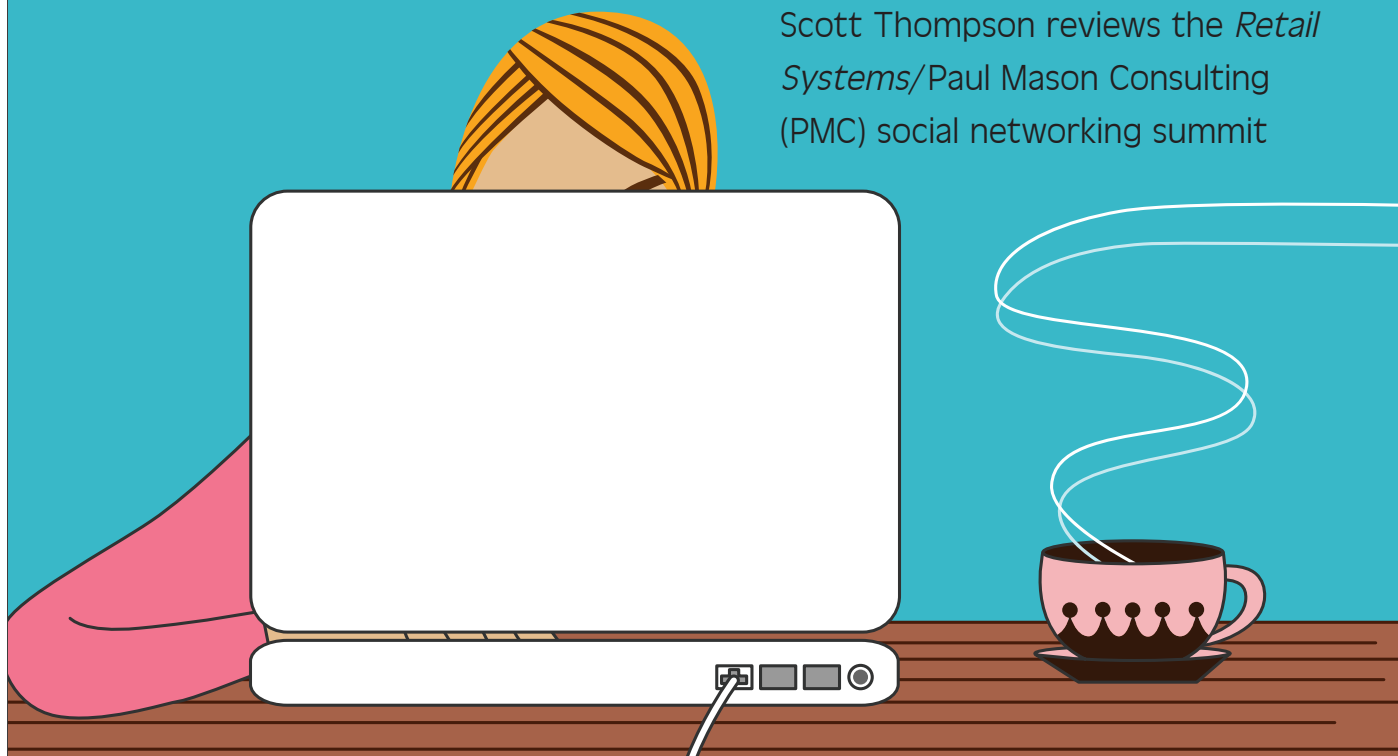


Changing mindsets

Scott Thompson reviews the *Retail Systems*/Paul Mason Consulting (PMC) social networking summit



Those of a cynical bent might argue that social networking is an entertaining diversion, but nothing more. My Space is for unsigned bands trying desperately to sell you their CDs and snag a record deal, Facebook focuses on bored teenagers looking to exchange amusing drunk photos and holiday snaps, whilst Bebo has thrived on the back of catering for those who want to escape struggling musicians and tedious pics and simply chat with their friends. End of story.

