

Is social networking influencing retail sales?

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Two recent studies have looked at the impact that other internet users have on shoppers when making their purchasing decision. Despite the growth of social networks and online communities, they have little effect on influencing online retail sales, according to JupiterResearch. However, shoppers are increasingly relying on customer reviews, according to online ratings and reviews provider Bazaarvoice.

Social and community sites are only driving about 12% of online shoppers to buy more than planned, according to the 'US Retail Consumer Survey, 2007' from JupiterResearch. With a growing number of internet users spending more time on such sites should they be dropped from the marketing mix though when some innovative marketing can influence 12% of online shoppers to spend extra money? Or would the marketing budget be better spent on customer reviews?

The effectiveness of sites such as MySpace in driving retail sales is still emerging. In the US, 53% of online shoppers go directly to the retail website, in contrast to only 3% utilising blogs - shoppers continue to seek out direct access to locations where they can purchase a product or the source of that product when researching and purchasing both online and offline.

"From a branding and advertising perspective, social and community sites are garnering a great deal of influence online," explained Patti Freeman Evans, Senior Analyst with JupiterResearch. "But when researching a product online, shoppers are looking for fundamental information, not entertainment or social interaction. In the end, the consumer is still interested in convenience and efficiency and social and community sites are just not that efficient."

According to the report, social and community sites help reaffirm purchase decisions since 29% of online shoppers in the US say they make better decisions after using these sites.

This need for recommendations and support when making the final purchasing decision is corroborated by a separate study by an online ratings and reviews provider Bazaarvoice.

The majority of internet shoppers in the US (78%) and the UK (53%) have more trust and respect for brands that allow customer product reviews on their sites. Many feel that customer reviews are a key part of purchasing products and services but low provision of review facilities from brands and retailers in the UK is stifling growth of the customer voice, according to Bazaarvoice.

54% of UK and 76% of US consumers surveyed said that it was “extremely important” or “very important” to read customer reviews before making a purchase.

Bazaarvoice’s survey revealed that the majority of online shoppers in both countries preferred to read peer reviews than a brand’s own description of a product. 45% in the UK and 73% in the US agreed.

Despite the significance placed on ratings and reviews by UK online shoppers, only a fifth (18%) claimed they were the most useful feature when buying from a website - against 44% of US consumers. Furthermore, Bazaarvoice found that 28% of UK consumers do not use reviews, compared with 9% of US consumers.

While shoppers are used to seeing product reviews on Amazon and giving feedback on buyers and sellers on eBay, the use of product reviews on UK retail sites is around 18 months behind the US. “Around 50% of the large US retailers have reviews on their site,” said Brett Hurt, founder and CEO of Bazaarvoice. However, the use of product reviews in the UK is growing as companies become more aware of the advantages and benefits of engaging with customers in this way.

As well as aiding the purchasing decision, US retailers have found that product reviews are helping to reduce returns (and emphasising the importance of good product information). Petco, for example, says that on average, products with reviews have a 20.4% lower return rate than products without reviews. The retailer also found that the return rate declines as the product gains more reviews - products with more than 50 reviews have a 65% reduction in return rate than products with no reviews.

When used in email campaigns ‘the voice of the consumer’ is also increasing conversions (showing how customers trust each other more than retail marketers).