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BUSINESS STRATEGY OF NEW AGE BUSINESS
From old to new – the Social Commerce approach

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Table of Contents

CHAPTER 1 INTRODUCTION AND METHODOLOGY	1
1.1 INTRODUCTION	1
1.1.1 <i>Problem Discussion and Motivation</i>	1
1.1.2 <i>Problem Definition and Purpose</i>	1
1.1.3 <i>Chapter Overview</i>	3
1.2 RESEARCH APPROACH	4
1.2.1 <i>Case Study Methodology</i>	4
1.2.2 <i>Data Collection and Sources</i>	4
1.2.3 <i>Major Data Sources</i>	5
CHAPTER 2 DEFINITION	6
2.1 WHAT IS SOCIAL COMMERCE	6
2.1.1 <i>Difference with Holistic Marketing</i>	6
2.1.2 <i>Facebook (F) – commerce</i>	7
2.1.3 <i>Twitter commerce</i>	11
2.1.4 <i>YouTube commerce</i>	13
2.2 WHAT IS NEW AGE BUSINESS	15
2.3 COMPARATIVE CHARACTERISTICS OF OLD AGE AND NEW AGE BUSINESS	18
2.4 GLOBAL MACROECONOMICIAL FRAMEWORK	19
2.4.1 <i>New consumer trend</i>	21
2.4.2 <i>Understanding Customers – from AIDMA Law</i>	24
2.4.3 <i>Dentsu’s AISAS Model</i>	26
CHAPTER 3 NEW AGE CONSUMER BRANDS CASE STUDIES (B2C) .	28
3.1 CASE EXAMPLE: UNIQLO	28
3.1.1 <i>Company Background</i>	28
3.1.2 <i>Financial Data</i>	28
3.1.3 <i>Social Commerce Strategy</i>	30
3.2 CASE EXAMPLE: BENEFITS COSMETICS	32
3.2.1 <i>Company Background</i>	32
3.2.2 <i>Social Commerce Strategy</i>	33
3.3 CASE STUDY: KOREA GINSENG CORPORATION, JAPAN	35
3.3.1 <i>Company Background</i>	35
3.3.2 <i>Current Situation</i>	37
3.3.3 <i>Marketing Strategy</i>	37
3.3.4 <i>Turnaround Strategy</i>	38
3.3.5 <i>New Marketing Strategy – the 5Ps</i>	39
3.3.6 <i>Communication Strategy</i>	43
3.3.7 <i>Strategic assessment framework for KGC</i>	46
3.3.8 <i>Recommendation to KGC</i>	47
3.3.9 <i>Social Strategy Recommendation</i>	48
CHAPTER 4 NEW AGE MANUFACTURING CASE STUDIES (B2B)	52
4.1 CASE STUDY: LUCKY GROUP LTD	52
4.1.1 <i>Company Background</i>	52
4.1.2 <i>Management</i>	52
4.1.3 <i>Operational Strategy</i>	53
4.1.4 <i>Before Basecamp</i>	54

