

## **Online, Community-driven E-Commerce Platforms and the Rise of Lifestyle Commerce – a Conceptual Study.**

**Dr Candice Louw\***

candicel@uj.ac.za

**Prof Cecile Nieuwenhuizen**

cecilen@uj.ac.za

University of Johannesburg College of  
Business and Economics Department  
of Business Management

PO Box 524 Auckland Park 2006  
Johannesburg, South Africa

\*Corresponding author

## **Online, Community-driven E-Commerce Platforms and the Rise of Lifestyle Commerce – a Conceptual Study.**

### **Abstract**

**Aim** – During times of financial hardship, e-commerce undertakings often employ creative strategies to engage customers in novel ways in order to survive. In this paper, we explore the concept of lifestyle commerce to assist in this endeavour, also identifying core role players and components that differentiate the underlying business model from traditional e-commerce.

**Findings** – Lifestyle commerce requires inspiration; inspiration requires content; content requires community. The real value of lifestyle commerce thus lies in its interconnected, communities of users who form part of an engaged customer network.

**Conclusions** – With lifestyle commerce, one should take care of the community, and the business will take care of itself. This arguably emergent property of lifestyle commerce is a core aspect to take into consideration in future online lifestyle commerce undertakings and evidently also, their acquisition. The aim of lifestyle commerce is thus to grow an engaged customer network, as opposed to simply building a static customer base.

**Keywords:** E-commerce; Digital Business Models; Internet Culture.

**Conference track:** Full Research Paper

## **1. Introduction**

Over the past couple of decades, the internet has evolved from mere information source to a borderless, always-on conduit that can provide a plethora of goods and services at the tap of a button. Considering the relatively fast, yet stable growth of the internet over the last couple of years (Kozielski et al., 2017), it comes as no surprise that the global e-commerce industry has taken advantage of the technology and grown into a multi-trillion dollar industry in 2018 (Statista, 2018).

With the introduction of numerous internet-enabled smart devices to suit each and every budget, the prospects of increased access to the internet and subsequently also access to e-commerce services on a global scale, is certainly a promising prospect for the industry as a whole.

Despite the promising prospects that the internet may offer both future and existing e-commerce undertakings, the rapid growth of the industry has created not only a very competitive environment that may hinder new entry to the market, but also a very volatile environment during times of financial hardship. Fortunately, however, e-commerce undertakings are more flexible when compared to brick-and-mortar undertakings, thereby making it possible for them to adapt their business model in order to compete for, and engage with, consumers in novel ways.

One such novel way in particular, is by embracing the concept of lifestyle commerce – encouraging purchases based on wants, rather than needs, as inspired by others. In order to understand this concept and how it may arguably create a more loyal customer base, we delve into the particular details that surround the business of lifestyle commerce next.

## **2. The Concept of Lifestyle Commerce**

While ‘traditional’ e-commerce characteristically facilitates the acquisition of what one needs (on a day-to-day basis), lifestyle commerce elevates the experience by facilitating the acquisition of what one wants. As mentioned in the previous section, these wants, are typically inspired by trends, celebrities, brands and – in a nutshell – the influence of others.

Jess Lee, CEO and co-founder of a very successful lifestyle commerce platform, Polyvore, explained the logic behind the concept as (Lee, 2014): “Lifestyle commerce requires inspiration. Inspiration requires content. Content requires community.”

On the surface, lifestyle commerce platforms such as Polyvore, may seem to be just another e-commerce platform, however, the community-driven approach to content generation and inspiration provides a unique value proposition, giving rise to the concept of lifestyle commerce. This is characterised by providing users with individual graphical elements, components, textures, effects and products varying from low-end essentials to high-end luxury, across a wide range of markets and brands. In essence, users are given a blank canvas to create their own digital collages, mood boards and masterpieces of inspiration, based on whatever products the platform can provide them with.

Fashion, interior decoration and art are but a subset of the myriad of user generated product sets and collections that can be created and exhibited on these platforms, all the while the creations are accompanied by each individual element's metadata for reference. This metadata makes it possible to view and access each product from its original source, knowing the exact look and feel, as well as price.

