

SOCIAL SHOPPING: HOW SOCIAL MEDIA IS IMPACTING THE RETAIL INDUSTRY

Social media is transforming the retail industry. The explosive growth of blogs, product review sites, and such social networks as Facebook and Twitter has spawned a new type of consumerism, one where customers have the ability to share their opinions about your business with the world within seconds. While word-of-mouth has always been a well-understood concept in the industry, the breadth and reach of online social media is unlike anything the industry has experienced before. It is critical for retailers to not only be part of the conversation, but to leverage these new tools and channels to drive growth and customer loyalty.

More than 80 percent of U.S. Internet users are active on social media sites and 93 percent of those users expect businesses to have a social media presence as well, according to Forrester Research. Additionally, a recent survey from Guidance, a designer and builder of ecommerce websites for retailers, shows that nearly 30 percent of shoppers say they look to links forwarded from friends, peer comments, and social sites for the best bargains. Jon Provisor, Guidance's chief technology officer, commented a year ago about social media's promise. He said, "Two years ago, social media wasn't even considered a source of traffic by merchants... there's a huge opportunity here for retailers to employ a social commerce strategy that gets peers talking to each other about the deals they're finding."

This is the first of two articles about the social networking phenomenon and how it is changing the way retailers sell and buyers shop.

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It's not just the quantity of people active on social media sites that is exciting to retail marketers; it's the impressive quality of the demographics and the increased level of interaction with the consumer. Both

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Facebook and Twitter boast demographics that appeal to a wide range of interests, from big box to luxury goods retailers. Their U.S. demographics show several key growth segments for the retail industry, particularly high-income households. And both platforms allow retailers to interact with customers like never before. Facebook is helping retailers turn customers into advocates. Their platform empowers consumers by allowing them to post product directly on their sites to share with friends. Best of all, these 'retailer-approved' products offer click-through purchase capabilities where the retailer keeps 100 percent of the revenue. This system is much more attractive to retailers than the old affiliate programs.

Enhancing online interaction with customers is leading to increases in sales, as evidenced by the following examples:

- In early December, eConsultancy-blogger Graham Charlton reported that the manufacturer generated \$6.5 million in sales from Twitter over the past two years. Charlton interviewed Dell senior manager Richard Binhammer, who attributes the company's "social" success to offering, through the Dell Outlet Twitter

account, discounted sales opportunities that are 'meaningful' to consumers and importantly, giving consumers the ability to converse directly with Dell staffers. The company has been able to respond quickly to improve business processes and products based on direct customer feedback. Dell has also said that their shoppers' online experience has positively affected in-store sales.

- This October, RetailMeNot.com featured 267,063 online coupons for 40,030 retailers and 109,844 printable coupons for 52,000 stores, brands, and restaurants. Sales generated through the site for the month were approximately \$18.7 million, a year-over-year change of 108 percent from \$9.6 million in October 2008.
- The *New York Times* reported last year that Target, the popular value retailer, didn't participate in media channels such as Facebook and Twitter. After the online criticism, the retailer

rethought its strategy and is now attempting to become the leading social- media- branded value retailer in the country. According to their Facebook page, Target has over 650,000 “fans.”

With the incredible growth of the online shopping community comes the need for structure and ground rules for participation.

Everybody in the Pool

It's important to be aware of what people are saying about your business, your brand, or your competition. If you are thinking about entering this exciting new space, J.H. Cohn can help. As your business partner, the Firm can meet with you to discuss the benefits of social networking, review your plans, and provide counsel on best practices.

All retailers need to be ready for this new era in which their carefully crafted brand and corporate messaging can be easily altered by the keystrokes of dissatisfied consumers and employees. In our next newsletter, we will discuss a number of best practices to help you build—and improve upon—your social media strategy, including establishing guidelines for the use of social media on a corporate and individual level. ■

Richard Schurig, CPA, is a partner at J.H. Cohn and director of the Firm's Retail Industry Practice. He can be reached at rschurig@jhcohn.com or 877-704-3500.

For more information on J.H. Cohn's Retail Industry Practice, [click here](#).

California

Los Angeles

Good Swartz Brown & Berns,
A Division of J.H. Cohn LLP
11755 Wilshire Boulevard, 17th Floor
Los Angeles, CA 90025
310-477-3722

San Diego

4180 Ruffin Road, Suite 235
San Diego, CA 92123
858-535-2000

Warner Center

Good Swartz Brown & Berns,
A Division of J.H. Cohn LLP
21700 Oxnard Street, 7th Floor
Woodland Hills, CA 91367
818-205-2600

Cayman Islands

P.O. Box 1748 GT
27 Hospital Road
George Town, Grand Cayman
877-704-3500 x7839

Connecticut

Glastonbury

180 Glastonbury Blvd.
Glastonbury, CT 06033
860-633-3000

New Jersey

Roseland

4 Becker Farm Road
Roseland, NJ 07068
973-228-3500

Eatontown

27 Christopher Way
Eatontown, NJ 07724
732-578-0700

Lawrenceville

997 Lenox Drive
Lawrenceville, NJ 08648
609-896-1221

Metro Park

333 Thornall Street
Edison, NJ 08837
732-549-0700

New York

Manhattan

1212 Avenue of the Americas
Suite 1200
New York, NY 10036
212-297-0400

Charles Brucia & Co.,
A Division of J.H. Cohn LLP
1212 Avenue of the Americas
New York, NY 10036
212-682-2459

Frederic Kantor & Company,
A Division of J.H. Cohn LLP
1212 Avenue of the Americas
New York, NY 10036
212-727-2300

Long Island

100 Jericho Quadrangle
Suite 223
Jericho, NY 11753
516-482-4200

White Plains

1311 Mamaroneck Avenue
White Plains, NY 10605
914-684-2700

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877-704-3500
www.jhcohn.com

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