4.1.5	<i>Adapting Basecamp system</i>	54
4.1.6	<i>Future Plans</i>	56
4.1.7	<i>Strategic assessment framework for Lucky Group</i>	58
4.1.8	<i>Success Factors</i>	59
CHAPTER 5	FURTHER ANALYSIS	61
5.1	LESSON LEARNT: KEY SUCCESS FACTORS/NEEDS	61
5.1.1	<i>Prompt response</i>	61
5.1.2	<i>Shorter time in process</i>	61
5.1.3	<i>Involvement of Mass customers</i>	61
5.1.4	<i>Listen to customers</i>	62
5.1.5	<i>Use Video often</i>	62
5.1.6	<i>Talk at versus talk with</i>	62
5.1.7	<i>Brand building continuously</i>	62
5.2	ENGAGING IN SOCIAL COMMERCE BUSINESS STRATEGY	63
5.2.1	<i>Jump in soon and learn by doing</i>	63
5.2.2	<i>Develop a strategy for data collection</i>	64
5.2.3	<i>Define the experience for your customer</i>	64
5.2.4	<i>Integrate social commerce into an overall multi-channel strategy</i>	65
5.3	UPCOMING CHALLENGES	65
5.3.1	<i>Political issue</i>	65
5.3.2	<i>Economical environment</i>	66
5.3.3	<i>Privacy</i>	66
5.3.4	<i>Keeping up with technology</i>	66
5.3.5	<i>Environmental concern</i>	67
5.3.6	<i>Legal</i>	67
CHAPTER 6	FUTURE IMPLICATIONS & CONCLUSION	68
6.1	SOCIAL COMMERCE FOR CONSUMER BRANDS (BUSINESS TO CONSUMER)	68
6.1.1	<i>Future of Social Commerce</i>	68
6.2	SOCIAL COMMERCE FOR MANUFACTURING (BUSINESS TO BUSINESS)	70
6.3	CONCLUSION	78
REFERENCES	81
APPENDICES	85
EXHIBIT 1	FRENCH CONNECTION YOUTIQUE.....	85
EXHIBIT 2	UNIQLO’S “UNDER CONSTRUCTION” – UK SITE SCREENSHOTS.....	86
EXHIBIT 3	UNIQLO THANKFUL FESTIVAL FACEBOOK CHECK-IN CAMPAIGN.....	86
EXHIBIT 4	UNIQLO THANKFUL FESTIVAL FACEBOOK CHECK-IN COUNTING	87
EXHIBIT 5	UNIQLO: % ADVOCACY BY TYPE OF USER	87
EXHIBIT 6	KGC’S GLOBAL NETWORK.....	88
EXHIBIT 7	LUCKY GROUP’S HONGMEI INDUSTRIAL PARK PLAN.....	88
EXHIBIT 8	LUCKY GROUP MANAGEMENT AND FAMILY TREE.....	89
EXHIBIT 9	LUCKY GROUP’S HONGMEI INDUSTRIAL PARK BUILDING 1.....	89
EXHIBIT 10	LUCKY GROUP’S CLIENTS	90
EXHIBIT 11	LUCKY GROUP’S PRODUCTS	90
EXHIBIT 12	BASECAMP LOGIN SCREENSHOT.....	91
EXHIBIT 13	BASECAMP CLIENT SCREENSHOT.....	91
EXHIBIT 14	BASECAMP PROJECT OVERVIEW SCREENSHOT	92
EXHIBIT 15	BASECAMP MESSAGE SCREENSHOT	93
EXHIBIT 16	BASECAMP TO-DOS AND FILE SHARING SCREENSHOT.....	94
EXHIBIT 17	BASECAMP WRITEBOARDS SCREENSHOT	95

EXHIBIT 18 BASECAMP CALENDAR SCREENSHOT (AGENDA VIEW) 95
EXHIBIT 19 BASECAMP CALENDAR SCREENSHOT (CALENDER VIEW)..... 96
EXHIBIT 20 TABLE 15 COMPARISON OF 20 PROJECT MANAGEMENT ONLINE PLATFORMS96

CHAPTER 1 INTRODUCTION AND METHODOLOGY

1.1 INTRODUCTION

1.1.1 Problem Discussion and Motivation

Infrastructure innovations have had far-reaching impacts on markets and marketing in the past. The latest such infrastructure revolution - the Internet, is presently underway. Marketers need to focus their attention on how Internet-based and other forms of electronic commerce will shape markets and marketing in the future. Nonetheless, Internet is not adequate. With the emerging technology, e-commerce business strategy is transforming to social commerce. How will this fast moving social commerce phenomenon and related technology products shape the new business markets and impact on our business approach? How will the evoking technology have an impact on business marketing approach and affect consumer behavior and purchasing cycle and experience?

Social commerce is still in its infancy period yet it is inevitable to dig in further to comprehend its significance on business and marketing approaches. These questions will be answered by analyzing the market-shaping characteristics of the social commerce from an economic perspective. Using this perspective, it is to examine how the social commerce is shaping and will continue to shape markets, marketing institutions, and marketing practices.

1.1.2 Problem Definition and Purpose

The academic and professional study of social commerce is now a rapidly growing field yet with limited resource available. On such a newly identified social trend for business and consumer field, it is still a beginning stage for the term “social commerce” to be justified with basic principles and theories. Companies, marketing agencies or newly developed social commerce companies around the world, they are all discovering the importance of this emerging trend of combining social media experience with e-commerce, creating social commerce, which is a subset of commerce itself

(Cavazza, 2012). A few and adding successful stories of companies implementing social commerce strategies continue to prove this as an predestined trend for business to implement in order to remain competitive in the market and leverage synergies with available online media resources.