Competitions, interest groups, likes, followers and achievements further enhance not only the generation of inspirational content, but also the formation of online communities. Through the years, lifestyle commerce communities, bound by interest, style and most importantly, inspiration, have grown substantially and consequently also, the concept of lifestyle commerce.

With advanced back-end technology ensuring the provision of access to various databases and Application Programming Interfaces (APIs), a vast digital inventory can be accessed and presented to end users, regardless of the geographical or financial constraints that burden more traditional forms of commerce and e-commerce.

The freedom of access to a plethora of products and elements, combined with the freedom of individual expression and publication without the need of advanced image editing software or worrying about the burden of copyright concerns, provides a unique selling point in attracting end users. Moreover, unlike major social networks where the focus of user content generation and connection forming is of a highly personal nature, thereby resulting in high levels of personal pollution, lifestyle commerce users generate content and form connections driven by a shared sense of style, taste or interest. Due to the ability of lifestyle commerce platforms to maintain a relatively low personal pollution, it is arguable that the connection between users can subsequently be more sincere (Louw, 2014) – a key differentiating factor.

As such, e-commerce platforms typically make their products shareable on social networks, while lifestyle commerce platforms are, in essence, their own social network (also offering an opportunity to share content on other social networks). Naturally, purchasing products through lifestyle commerce platforms, as inspired by others, may also prove to be very convenient (and similar to traditional e-commerce platforms).

Various avenues of monetisation are thus possible through lifestyle commerce platforms by combining numerous online business and revenue models. This is discussed in more detail next.

### **3. Customer Engagement as the Business of Lifestyle Commerce**

As mentioned in the introduction, in the highly competitive world of e-commerce, the process of engaging, obtaining and retaining customer loyalty is key to ensuring business success and continuity – especially during times of financial difficulty. As with any product, service or brand, however, lifestyle commerce platform users may transition through various phases of customer loyalty. Typically, a customer's loyalty cycle consists of 5 phases which include (Schneider, 2009):

1. Awareness – end users are aware of a particular product or brand, recognise a particular company's name or a product thereof, but have not yet interacted with it.

2. Exploration – end users are actively researching and obtaining further details of a particular product.
3. Familiarity – frequent users of a particular product eventually gain a sense of familiarity with certain aspects of its overall use. The option to explore what competitors have to offer is still very likely.
4. Commitment – reliable, highly satisfactory experiences with a specific product can ensure that end users develop a sense of loyalty or preference for the product. This may result in prolonged usage and/or recommendation to others (Louw & Von Solms, 2018).
5. Separation – an end user’s interest in a particular product continually fades until they eventually reach the separation phase.

As time progresses, the level of intensity (of the relationship) between the end user and their chosen product or platform increases. Once the separation phase is reached, however, the intensity fades and eventually terminates. It is important to note that not all users go through all five phases (awareness, exploration, familiarity, commitment and separation) – some may stop at a certain stage and continue on the same level indefinitely, while others reach a certain stage and immediately terminate thereafter. Online platforms may thus employ different strategies in order to engage and retain customers during their commitment phase in order to maximise revenue.

Traditional e-commerce platforms typically aim to increase sales and revenue by making use of recommender systems which suggest products to end users based on their preferred product selection (liked items, saved items, items on a wish-list etc.), previously viewed items, previously purchased items or current purchases. By making use of recommender systems, a feedback loop that encourages users to not only return to the platform, but also purchase more items is created. This is visually illustrated in figure 1.

