropriately named because it represents the second generation of the World Wide Web, where content is user-generated, interactive, and dynamic. According to Dictionary.com, Web 2.0 is "the second generation of the World Wide Web in which content is user-generated and dynamic."¹⁰ Examples include social-networking sites like Facebook, Twitter and other Web-based communities, hosted services like Google Docs, Web applications like Gmail, video-sharing sites (YouTube), wikis (Wikipedia), blogs, and mashups.

Social media is electronic media for social interaction. It makes use of Web 2.0 highly scalable and accessible publishing techniques to transform and broadcast media monologues into social-media dialogues.¹¹ Social media supports the democratization of knowledge and information and allows general users to go from being content consumers to content producers. Examples of public social-media Web sites include Facebook, Twitter, MySpace, Flickr, Foursquare, LinkedIn, YouTube, Yelp, Digg, Second Life, Tumblr, and Stylehive, among many others. Social media also includes message boards, online discussion forums, and private or "white label" social-media sites such as home-grown sites and those produced by companies like Yammer, often used by companies for internal behind-the-firewall social communication.

According to Dictionary.com, a computer-based **social network** is "a website where one connects with those sharing personal or professional interests, place of origin, education at a particular school, etc. The sites typically allow users to create a 'profile' describing

themselves and to exchange public or private messages and list other users or groups they are connected to in some way.”¹² A social network is not necessarily computer-based, although more often than not, when people refer to social networking, they mean social-networking sites on the Internet, where people interact.

While the terms “social media” and “social network” often are used interchangeably, one can argue that social-networking Web sites are a subset of social media. In other words, not all forms of social media are social networks. Social-media Web sites that are also social networks are those with the primary purpose of connecting people with common interests, such as Facebook, LinkedIn, MySpace, and Twitter.

Even YouTube, which began as a video-sharing site, incorporates aspects of social networking, since it offers users a personal profile page—which YouTube calls a “channel page”—and enables “friending.” Flickr, a photo-sharing site, also is considered a social network as it enables communities to form around a topic. However, wikis, blogs, and social-bookmarking sites are considered social media, but not social networks. Throughout this book, we will refer to all social networks as “social media.”

WHY MAKE SOCIAL MEDIA ANOTHER RETAIL CHANNEL?

So why should retail executives embrace social media as a critical new communications channel? “Retailers who aren’t engaging customers through social media could be missing the boat,” says Mike Gatti, executive director for the Retail Advertising and Marketing Association (RAMA), National Retail Federations Marketing Division.¹³ Discussing a recent study about the propensity of social-media usage among U.S. “moms,” Gatti continues, “Twitter, Facebook, and blogs are becoming increasingly popular with moms as they search for coupons or deals and keep in touch with loved ones. The Web provides efficient, convenient ways for brands to stay in front of their most loyal shoppers and [to] attract new ones.” The popular comment, “People are talking about your brands every day [on social media], so you need to listen and become part of that conversation,” certainly has received plenty of airtime in the past year.

Consider the following statistics:

- According to a recent study conducted by ForeSee Results, “The Key to Driving Retail Success with Social Media: Focus on Facebook,” of all online shoppers, 56% use Facebook and 22% use YouTube regularly. Of these online shoppers who use social media regularly, 81% use Facebook and 31% use YouTube (see Exhibit 2.1). Equally important, 82% of respondents interact with 1–10 retailers or brands (see Exhibit 2.2). These numbers

Exhibit 2.1 ForeSee Study: Number of Online Shoppers Using Popular Social-Media Sites

All Online Shoppers		Shoppers Who Use Social Sites	
Which of the following websites do you use regularly? (Please select all that apply.)		Which of the following websites do you use regularly? (Please select all that apply.)	
Social Site	% Using Each Site	Social Site	% Using Each Site
Facebook	56%	Facebook	81%
I don't use social sites	31%	YouTube	31%
YouTube	22%	MySpace	22%
MySpace	15%	Twitter	16%
Twitter	11%	Linkedin	12%
Linkedin	8%	Flickr	7%
Flickr	5%	Other social website (please specify):	3%
Other social websites (please specify):	2%	Yelp	2%
Yelp	2%		

Source: “The Key to Driving Retail Success with Social Media: Focus on Facebook,” ForeSee Results, Kevin Ertell, February 9, 2010, available at https://community.atg.com/.../ForeSeeResults_Retail%20Success_Social%20MediaUS_2010.pdf (accessed June 16, 2010).