At the moment, the most commonly facing challenges by companies are the know-how and potential benefits of social commerce – solid evidence to prove the existence of reimbursements of social commerce. Never before have marketers been able to reach their targeted groups in such intimate ways. With a wide variety of mediums available at companies' disposal, almost any companies can find a social solution that is right for them (Kennedy, 2011). In international advertising and marketing terms, marketing campaigns and budget is still working with the old approach; references and paper prove, to demonstrate the effectiveness of marketing. Nevertheless, marketing itself has been the most invisible yet powerful tool existing in business function. Providing the hindsight of social commerce from an operation point of view, perhaps will allow more people to recognize this up and hit phenomenon of the new information age. In this paper I will examine a possible remedy to the problem of scarce resources: the leveraging of online resources, a reduplicated resource to combine proofs of the successful stories, to prove the benefits of social commerce existence. Sharing among customers has become the powerful tool for social commerce and prompts a new set of consumer behavior (“ Social Commerce Rule of Thumb, Part 6: Reciprocity, Share and Share Alike”, 2011).

It is my proposition that strategic marketing planning and judicious application of social commerce with possibility of substantially improving business marketing strategy with a more cost effective approach, improving brand image, and also sharing information with consumers in a more effective way. Social commerce is the voice of customer with return on investment (“Six Steps to Social Commerce Heaven (Video): Insights & Best Practices from UK”, 2012). I will examine different case studies to demonstrate the benefits and their varies degrees of success, to determine and suggest the key success factors of social commerce strategy and how it could be leveraged to fit into companies' overall business strategy and how exactly social commerce should be done.

1.1.3 Chapter Overview

In Chapter 2, the meaning of social commerce will be examined. Different definitions of social commerce tools including Facebook commerce, Twitter commerce and YouTube commerce will be explained. The new age and old age business will also be defined to further the discussion. Comparison of the characteristics of new age and old age business will also be examined. Finally, the definition and global macroeconomic framework will be explained. Theoretical of consumer behavior AIDMA and the newly adapted Dentsu framework of AISAS will be clarified in this chapter to provide a more relevant framework in regards of social commerce for further analysis.

In Chapter 3, the social commerce strategies used by the different business-to-consumers (B2C) companies and the key success factors will be discussed through case examples of UNIQLO, and Benefit Cosmetics. Case study of Korea Ginseng Corp. Japan (KGC) will be discussed intensively as an example of old age business to consumer company, to demonstrate their needs of adaptation in social commerce strategy, thus recommendation of social commerce strategy will be suggested to KGC in order to provide further insights, so as to study through the different operation approaches and effect of marketing evolve over time. Key challenges face by companies will be discussed as well. On the other hand, we will examine how new age business adapts the new marketing and operating approach for their expansion to the global markets.

In Chapter 4, an intensive case study of Lucky Group Ltd will be discussed as a business-to-business example. The verdicts of the case studies are summarized and drawn together in this chapter.

Whereas a further comparative analysis is presented in Chapter 5, some key success factors in implication of social commerce strategy will be identified. It is to look into the know-how of implementation for social commerce strategy. Challenges for social commerce implementation will also be identified.

Finally for Chapter 6, future outlook of social commerce strategy in terms of B2C and B2B, general recommendation will be discussed. The thesis will be concluded in this chapter.

1.2 RESEARCH APPROACH

1.2.1 Case Study Methodology

Qualitative research is chosen to be the main methodology in conducting this thesis. Qualitative research is intended to penetrate to the deeper significance that the subject of the research assigns to the topic being researched. It involves an interpretive, naturalistic approach to its subject matter and gives priority to what data contribute to important research questions or existing information. Qualitative research involves in-depth observe and inquiry of subject participants, thus arising evaluation with qualitative data from qualitative interviews (Patton, 2002). The experimental and exploratory nature of the case study method performs as the main reason for using it, as this allows the case studies to be analyzed in a qualitative approach.