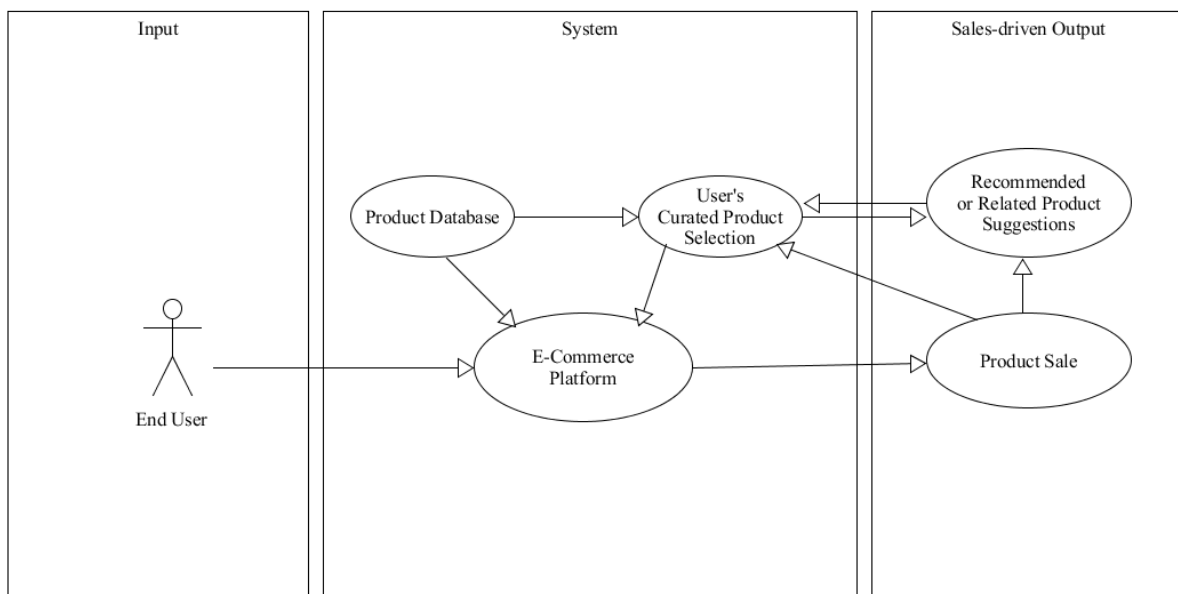


Figure 1  
Typical Input, System Interaction and Output of an E-Commerce Platform

When looking at e-commerce systems on a very high level (figure 1), end users provide input to a system, in this case an e-commerce platform, by interacting with the platform's product database. During this process, end users are able to curate their own preferred product selection and from the selection, make a purchase. This provides output from the system which includes the sale of the actual product as well as recommendations for additional products. Traditional e-commerce platforms thus arguably pursue a strong sales-driven output and feedback loop.

While the focus of traditional e-commerce platforms may be on sales-driven output, lifestyle commerce platforms introduce an additional creative, engagement output element as is visible in figure 2.

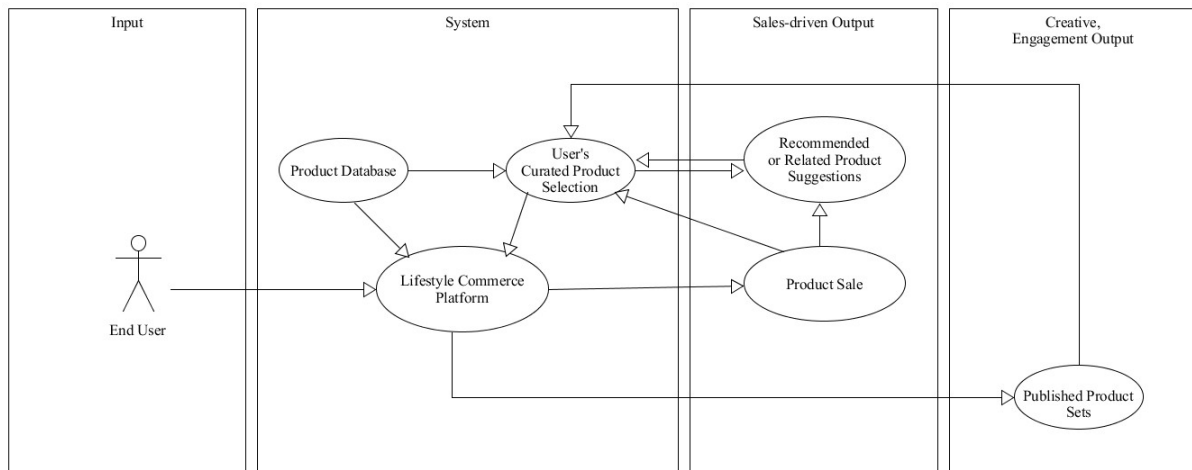


Figure 2  
 Typical Input, System Interaction and Output of a Lifestyle Commerce Platform

From figure 2 it is possible to see that lifestyle commerce platforms follow similar input, system interaction and output objectives as traditional e-commerce systems, however, the introduction of the additional creative, engagement output creates a new feedback loop to the platform without the need of a product sale. Instead, value is derived from the continuous end user engagement, creative product output and showcasing of products.