Exhibit 2.2 ForeSee Study: Number of Retailers or Brands with Which Social-Media Users Interact

If you do use social media sites, approximately how many retailers or brands do you interact with (follow/friend/fan of)?	
	% of respondents
1 to 5	61%
6 to 10	21%
11 to 20	10%
More than 20	8%

Source: "The Key to Driving Retail Success with Social Media: Focus on Facebook," ForeSee Results, Kevin Ertell, February 9, 2010, available at https://community.atg.com/.../ForeSeeResults_Retail%20Success_Social%20MediaUS_2010.pdf (accessed June 16, 2010).

strongly attest to both customer loyalty and interest in social engagement with retailers. Shoppers are *choosing* to proactively engage in relationships with retailers on social sites.¹⁴

- Customers interact with retailers on social-media sites primarily to learn about products and promotions.¹⁵
- Nearly one fifth of social-media users interact with 11 or more retailers (see Exhibit 2.2).¹⁶
- Those who interact with a retailer on a social-media site are more satisfied, more committed to the brand, and more likely to make future purchases from that company than those who don't. Research shows that when retailers provide rewarding social-media experiences, customers become even more satisfied and loyal.¹⁷

Consumers want to connect with retailers via social media to learn about company information, products, and promotions. According to the June 9, 2010, article in *eMarketer*, "Coupons Drive Sales on Social Media," "the brands that have enjoyed the most success using social media to drive consumers toward purchases follow one of two paths: Either they offer coupons or discounts, or they position

themselves in front of consumers during sales or other special events.”¹⁸ While consumers are always interested in discounts and special events, there is a danger to the retailer in overusing social media as a traditional promotional vehicle. Social media should first be used to build relationships which require a balance of relevant information about its company, brand and culture.

In addition to recognizing the positive momentum social media can provide, retailers also need to be listening defensively to ensure that they are aware of potentially damaging chatter while they can still do something about it.

DEMOGRAPHICS—NOT JUST KIDS!

While a larger percentage of younger people use social media, its use is growing most rapidly among older age groups. According to the recent Edison Research/Arbitron study “Twitter Usage In America: 2010,” the percentage of U.S. consumers who have a profile page on at least one social-network site ranges from 13% for the 65-and-over age group, to 78% for those ages 12 to 17.¹⁹ Over half of U.S. consumers ages 35 to 44 and over one-third of the age group 45 to 54 have a profile page on at least one social-network site. Even more impressive is the rate of year-over-year growth in social-media usage in all age categories, with double-digit growth rates for people ages 12 to 54 and triple-digit growth rates for those over age 55 (see Exhibit 2.3).

For a retailer, the opportunity to directly engage with its customers and leverage its brand’s message is amplified by the size, growth rate, and level of engagement of the global social-media audience. Users of social networks are highly active, with 50% of them accessing these sites at least once per day and 82% accessing them at least once per week (see Exhibit 2.4).

POPULAR SOCIAL-MEDIA WEB SITES

Retailers are beginning to use a variety of social media, embedding on their Web sites such Web 2.0 tools as customer ratings, reviews, and blogs, and they are developing a brand presence on some of the most popular Web sites, such as Facebook, Twitter, YouTube, Flickr, and

% by Age Group Who Currently Have a Personal Profile Page on Facebook, MySpace, LinkedIn or Any Other Social Networking Web Site

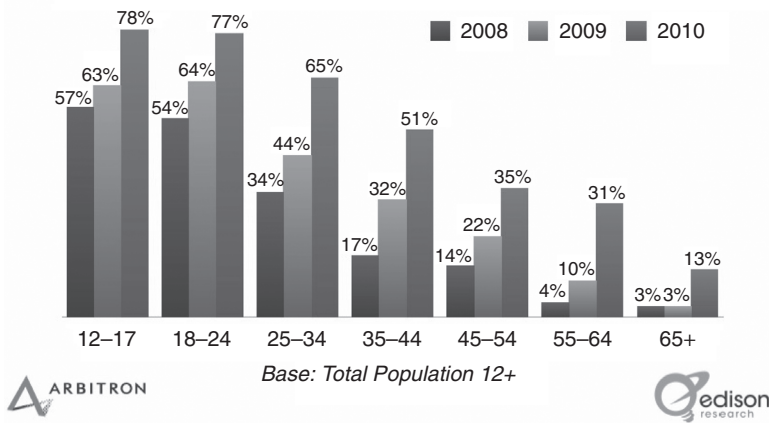


Exhibit 2.3 Year-over-Year Social-Media Growth

Source: "Twitter Usage In America: 2010," The Edison Research/Arbitron Internet and Multimedia Study, Tom Webster—Vice President, Strategy and Marketing, Edison Research, available at www.google.com/search?hl=en&rlz=1R2_____en&q=twitter+usage+in+america+2010&aq=0&aql=g2&aql=&oq=twitter+usage+in+america&gs_rfai=&msg=NCSR&ei=6b8aTJ-XIZOQ8gSx4aCGCQ (accessed June 16, 2010).