In order to be able to identify the success factors behind and potential effects of social commerce strategy, it will be necessary to qualitatively compare the strategy used by one company throughout the time period in transition. This will hopefully allow identification of fundamental success factors that go across cultural and geographical borders and are truly relevant to social commerce in a global context.

1.2.2 Data Collection and Sources

Data is mainly collected by secondary research and Internet references of social commerce related case studies and on going social commerce campaign. For general case studies, Internet references are used intensively for analysis. For the two intensive case studies of KGC and Lucky Group Ltd, data is collected personally through internship during summer 2011 for Korea Ginseng Corp., thus getting company data and qualitative interview with relevant personal. Qualitative interview is again conducted with top management of Lucky Group Ltd, provided with company data, resources and management opinions, in order to understand their first hand explanation of strategic impact of social commerce strategy implementation.

1.2.3 Major Data Sources

As social commerce is a relatively new defined term, the major data sources are mostly from socialcommercetoday.com, a leading online social commerce resource platform and marketing agency for social commerce. Other data sources are collected from major marketing agencies and online marketing platform such as Dentsu, BazaarVoice, Booz & Co, and so forth. Newspapers and articles regarding social commerce are also referenced intensively. Conferences and research reports about consumer behavior are also referenced to provide the ground for social commerce implications.

CHAPTER 2 DEFINITION

2.1 WHAT IS SOCIAL COMMERCE

What is social commerce? This is a brand new idea for e-commerce for this 21st century. This new definition is evoked based on two big digital trends, “social media” and “e-commerce”. According to Social Commerce Today.com, social commerce can be defined as a subset of electronic commerce that involves using social media, online media that supports social interaction and user contributions, to assist in the online buying and selling of products and services (Marsden).

The term “social commerce” is being commonly used since February 2007¹; when Facebook, as a social media channel for ecommerce, selling virtual gifts in the virtual world, and this has continue to shape the social commerce for today. The introduction of the first social shopping mall via Facebook has continue to encourage more brands to engage their customers and sell their products via social media, such as SNS, blogs, Facebook, forums and etc. The industry itself has been constantly changing and growing in an exponential manner.

The shift of power from business to consumer has prompted the evolving change in marketing. With consumer gaining more power over in marketing, consumers are now involved in the process of creating, buying and selling products by sharing their opinions and thoughts through social medias such as YouTube, Facebook, Twitter, online blogs and so fore. Companies are now finally more concern with what consumers think and decisions are evolved around consumers as all processes are becoming more and more transparent.

2.1.1 Difference with Holistic Marketing

While there may be easily confusion arose when defining the term, differentiate between social commerce and holistic marketing is simple. For holistic marketing, it is defined as “A marketing strategy that is developed by thinking about the business as a whole, its place in the broader

¹ See more social commerce history - http://socialtimes.com/social-commerce-infographic-2_b84120

economy and society, and in the lives of its customers. It attempts to develop and maintain multiple perspectives on the company's commercial activities" (Business Dictionary) ². Holistic marketing is a general idea of marketing, which suggested companies and marketers to look outside the box and develop strategies that help the marketing as a whole (Sheth & Sisodia, 2006). The holistic marketing concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognizes their breadth and interdependencies. Holistic marketing recognizes that "everything matters" with marketing and that a broad, integrated perspective is often necessary (Schmidt & Ludlow, 2002). Four components of holistic marketing are relationship marketing, integrated marketing, internal marketing, and social responsibility marketing. Holistic marketing is thus an approach to marketing that attempts to recognize and reconcile the scope and complexities of marketing activities³.

Social commerce in this sense can be seen as a subset of strategy used under the category of holistic marketing; helping the business to gain brand awareness, collect feedbacks, and create social responsible values for the business.