In the retail arena, it's fair to say that the majority of companies are taking the cynics' side at this moment in time. Nonetheless, there are compelling arguments in favour of utilising social networking to increase leverage across the product range and improve brand loyalty. Universal McCann, for instance, recently released its third report on the subject, observing that the role for advertisers and brands has never had so much potential – branded applications, content and services all offer huge potential in social media. The breakfast briefing looked to explore and analyse the social networking opportunity for retailers, emphasising that a change in mentality is essential if the industry as a whole wants to succeed in this arena.

In attendance were: Andrew Doe, head of Gurgle.com; Phil Smoker, business solutions and design controller, Comet; Dave Wilson, head of IT services, Dunelm; Peter Hart, IT project manager, Superdrug; Nigel Stephenson and Steven Hampson of ERP and retail software solutions provider, K3, Richard White, solutions director at multi-channel and e-commerce services specialist, HCL Europe; Mike Peirce, director of e-business, Summit Media, an online strategy and marketing company; and Mike Dowson, sales director at retail technology services and solutions outfit, Apex.

The chairman, Paul Mason, CEO at PMC, kicked things off by asking: what is social networking? He offered up three definitions: it is the grouping of individuals into specific groups, like small rural communities or a neighbourhood subdivision; it is a phenomenon defined by linking people together in some way; it is a group of people who share interests and activities and are interested in exploring the interests and activities of others. "What I think is interesting is the use of such words as groups, communities, linking and sharing, and this morning we will look at the relevance of this to retailers," Mason observed.

According to the *2008 Social Media Sectors Report* from search conversion agency, Tamar, retailers are taking a far more proactive approach to engaging consumers through social media than companies in the travel and financial sectors. Brands from the retail sector are the focus of large amounts of social network comment with more than 16 times the number of dedicated unofficial groups as travel brands and over ten times as many as financial brands. In addition, the report reveals that 80 per cent of brands from the retail sector were the subject of over 100 customer support groups. Yet there is still much work to be done, with the majority of retailers remaining a long way behind their customers in this arena. "When it comes to social networking, an awful lot of people are doing it and if you come to the nub of the conversation today, almost certainly a lot of your customers are getting involved with social networking," Mason remarked. "PMC's role as consultants is to push some of these subjects, to make sure that people are looking at and discussing the opportunities and ask, in terms of your customers, do you know what they are talking about – what might they be saying about your company?"

"Have you ever tapped your company's name into these social networks to see whether there are any threads about you? There is a lot of stuff going on out there – people are conversing about your products and services and making judgements and observations. So what might they want to know about you, what can you learn from them and how can you influence them?" he added. Whilst social networking is not high on many retailers' agendas at this moment in time, they might be wise to seek out the answers to these questions, Mason argued. They would also do well to learn from the experiences of those companies who have embraced Web 2.0. These include Waitrose, Fat Face, Tesco and HMV. Whilst the likes of American Apparel and Reebok have even opened stores in 'Second Life' – a 3D virtual reality world entirely built and owned by its residents. Another groundbreaker is Gurgle.com, Mothercare's site aimed at parents and parents-to-be. Andrew Doe was in attendance at the breakfast briefing to give a keynote speech on the venture and its progress to date.

The Gurgle story

Gurgle started life late last year, with Ben Gordon, Mothercare's chief executive, viewing it as a natural extension to the company's well-established web presence, one which would "leverage the expertise and authority of our brand combined with innovative online marketing opportunities, to reach and help a broader spectrum of customers."

"In June last year, Mothercare started looking into social networking. At that point, it had a resource centre on its main website. It was pretty good – there was a fair amount of information, but it wasn't done from the point of view of trying to get customers to interact with it. We also introduced customer reviews of products, which worked really well," Doe explained. "But that was the extent to which the company was involved in social networking. So we looked at what our customers were doing and data from hitwise showed that the market share of traditional content and community sites in a parenting space was in decline and this traffic was, not surprisingly, going to the likes of Facebook and Bebo and user-generated video sites like YouTube. We thought it was worrying that the trend was clearly for our customers to spend more time on sites of

that nature and less time on traditional content and community sites."