Foursquare. They are even building their own social networks where appropriate. Each of these social-media sites has a different following and a different means of communication. Facebook, for example, is well suited to bringing the store to the customer. The ability of retailers to set up their own pages, with multiple "tabs" from which they can interact with consumers, provides the deepest functionality and allows the deepest level of engagement. Twitter is well suited for providing customer service, building a following around a culture, and tweeting about special events. YouTube provides a venue for sharing videos and bringing to life a company's culture, community outreach programs, training and other "how-to" videos, promotions, and commercials.

Not all social-media sites are appropriate for all retailers. Although we can't possibly discuss every social-media Web site, the following section provides a brief overview of the most popular ones used by retailers for consumer engagement.

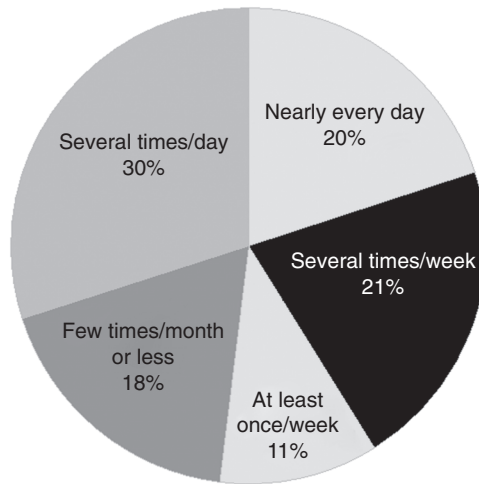


Exhibit 2.4 All Social-Network Users

Source: "Twitter Usage In America: 2010," The Edison Research/Arbitron Internet and Multimedia Study, Tom Webster—Vice President, Strategy and Marketing, Edison Research, available at www.google.com/search?hl=en&rlz=1R2_____en&q=twitter+usage+in+america+2010&aq=0&aql=g2&aql=&oq=twitter+usage+in+ameri&gs_rfai=&emsg=NCSR&ei=6b8aTJ-XIZOQ8gSx4aCGCQ (accessed June 16, 2010).

Facebook

Engaging in social media is not just about having a Facebook (www.facebook.com) page. But, for a retailer just getting started using social media, and with 40% of the U.S. population already on Facebook, it is often a good place to begin.²⁰ At present, Facebook is the largest and most influential social network and allows demographic data to be easily segmented for targeted research and promotions. As a result, retailers who want to engage with consumers have a big reach on Facebook. A few relevant statistics about Facebook:

- More than 250,000 external Web sites have integrated with Facebook, and more than 100 million users engage with Facebook on external Web sites every month.²¹
- More than 100 million active users currently access Facebook through their mobile devices.²²

- Since the beginning of 2009, the number of advertisers on Facebook has quadrupled.²³
- According to Google, Facebook is “the World’s Most Popular Site,” surpassing Yahoo.²⁴
- The ForeSee study previously referenced concluded that more than half of the consumers who shop online use Facebook, and of those online shoppers who engage in social media, more than 80% use Facebook.²⁵
- According to the RAMA survey previously mentioned, seven out of ten social-media users between the ages of 18 and 34 regularly use Facebook more than other similar sites such as MySpace, Twitter, and Classmates. Facebook remains the favorite social-media site for those 18 to 34 years old, 35 to 54, and even 55 and older.²⁶
- Facebook is used regularly by 70.6% of female social-media users, as compared with 61% of males.²⁷
- Sixty-one percent of Facebook users are age 26 and older.²⁸

Facebook is not just for Gen X and Gen Y. Usage by older age groups is rapidly accelerating. A detailed age breakdown of the 125.5 million U.S. Facebook users is shown in Exhibit 2.5.

Since the summer of 2009, we have seen a surge in the number of retailers with Facebook pages; a year ago, retailers’ use of the site was experimental. Although the majority of retailers are still using Facebook for communicating promotions, the more effective use—as all of our retail examples in future chapters indicate—is to build loyal relationships with “fans” by engaging them on a variety of topics that leverage a retailer’s strategy and exude its culture. This strategy also enables retailers to attract more fans and therefore potentially more customers. In regard to its base of Facebook followers, Starbucks far surpasses any other retailer and any other consumer brand. (A look at how Starbucks has engaged consumers is detailed in Chapter 4.)