2.1.2 Facebook (F) – commerce

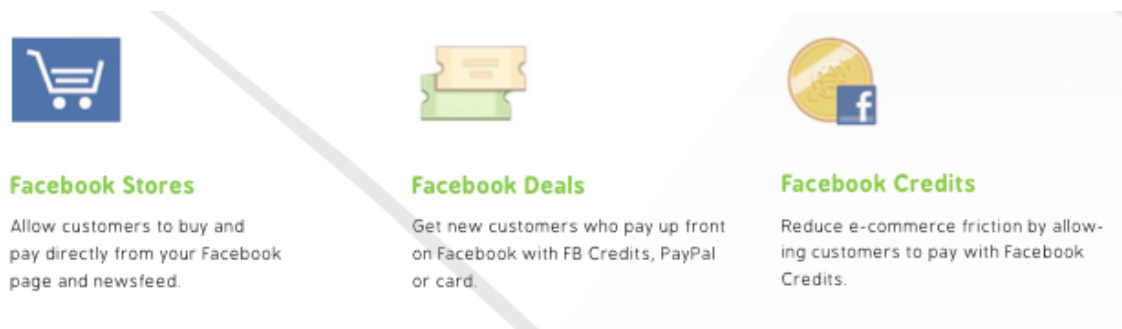
In the 21st century, it has evolved from simply selling on Facebook pages to a full ecosystem of solutions for selling with Facebook. The ecosystem includes Facebook Stores; Facebook Deals; Facebook Credits; Facebook Apps; Facebook Developer Tools; Facebook Check-in Deals; and Facebook Advertising.⁴ Facebook has become a new approach in marketing for business to leverage in terms of business growth (Holzner, 2009).

² See more for holistic marketing - <http://tiffanyabrown.wordpress.com/what-is-holistic-marketing/>

³ See more - <http://www.mbacareerprogram.com/marketing/concept.html>

⁴ For more see Marsden – Syzygy White Paper. Selling on Facebook - The Opportunity For Consumer Brands.

Figure 1 - Selling on Facebook



Source: Selling on Facebook - The Opportunity For Consumer Brands. *Syzygy*

The features of Facebook Stores, Facebook Deals and Facebook Credits are depicted in Figure 1.

Facebook Stores: Third-party e-commerce applications installed on Facebook business pages that enable users to shop and complete purchase transactions without leaving the network. For example, ASOS, JC Penney, GNC, HMV and Black Milk Clothing allow people to browse, share and buy from an e-commerce app on their Facebook pages.

Facebook Deals: Facebook's deal platform enables vendors to get new customers to pay upfront for vouchers that can be redeemed in-store or online. For example, the American Swim Association offers voucher deals for pre-paid swimming lessons.

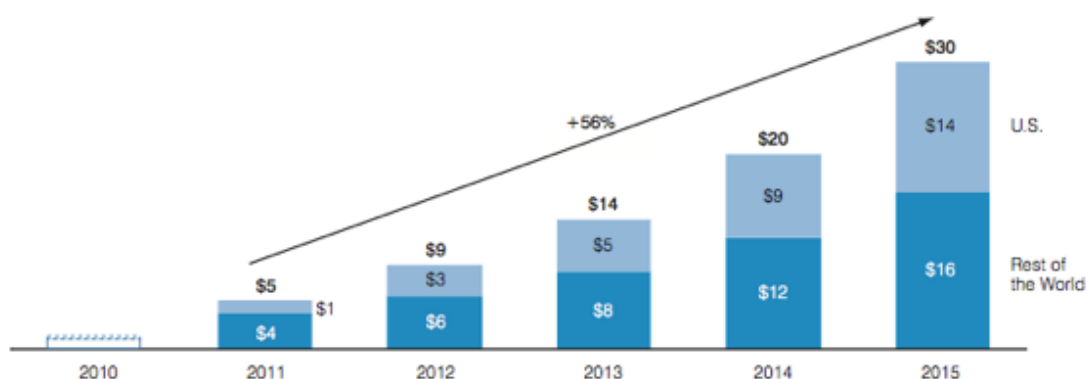
Facebook Credits: Facebook's own currency, used for purchases made within Facebook for virtual goods, digital products, and Facebook deals. For example, Warner Bros. allows users to pay with Facebook Credits for its movie rental streaming service from Facebook movie pages (e.g. Harry Potter, Batman, Inception and so fore).

Figure 2 Facebook Assisted Commerce – Selling with Facebook



Figure 2 depicted the other features of Facebook that assist commerce activities through this virtue platform.

Chart 1 Booz & Company Estimate of Social Commerce Market Size (2010-2015; in US\$ Billions)



N

ote: Numbers might not add up because of rounding.