And so Mothercare set out to address this issue, developing Gurgle in response to feedback from parents who told them that there was a need to create an online community for parenting issues, and also the retailer's own research which found that 63 per cent of pregnant women went online for advice within three weeks of giving birth, rising to 81 per cent by the third trimester. "Ultimately, customers are now quite sophisticated about the way they shop online, just as they are sophisticated in the way they shop on the High Street. They go to mothercare.com because they want to research and buy products and they visit Gurgle to look for information and advice and network with other mums."

Unlike some of its rivals, notably Tesco Baby & Toddler Club, it has been set up with a completely different business model to the core operation. The main aim is not to drive e-commerce for Mothercare but to attract advertising from companies who want to reach the audience of registered users. "If the goal was purely to drive more sales through mothercare.com, it might have been done in a different way. I certainly don't think it would have built such momentum in such a short space of time," said Doe.

But, as one of the breakfast briefing panelists asked, does it qualify as a social network? Certainly, it bears little resemblance to, say, My Space. "We're not trying to be a Bebo or a Facebook," Doe stressed. "I categorise those more as social utilities as opposed to social networks – they are often used more like email systems to communicate with an existing group of friends rather than a means to connect with a community of people with similar interests."

To this end, Gurgle provides users with a wide range of articles (employing a small team of journalists to ensure that content is frequently updated), expert advice, videos, a blog, forum and other tools. But can it pull in and retain enough users and will it, in turn, generate sufficient advertising revenue to justify the operating costs involved? Doe was certainly in a bullish mood at the briefing, providing a positive progress report, six months on from the venture's launch. He reported a monthly audience of more than 250,000 unique visitors, over 45,000

registered members and 20,000-plus pages already indexed by Google. Future plans, meanwhile, include enhancing usability and design, encouraging viral growth and working towards building a lasting, self-sustaining group of mums and pregnant women.

"It's really good going for the first six months," he commented, adding that the venture was now self-financing. He also said that Gurgle was receiving 'great support' from advertisers and commercial partners, citing Persil Non-Bio, Huggies and E45 as companies that had come onboard. Elsewhere, the first content syndication deal has been signed – "which will drive brand awareness and click-throughs to Gurgle at no extra cost" – whilst a deal has been struck with Harper Collins to publish three parenting books. "There is a huge amount of user-generated content on the site that they want to publish in book form, as it gives a different perspective, a mum's perspective, to all the material that is already out there," said Doe. "And from Gurgle's point of view, it brings in royalties but it also gets the brand into book stores and helps to give it a more established feel."

Paul Mason then asked Phil Smoker about Comet's activities in this area. The retailer, an established player in the e-commerce market, has utilised customer reviews on its site for some time, but the e-commerce team is now looking at doing something different in an attempt to move to the next level. "We've debated it for a while now, whether the time is right for a Comet forum and much more interactive content," said Smoker. "It's about putting a second toe in the water, so to speak, and finding a solution that really differentiates us from our direct competitors and also our wider competitors such as Tesco and anyone else who just wants to shift boxes rather than sell a service."

Attention then turned to Dunelm, the home furnishings retailer which has a portfolio of 80 stores, comprising mainly superstores. Dave Wilson said that for his company there are two major drivers. Building brand awareness in the superstores is of utmost importance ("we don't have huge penetration in the south so that's a big thing for the business"). And it is also currently reviewing its multi-channel offering. Social networking, however, is something of a problematic concept for this particular retailer. "In terms of social networking, do I see people being online

talking about curtains, bedding, cushions, pillow cases? Prior to this morning, no, but listening to Andrew's report on Gurgle, there may be something in it for us," he said. "There are some interesting things out there, such as mydeco.com. It's not something that the business is concentrating on at the moment, but who knows when I take back some of the points raised from this meeting and present them to my bosses."

Ultimately, it's all about learning from a generation of consumers who have been brought up with the internet – how they use blogs, discussion boards and other user-generated content and what this means to the retailer-customer relationship. As an example of this, Comet's Smoker noted a Facebook group of Comet colleagues that currently has over 700 members – a development that happened independently of the company. "This says to me a really powerful thing about helping to get communities of colleagues together and encouraging your colleagues to go out and be a little overt about the brand. It's certainly a different way of getting the brand out there," he said.