While it is the most popular social-media site, retailers are still only beginning to use Facebook. As of June 2010, 699 worldwide retailers had registered Facebook pages, although only 212 of them

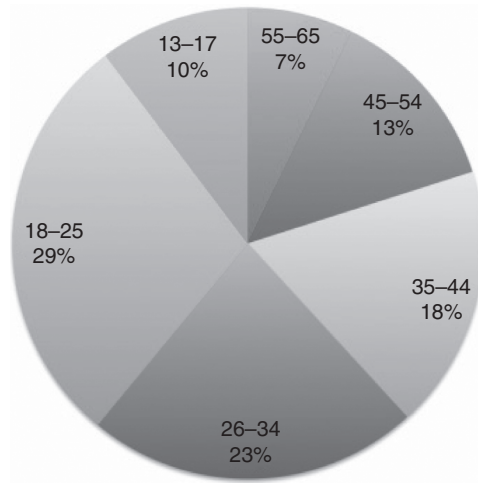


Exhibit 2.5 U.S. Facebook Users by Age

Source: www.insidefacebook.com, 6/1/2010, www.insidefacebook.com/2010/01/04/december-data-on-facebook%E2%80%99s-us-growth-by-age-and-gender-beyond-100-million/.

had more than 10,000 fans. Internet Retailer's *Top 500 Guide* (Internet 500) mentions that of the Top 500 Internet retailers (in terms of sales volume), 371 have Facebook pages in 2010 as compared with 284 in 2009.²⁹ The top retail Facebook sites (in terms of number of fans) are shown in Exhibit 2.6.

Social Web sites have become amplifiers for businesses, and Facebook is an especially effective one. The interconnectivity of its members, along with their ability to voice their opinions and share product/brand preferences and purchasing decisions, provides retailers with an important opportunity to connect with their customers.

Twitter

Twitter (www.twitter.com) is another social-media Web site among brands. Providing users with an opportunity to engage in “microblogging,” Twitter is considered the most transparent of the social networks. It enables its users to send and read messages known as

Exhibit 2.6 Top Retailers on Facebook: June 2010

Name	Fans
Starbucks	12,074,884
Kohl's	1,781,443
Target	1,584,617
Walmart	1,568,859
Best Buy	1,183,918
JCPenney	925,560
Hot Topic	877,858
7-ELEVEN	635,116
Toys "R" Us	628,688
Levi's	527,523
Macy's	496,700

Source: InsideFacebook. Insidefacebook.com, Top Pages for Retailers (accessed August 9, 2010). Note: Fashion brands and retailers are categorized separately and not included in this list.

tweets, which are text-based posts of up to 140 characters, displayed on the author's profile page and delivered to the author's subscribers, known as "followers." The idea is that users build a following around their particular subjects of interest. While an option exists to protect who can follow you, most users do not use this functionality, and transparency is expected. Somewhat like the old-fashioned chain letter, Tweets can be "retweeted" by followers, except that with Twitter, a message can go out to millions of users in a matter of minutes.

With more than 105 million registered users worldwide³⁰—17 million in the United States alone—Twitter has a much smaller reach than Facebook, but retailers can leverage it to build strong customer loyalty. Twitter also has a different demographic profile and is used differently than Facebook, so retailers first need to understand whether

Twitter fits their strategy by listening before engaging. Although some retailers use Twitter to communicate promotions, such campaigns have to be done carefully, because the user base customarily frowns on the use of the network to overtly sell something. Twitter is an excellent channel for providing customer service and for covering live events, as well as for communicating a culture. Some retailers, such as Best Buy, Starbucks, and Zappos (see Chapters 11, 4, and 5, respectively), have excelled at building customer loyalty through Twitter.