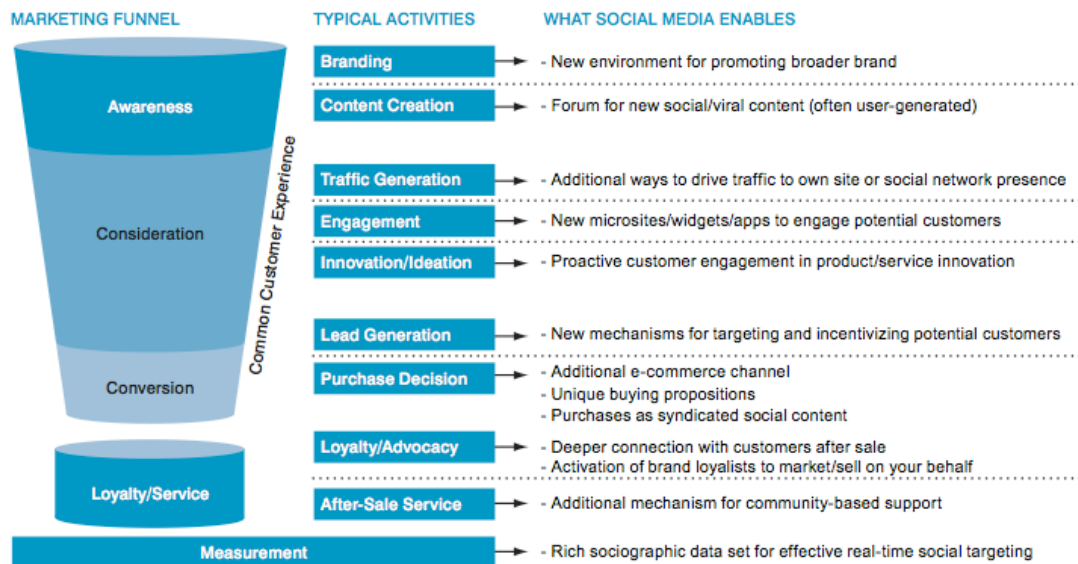
Source: Turning “Like” to “Buy”: Social Media Emerges as a Commerce Channel. (2011). *Booz &*

Company

According to a survey conducted by Booz & Company in 2010, consumers are more ready to buy products through social media. Consumers who spend at least one hour a month on social networking sites and who have bought at least one product online in the last year provides some insight. Twenty-seven percent of respondents said they would be willing to purchase physical goods through social networking sites. Moreover, 10 percent said their buying through social networking sites will be incremental to other buying they do—that is, they will end up buying more physical goods overall. (The 73 percent who said they would not purchase goods through social networking sites largely cited concerns related to security and privacy, two areas that many big social networking sites are already working to improve.)

Booz & Company estimates that the social commerce market – largely driven by and group-buy will be driving the dollar volume of goods sold to \$30 billion from \$5 billion this year in annual sales by 2015; \$14billion in the US and \$16billion in the rest of the world (See Chart 1).

Figure 3 Typical Social Activities in Each Stage of Marketing Funnel



Source: Booz & Company

2.1.3 Twitter commerce

So we have talked about Facebook, the biggest phenomenon in social commerce. Nevertheless, this does not conclude the whole story. Social commerce includes other e-commerce platforms that involve social media and networking. Subsequently we are going to talk about Twitter, and define what is Twitter commerce.

According to definition on Techterms.com⁵, Twitter is an online service that allows you to share updates with other users by answering one simple question: "**What are you doing?**" and within 140 characters, users are to share anything with this Internet tool. Twitter is a broadcast medium.

And as such, is another great-invented platform for online advertising. According to an online article (Gobry, 2011), Twitter provides two main functions for businesses to expand their market, without even giving Twitter any money for the services. Businesses can use Twitter in two ways:

Discounts: To get consumers' attention to use Twitter for discounts that is happening in store. This is a great for advertising. Using Twitter, helps to create voice about businesses marketing discount campaign. The case study of UNIQLO will be discussed in later chapter to explore more.