By allowing customers to continuously interact with various products without the need to necessarily purchase any of them, valuable user generated content can be converted to marketable output. This continuous engagement of the end user may have far reaching, propagating effects as each piece of creative, engagement output may be disseminated by other users of the platform and individual products added to their own curated product section as is visible in figure 3.

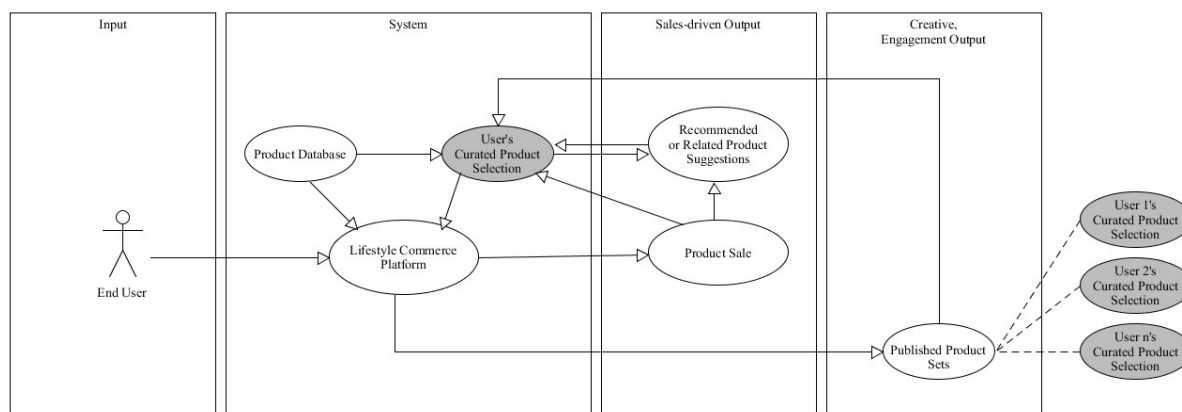


Figure 3

*Propagating effects of lifestyle commerce platforms' creative, engagement output.*

These products may then be reutilised by other end users in their own published product sets, thereby setting the whole process in motion again. As a result, user networks may subsequently be formed based on certain similarities or interests in products, styles and themes, thereby forming the intricate lifeline that feeds the concept of lifestyle commerce.

By providing these end users with free membership, lifestyle commerce platforms can build a community of buyers and get access to a host of information about their interests (Mahadevan, 2000). Similarly, by promising an untapped source of buyers, they can also build a community of suppliers. As a result, suppliers experience a reduction in customer search costs (Mahadevan, 2000; Hess & Ricart, 2003).

Once such communities of suppliers and buyers are in place, lifestyle commerce platforms may build a revenue stream out of charging the suppliers a one-time membership fee and a variable transaction fee linked to the amount of business performed through their platform (Mahadevan, 2000). This provides an opportunity for businesses, ranging from entrepreneurs and small start-ups to major conglomerates, to make as few or many products available through the platform as they see fit, ultimately testing the market. As such, customers are provided with a wider range of products to stimulate their interest and keep them engaged, while also creating new, marketable output to promote the platform and products further. A win-win-win scenario is therefore created for all parties involved and from the discussion, it becomes evident that lifestyle commerce platforms not only host a diverse network of buyers, but an equally diverse network of products and suppliers.

This provides a promising prospect for products and brands that historically, may not have had access to such a diverse audience. The luxury goods industry is one such case in particular with the global luxury goods market having grown by 5.2% in 2017 to reach a value of \$295.9 billion (MarketLine, 2018). Furthermore, the degree of rivalry in the global luxury goods market is fairly moderate due to the presence of very large players, relatively limited growth and a very concentrated market. From both a traditional and reputational standpoint, luxury goods companies can therefore not effectively venture into non-luxury goods markets, as this would dilute their luxury reputation (MarketLine, 2018). Through lifestyle commerce platforms, however, this transition is made possible by these platforms acting as a central point of gathering for a mix of luxury consumers, aspiring luxury consumers who are looking to enter the market, as well as mere browsers – a well-represented portion of the entire market scope.