The Edison/Arbitron study mentioned previously provides some relevant statistics:³¹

- Awareness of Twitter has exploded recently with the percentage of Americans who are familiar with Twitter surging from 5% in 2008 to 87% in 2010.
- Twitter is a natural “companion medium” to other media channels—in particular, to live TV.
- Although Americans are equally aware of Twitter and Facebook, Twitter trails Facebook significantly in usage: Only 7% of Americans (17 million persons) actively use Twitter; however, growth rates of Twitter exceed 1000%. In 2009, 2% of Americans used Twitter and in 2008, the percentage was far less than 1%.
- Twitter demographics are skewed toward well-educated, higher income households whose members are “very frequent” short message service (SMS) users and who access the Internet from multiple locations. (SMS allows “short” text communication of up to 160 characters across mobile phones.)
- Nearly two-thirds of active Twitter users access social-networking sites using a mobile phone.
- Twitter users split between habitual “Tweeters” and those who access occasionally. The majority of Twitter users are “lurkers,” passively following and reading the updates of others without contributing updates of their own, but they are listening, reading, and clicking.
- As compared with social networkers in general, Twitter users are far more likely to follow brands and companies, and

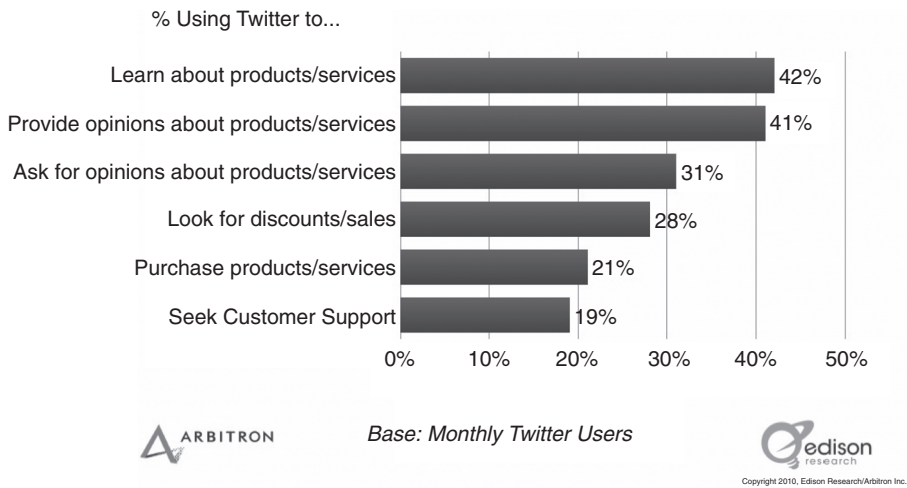


Exhibit 2.7 Twitter Users Frequently Exchange Information About Products and Services

Source: "Twitter Usage In America: 2010," The Edison Research/Arbitron Internet and Multimedia Study, Tom Webster—Vice President, Strategy and Marketing, Edison Research, available at www.google.com/search?hl=en&rlz=1R2_____en&q=twitter+usage+in+america+2010&aq=0&aql=g2&aql=&oq=twitter+usage+in+ameri&gs_rfai=&emsg=NCSR&ei=6b8aTJ-XIZOQ8gSx4aCGCQ (accessed June 16, 2010).

frequently exchange information about products and services (see Exhibit 2.7).

- Of active Twitter users, 51 % follow companies, brands, or products on social networks and frequently exchange information about those products.
- Twitter appears to be functioning as more of a broadcast medium compared with Facebook and many other social-networking sites and services.
- Marketing and business uses for Twitter far exceed similar usage for social-networking Web sites in general.

With 71 % of Twitter users in the United States older than 25 years of age, Twitter has shifted from being a tool used mainly by youth to one used predominantly by older age groups, which makes it a strong channel for brands to use in communicating with consumers of all age groups. Exhibit 2.8 shows the breakdown of Twitter users by age group.

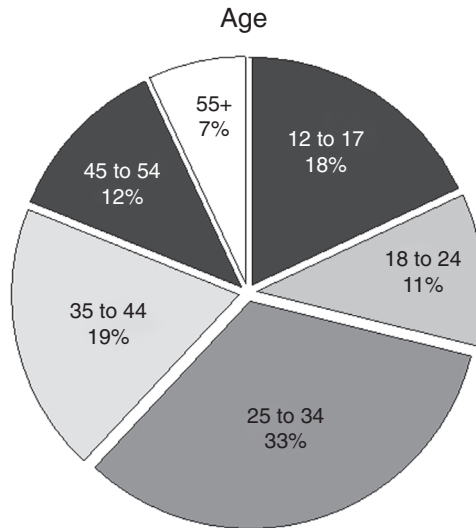


Exhibit 2.8 Twitter Usage by Age Group. U.S. Statistics

Source: "Twitter Usage In America: 2010," The Edison Research/Arbitron Internet and Multimedia Study, Tom Webster—Vice President, Strategy and Marketing, Edison Research, available at www.google.com/search?hl=en&rlz=1R2_____en&q=twitter+usage+in+america+2010&aq=0&aql=g2&aql=&oq=twitter+usage+in+ameri&gs_rfai=&msg=NCSR&ei=6b8aTJ-XIZOQ8gSx4aCGCQ (accessed June 16, 2010).