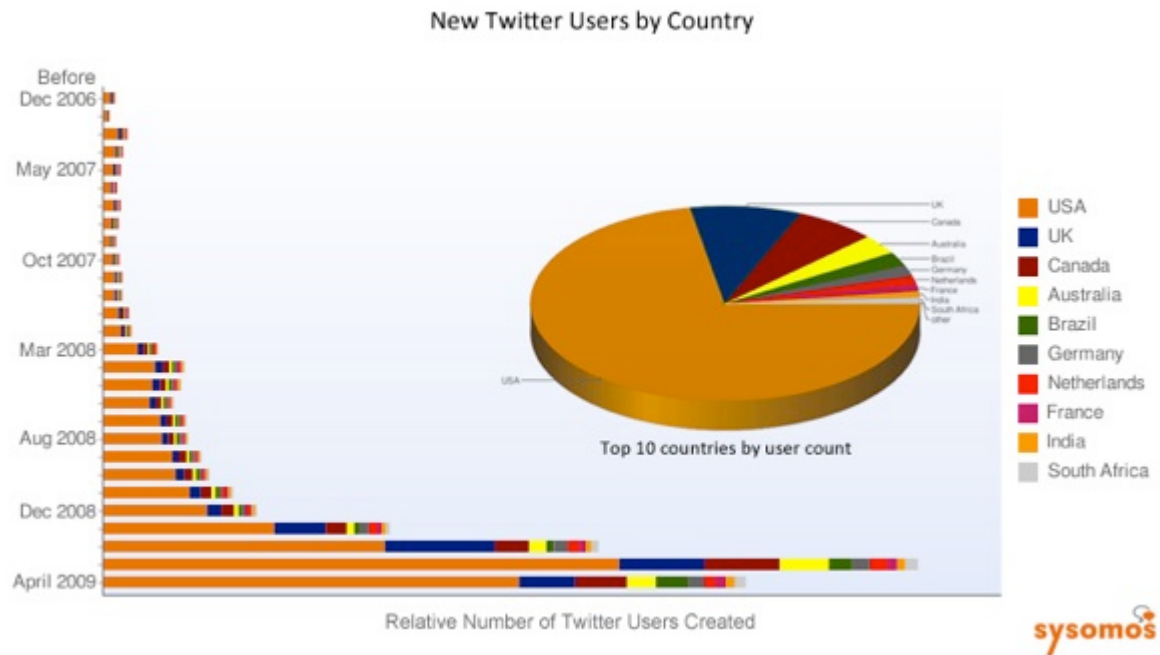
Inventory management: Twitter can really add value for companies in this sense. Companies can make use of Twitter to sell unsold inventory. The real-time nature of Twitter means it has a lot of potential to become a unique sales channel for unsold inventory. According to an interview of Twitter's CEO Dick Costolo at Fortune, Costolo mentioned how conference organizers and sports teams had used Twitter to find buyers for unsold inventory. For example, the San Diego Chargers were able to quickly sell around 1,000 tickets to a game that otherwise would have been blacked out on local television (Primack, 2011).

Definitely, Twitter is becoming the new social commerce trend for businesses and companies to utilize in terms of marketing strategy (Micek & Whitlock, 2008). More big IT solution companies are incorporating social commerce strategy to their solutions for B2C and B2B customers. For

⁵ See more from Twitter Definition. (n.d.). The Tech Terms Computer Dictionary. Retrieved November 18, 2011, from <http://www.techterms.com/definition/twitter> , also Micek, D., & Whitlock, W. (2008). *Twitter revolution: how social media and mobile marketing is changing the way we do business & market online*.

example, IBM has incorporated their WebSphere Commerce product with the social commerce function⁶ and developed SAP system that has incorporated social commerce solution⁷.

Chart 2 Twitter Countries Distribution



Source: Sysomos Inc.