Gurgle's Doe backed up this approach, raising the point that the use of professional technology at home is in many ways outstripping that in the office. "A lot of your staff will go home in the evening and spend time on Facebook or sell stuff on Ebay and, when they return to the office, things are done in a completely different way. My question is: why are things done in a different way at work? A lot of big companies need to get up-to-date with what people are doing."

But whilst social networking might well be huge, just how retailers go about creating their own version of this phenomenon remains up for debate. K3's Steven Hampson stressed that, over the last five years, there has been a change in the mentality of retailers from replenishing stores to moving online and, in turn, a shift in how they relate to and treat their customers. "And now they have to deal with what we're discussing here today," he said. For many companies, particularly SMEs, keeping pace is enough of a challenge – they might be forgiven for being overwhelmed by the prospect of trying to anticipate future consumer trends.

The technology providers

Finally, the discussion turned to technology and what needs to happen to facilitate the

rise and rise of social networking. Superdrug's Peter Hart talked of a "dipping a toe in the water approach" and the search for cost effective solutions that help the retailer navigate its way through this brave new world. "I potentially see an enormous benefit in something like a Gurgle.com," he said. Meanwhile, HCL Europe's Richard White argued that a standard approach to social networking doesn't exist. By way of example, he raised one of his company's largest projects – GSI in the US – which required a flexible approach. "What we've seen in terms of demand for our frameworks is that different retailers want different things – they all want an e-platform, they all want social networking. Some of them want it integrated within their site, some want it as a separate adjunct and some are greedy, so to speak, and want both an independent and a branded version. So what the technology providers have to do is provide the easiest set of services that can then be moulded in to any of those three offerings – in other words, lots of modules that people can pick and choose from."

Apex's Mike Dowson commented that, as someone from a company with a traditional e-commerce background, he was witnessing a desire for power on demand and 'pay-as-you-grow'. "As a few people around the table have already mentioned, budgets aren't bottomless and trying to get that fine balance between managing traffic and returning something to the bottom line is difficult. It's still a maturing, unknown quantity in some businesses, so bringing in technologies that have the ability to charge on a linear basis is more appealing," he said, adding that: "It's not always easy to attain as manufacturers don't always have the ideal marketing map for it, but we are seeing an increasing willingness to get involved in bespoke solutions. And I think that's going to be the key for many people making a quantum leap and in some cases a paradigm shift in their business because these solutions will relieve a lot of people's tensions and concerns about going down an uncertain route."

Consumers are increasingly sophisticated in their internet activities and, as such, expect a more innovative and interactive experience when engaging with retailers online. Whilst 'the social network experience' represents an excellent way of addressing this, the breakfast briefing highlighted the

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fact that there are several areas of uncertainty at present – for instance, social networking might be a viable proposition for some of the bigger retailers, but does it work across the board? As K3's Hampson put it: "There is one big question mark in my mind. I can see how it works for Gurgle – pregnant women talking about babies, it's a very clear thing. But I'm still struggling to see how social networking applies to the likes of Dunelm and also for the smaller retailer."

One thing is for certain. We can expect to see forward-thinking retailers tackling these and other challenges in the months to come. After all, the pay-off could be massive for those with the right strategies, sparking the creation of a valuable service for their customers and, of course, increased spend and loyalty.

Advertising spend

Research shows that young people today increasingly 'Sky Plus out' the advertising and read fewer magazines and newspapers. Will social networking force retailers to change their advertising spend? Comet is a big spender on advertising across a range of media, but does it see a time where a significant part of its budget is focused on Web 2.0? Phil Smoker commented that marketing is one of the last areas of the business to become integrated. "The marketing team are not a long way down the route to integration, so the majority of the money is still spent on traditional forms of advertising, but it is starting to change." Summit's Mike Peirce noted that things are changing quickly, commenting that social networking advertising is a huge market that will overtake TV advertising sooner rather than later – "you could argue that, by the end of this year, it will be a done deal."