Twitter does not publish specific data about the number of its users. Per the *Internet Retailer*, of the top 500 Internet retailers in 2010, 254 have a Twitter account as compared with 102 retailers in 2009.³² One December 2009 study by *Retail eCommerce* showed that of the top 100 retailers with an e-commerce presence, 92 are on Twitter, but a large number of them are not yet very active. Surprisingly, many major retail chains still have only a few thousand followers, and many more are not yet using Twitter. Companies like Zappos (whose CEO alone has 1.72 million followers and who also has 500 employees tweeting for the company), Whole Foods (with 1.79 million), and Starbucks (with just under one million) have the most followers and also have been successful in messaging their culture and building their brand on Twitter. Some of these companies have multiple accounts—one for the main brand, one for customer service, and often several for employees who tweet on behalf of the company. Best Buy also has been highly successful with its Twitter-based Twelpforce online help desk.

MySpace

While it was once the leader in Internet social networking, since 2008 MySpace (www.myspace.com) has been diminishing in popularity and growth. In March 2010 Reuters reported that “MySpace had 119.6 million unique visitors worldwide in January 2010, down 7.4% year-over-year (though up from its November low of 108.1 million), according to comScore.”³³ Although these are still impressive numbers, growth clearly is decelerating. Whereas Facebook’s and Twitter’s demographics have shifted to an older age group over the past couple of years, the MySpace demographic has gotten younger and the site now focuses on music and entertainment. “MySpace saw its user composition shift toward younger audience segments in 2009, with people age 24 and younger now comprising 44.4% of the site’s audience, up more than 7 percentage points from the previous year. Facebook’s audience, by contrast, was evenly split between those younger and [those] older than 35 years of age.”³⁴

Retailers with brands targeted at the MySpace demographic should consider participating. The 2010 Internet 500 shows 146 of the top 500 Internet retailers as having a MySpace page as compared with 143 retailers in 2009.³⁵ Because of the narrow focus of its demographics and overall declining growth, this book does not specifically cover retailer usage of MySpace .

Social Gaming

We could not describe Facebook or MySpace adequately without briefly mentioning the social-gaming phenomenon. While each of these games has a different theme, the strategies are similar. Users take on an identity, perform various tasks to collect points, and compete against other users in cyberspace. After accruing a certain number of points, a user is “leveled up” to a higher status, where he or she can accumulate points faster. Most important, using Facebook as an example, the games give “bragging rights” to the user by automatically informing his or her friends of each new achievement.

Social gaming is one of the most popular activities on Facebook and MySpace, where games such as FarmVille, Birthday Cards, Texas

HoldEm Poker, Café World, Treasure Isle, Mafia Wars, and Petville each boast more than 20 million players per month.³⁶ With more than 82 million monthly active users, equating to just over 1% of the world's population, FarmVille is by far the most popular.³⁷ Although one could assume that most social gamers are Gen Y youth, in actuality the average age of female Facebook casual gamers is 48. In fact, 46% of all casual gamers in the United States are over the age of 50.³⁸

On the surface, these games may not seem to apply to retailers' businesses, but in fact they can represent a branding opportunity. In most games, if users want to increase their number of points, in addition to earning them the old-fashioned way, they have the option of purchasing more points for cash, as well as through surveys or purchases from a real-world brand. Retailers can advertise on the gaming sites; in fact, gaming companies such as Zynga, the maker of FarmVille, Mafia Wars, and YoVille, are highly lucrative businesses. According to a March 2010 *TechCrunch* article entitled "Zynga Rolls Out Pre-Paid Game Cards At Major Retailers," Zynga is now selling prepaid game cards at several major U.S. retailers, "including 7-Eleven, Best Buy, GameStop, and Target. Gift certificates to spend money on Zynga games, FarmVille, Mafia Wars, and YoVille, will be sold at more than 12,800 stores."³⁹

Future retail applications pertinent to these social games could soon become a way of building customer loyalty. Why not tie real-world incentives to fantasy gaming? Wet Seal, a fast-fashion apparel retailer, has figured out how to apply social gaming to its business in a unique and innovative way—by dressing the game's avatar in Wet Seal fashions and tying real-world store visits and purchases to points and performance in the make-believe world.