As a result, the luxury goods market is not necessarily diluting its brand by entering a non-luxury market, but rather elevating an existing consumer base to potentially entering the luxury market. This provides an opportunity at acquisition, conversion and retention of both existing and possibly new consumers, while also offering those who would traditionally not be able to interact with luxury brands an engaging product experience themselves. Lifestyle commerce platforms thus present a bright future to, among others, niche markets and brands.

#### **4. The Future of Lifestyle Commerce**

While the future of lifestyle commerce may look promising from various perspectives, the longevity and future of digital platforms may still be relatively uncertain. This is exasperated by the fact that Polyvore, a major lifestyle commerce platform with over 20 million website visits per month, ceased to exist in April of 2018. As a result of the sudden shutdown, millions of artists, designers, shoppers, stylists, decorators, hobbyists and creatives were left confused to find not only a replacement platform, but also each other, after the platform's acquisition by global fashion platform Ssense.

The very abrupt acquisition and subsequent shutdown of the platform by Ssense, consequently comes across as an intention to simply obtain individual customer information, while the real value of lifestyle commerce may actually lie in its interconnected, communities of users. In response, *Fashmates* ([fashmates.com](http://fashmates.com)) focuses on attracting ex-Polyvore users to its platform by promoting reunification with the 'Polyvore family' or #POLYFAM – a reference also made on the official Polyvore blog announcing the platform's closure (Polyvore, 2018).

Despite the void that has been created by Polyvore's shutdown, the platform served as proof of concept and an opportunity has been created for alternative platforms to claim the market by embracing the lifestyle commerce business model.

Regardless of the chosen business model of any undertaking, whether physical or digital in nature, the fact that one should "take care of the customer and the business will take care of itself" as stated by Ray Kroc in 1995, still holds true. With lifestyle commerce, however, the focus shifts so that one should "take care of the community, and the business will take care of itself". This arguably emergent property of lifestyle commerce is a core aspect to take into consideration in future online lifestyle commerce undertakings and, evidently also, their acquisition.

#### **5. Conclusion**

With the introduction of numerous internet-enabled smart devices that are capable of accessing e-commerce platforms at any time, from anywhere, it comes as no surprise that e-commerce has grown to a multi-trillion dollar industry (Statista, 2018). The growth of the industry is arguably further supported by e-commerce platforms being capable of adapting their business model in order to compete for, and engage consumers in novel ways – even during times of financial difficulty.



In this research, lifestyle commerce was identified as such a novel approach whereby purchases are based on wants, rather than needs, as inspired by others.

Lifestyle commerce does, however, require inspiration. Inspiration in turn requires content; and content is created by a community. The community-driven approach to content generation and inspiration thus provides the unique value proposition of lifestyle commerce. Moreover, due to the ability of lifestyle commerce platforms to maintain a relatively low personal pollution, it is arguable that the connection between platform users can subsequently be more sincere – a key differentiating factor when compared to traditional social networks.

Furthermore, lifestyle commerce platforms are not only focused on sales-driven output as e-commerce platforms predominantly are. Instead, product interaction and creative design output are at the core of customer engagement.

Traditional e-commerce platforms therefore provide products and consumers purchase these products – a one way production and consumption line. Lifestyle commerce platforms, in turn, provide products and consumers purchase as well as market not only the products, but the platform and its community too – a bidirectional production and consumption line. Consumers are therefore as much a part of lifestyle commerce as the products themselves.

This arguably emergent property of lifestyle commerce is a core aspect to take into consideration in future online lifestyle commerce undertakings and, evidently also, their acquisition.

Despite the various opportunities that have been created by lifestyle commerce, however, the sometimes fickle nature of online ventures should not be forgotten when pursuing this business model. The sudden shutdown of the very successful lifestyle commerce platform known as Polyvore bears witness to the fast turn-around time of the digital realm.

Fortunately for competitors, reproduction of such online ventures is also a possibility and offers an opportunity for fast movers to claim the market. This allows newcomers such as Fashmates to fill the void that has been created by Polyvore's acquisition by Ssense and possibly create a stronger company, built on an even stronger customer network.

This would allow organisations to grow an engaged customer network, as opposed to simply building a static customer base.

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