YouTube

YouTube (www.youtube.com) is a video-sharing Web site on which users can upload, share, and view videos. YouTube was created in February 2005 and sold to Google in November 2006 for \$1.65 billion. Users—either an individual or a company—can create a YouTube "channel" that functions like a home page on a Web site. Other users

can subscribe to the channel and receive updates. The channel shows the account name, account type, public videos uploaded, and any user information that has been entered. YouTube channels also display favorite videos from other users, as well as activity streams, comments, number of subscribers, and other social-networking features.

Of the top 500 Internet retailers in 2010, 269 had official YouTube channels as compared with 207 in 2009.⁴⁰ Searching on a retailer such as Macy's will yield tens of thousands of videos, many of which are not part of the Macy's channel, which means they were posted by other users, not by the department store chain. It is beneficial for a retailer to create and maintain a YouTube channel if it has a series of videos that help define its culture, strategy, brand, and products for consumers. Retailers discussed in this book (e.g., Starbucks, Best Buy, Macy's, JCPenney, and Zappos) all have impressive YouTube channels. Videos from the official channel give the consumer a feel for both the brand and the culture.

Flickr

Flickr (www.flickr.com) is a popular Web site on which consumers can share personal photographs, and bloggers can host images that they embed in blogs and social media. As of October 2009, Flickr claimed "to host more than 4 billion images."⁴¹

Photos are another good way to depict a company's brand and its culture. Regardless of whether a retailer sponsors its own group on Flickr, it ought to "listen" to what is being said about its brands—and see what photos are being posted—because Flickr is growing in popularity. While Flickr is not yet commonplace among retailers, several of the companies we studied do sponsor groups on the site, have amassed quite a following, and thus have enabled group members to share photos about the brand. Starbucks, for example, has sponsored its own group and provides a moderator for the group's discussion threads.

Google Buzz

Google Buzz (buzz.google.com), or simply Buzz, launched in February 2010, is a social-media tool from Google, which integrates into Google's

Gmail email program. Users can share—either publicly or privately with a group of friends—links, photos, videos, messages, and comments organized in “conversations” and visible in the user’s Gmail inbox. Buzz is viewed by industry analysts as Google’s competitive product to social-networking Web sites like Facebook and Twitter.

It is too early to tell whether Google Buzz will have a significant impact on retail brands. Given the size and popularity of Google and Gmail, however, Buzz deserves mention here—even though we have not yet encountered any retailers making serious use of Google Buzz in their communication efforts.

Private Social Media

Private social-media sites are those that are owned specifically by a brand for a specific purpose. Unlike public sites like Facebook and Twitter, private social sites can be tailored by the retailer for specific purposes. More compelling and personalized content can be offered, benefiting the consumer. Furthermore, the retailer owns and controls the key asset: the valuable consumer data contained within. These private social networks can be developed by the retailer or by one of several companies that specialize in developing private social networks.

These private social sites are typically accessible from retailers’ Web sites. Two companies explored in this book, Starbucks and Wet Seal, have built highly successful private social networks. To engage customers in feedback about its products and services, Starbucks created “My Starbucks Idea,” and Wet Seal did the same with its popular Fashion Community. Both Starbucks and Wet Seal have established strong followings on private social sites that are tailored to their specific businesses. Standard devices such as Facebook Connect, Twitter API, and OpenSocial can connect the data from these networks with more public social-media sites when appropriate.

Blogs

A blog (short for “Web log”) is a type of Web site or Web page on which individuals called “bloggers” provide a stream of remarks or

observations about a particular topic. Blogs often combine text, images, videos, and links to other media related to their topics and reflect the personality of their authors. Typically blogs also allow readers to leave comments in an interactive format.

Retailers are using blogs to engage consumers in several ways:

- Creating their own blogs to educate consumers about their brand(s), strategy, and culture. Companies like Zappos, Best Buy, and 1-800-Flowers.com have all added company-sponsored blogs to their social-media communication channels.
- Tapping into the comments of other bloggers who can help promote and spread the word about their company's brand. For example, the so-called mommy bloggers write blogs about homemaking, family, and parenting. Some of these bloggers have large followings and a lot of influence. Retailers of household items and children's merchandise would benefit from associating with these types of bloggers. Companies like 1-800-Flowers.com, JCPenney, and Macy's have figured out how to tap into this network and engage the bloggers in new item introductions and large promotional events so that the bloggers themselves are spreading the word.

Location-Based Social Media

Location-based social media, where users share their locations through GPS, mobile email, or text, most likely will become the next generation of usage. As smart phones proliferate, these sites will gain momentum. A user can add comments about a restaurant or retail outlets he is visiting, or just find out if anyone she knows happens to be nearby and wants to meet for a cup of coffee.

Examples of increasingly popular location-based social-media sites that retailers should understand include Foursquare, Gowalla, Loopt, Brightkite, Citysense, iPling, GyPSii, Plazes, and Whrrl. Recently Facebook also has added a location-based capability. Most of these sites combine aspects of social media, social gaming, and mobility. They allow users to earn points for "checking in" at a certain location

and to receive status “badges” after accomplishing certain goals like visiting a location multiple times. Foursquare, for example, awards a “mayor” badge to the player who frequents a particular location most often. Since each location can have only one mayor, the idea is to become mayor of multiple locations.

Retailers are beginning to take advantage of these sites by offering promotions and other incentives to people who visit their establishments and play these location-based social games and who visit their establishments. These applications have the potential to build strong loyalty for a particular retail outlet. To date, restaurants and local retailers appear to be more active in promoting themselves on these sites; however, some national chains also are beginning to test the concept. For example, Starbucks is exploring this possibility with developers such as Foursquare and Brightkite.

WHERE TO FOCUS

Literally hundreds of popular social-media sites already exist, and more are popping up every month. At this early stage, it is impossible to predict which of these sites ultimately will have staying power. For now, it’s probably safe to say that at a minimum, retailers should consider a presence on the most popular sites, which most observers now identify as Facebook, Twitter, and YouTube.

In the following chapters, we examine eight retailers that have developed successful social-media channels by using a combination of the tactics outlined above. Although not meant to be a comprehensive list of successful retailers, these companies represent retailers from different sectors and use social media in a variety of ways. Retailers must keep in mind that like everything else in technology, these specific tools themselves will continue to migrate and evolve, so today’s most popular sites may not be tomorrow’s favorites.

That possibility aside, Web 2.0 and social media have fundamentally transformed the ways in which individuals and societal groups become actively involved in transparent dialogue about a variety of topics, including retailers and their products. And that fundamental transformation is undeniably here to stay.

TODAY'S RETAILER ENGAGEMENT

This leads us to the important question of how far along the retail industry is in the adoption and implementation of social media. Typical of major initiatives, these vary widely on the part of individual retailers. We will review companies that have taken a leadership position in social media, discussing the relationship of the overall business strategy to the execution of social media and mobility. There is a second category of retailers that are experimenting with these new channels; some will be successful, and others will not, based upon leadership commitment. A third category is in the “wait and see” mode, and we believe this is not a good place to be given the lightning fast pace of social media. A better-informed customer is already there making purchasing decisions, so it's essential that retailers be there as well to engage them.

We discussed retailers' progress with social media and mobility with Shop.org's Managing Director, Scott Silverman (Shop.org, a division of the National Retail Federation [NRF], is the world's leading membership community for digital retail). Silverman states that “progress has been made as retailers have begun to see the importance of this new world of social media and mobility, but they aren't yet actively participating at an executive level on a broad-scale basis”.⁴² He emphasizes the critical need for these new channels to be supported at the leadership level, even though a number of retail executives haven't yet been sufficiently exposed to them to understand how to best weave these communication channels into their company's strategy.

To support retailers, NRF is working hard to educate its executive members. At the January 2010 NRF board of directors' meeting, a social-media expert gave an hour-long presentation to many of the nation's most senior retail executives. Silverman said “For retailers just getting started with social media, we recommend this sort of peer engagement as well as attendance at other digital media events. In 2010, NRF also conducted its first conference focused on these new areas. Its Retail Innovations and Technology conference was a sell-out success, with more than 600 industry executives attending.”

We also reviewed the enormous challenge of large traditional retailers making this transition. Silverman cited Mike Ullman, chairman and CEO of JCPenney as someone who has embraced social media and mobility as part of his larger digital strategy. He added Terry Lundgren, chairman, president and CEO of Macy's as "being clearly focused on engaging customers through these new digital channels and the My Macy's localization strategy."

Because social media produces massive volumes of conversational data, we discussed the need for sophisticated analytics for monitoring and measurement. Silverman said "There aren't any solid metrics for measurement. It's too new. Right now it comes down to 'gut feel', in terms of knowing that you're active enough." We too, see the critical need for metrics and analytical measurement tools to assess the results of and plan the appropriate use of social media. Sophisticated analytics software and services are coming to market as we will discuss in a later chapter. Meanwhile, those retailers that are now engaging customers are getting smarter every day and making better decisions.

As you read through the individual company chapters, the leadership roles of the CEO's and their senior management teams are evident. Also important is leadership's empowerment of talented staff members to effectively execute customer engagement never before experienced in retail.

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