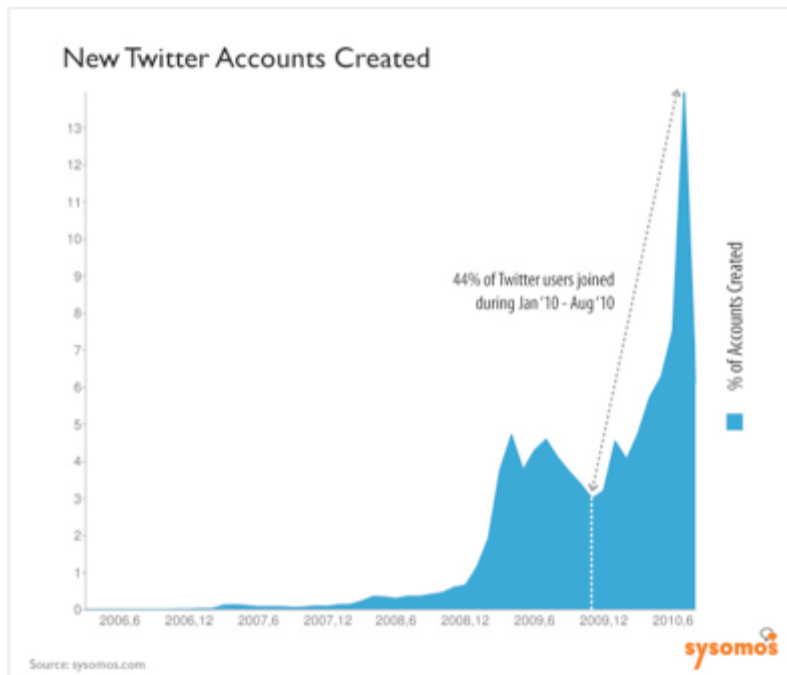
According to Sysomos, US are the biggest Twitter country by population, followed by UK, Canada and Australia.

6 See more:

http://publib.boulder.ibm.com/infocenter/wchelp/v7r0m0/index.jsp?topic=%2Fcom.ibm.commerce.install.doc%2Ftasks%2Ftsgsochr_twitterauth.htm IBM Websphere Commerce product manual

7 See more: <http://www.redcommerce.com/blog/emerging-trends-sap-in-the-world-of-social-commerce-blog-02861394750>

Figure 4 New Twitter Accounts Created



Source: sysomos.com

As seen from Figure 4, Twitter is increasingly become more popular from 2009 to 2010. 44% of Twitter users joined during Jan 2010 to Aug 2010. What did this tell about us? We know people are more connected to share about themselves. According to the Twitter marketing research conducted by Sysomos, the number of Twitter users offering this information has more than doubled to 63.3%, compared with 31% in 2009. Significantly more users are disclosing their location, biography and web information in Twitter profiles. These users with 100+ friends have increased by three-fold to 21% since 2009.

2.1.4 YouTube commerce

According to Techterms.com, YouTube is defined as a video sharing service that allows users to watch videos posted by other users and upload videos of their own.⁸ The service was started as an independent website in 2005 and was acquired by Google in 2006. Videos that have been uploaded to YouTube may appear on the YouTube website and can also be posted on other websites, though

⁸ See <http://www.techterms.com/definition/youtube>

the files are hosted on the YouTube server.

How does YouTube facilitate as a social commerce strategy to promote business functions? Miller (2009) suggested that online video marketing, as known as YouTube for business has been one of the most effective ways of marketing in recent years.

A recent revolutionary example is cloth retailer French Connection (UK) has recently launched an online shopping boutique through YouTube (“French Connection: Move over, the YouTique (YouTube boutique) is here”, 2011). This provides the perfect example on how companies can utilize YouTube as part of their business strategies. The term “YouTique” is combined and actually means the “YouTube boutique”.

French Connection through YouTube, show cast personal shopping advice videos and provide links seamlessly through to French Connection’s e-commerce site via YouTube’s annotation tool repurposed as a buy button. Like, which is still embryonic, YouTube commerce is in the very earliest stages of development, and it is easy to dismiss French Connection’s social shopping channel as simply video and comments linked to a store.

The French Connection YouTique is a simple idea. Customers buy through a click buttons when they see the items that they want to buy in the YouTube video. (See Exhibit 1). This innovative approach enables simplicity in promotion, also helps to enhance customers shopping experience. A YouTique on/off button on all music videos, TV series, and movies on YouTube – that displays a YouTube buy button on gear you are interested in (based on your personal likes); all within a YouTube-integrated shopping cart will not be difficult to imagine for future possibility. It’s product placement for the YouTube generation – and with a digital trace to sales.

Implications

As at December 2010, Facebook has almost 600 million users, and the Twitter population is accounted to 200 million⁹. With these increasing population trend of people being more willingly to share personal information through Internet and social media platforms, provides the opportunities for companies to promote and market their products and services in a more cost efficient manner –

⁹ See <http://www.webanalyticsworld.net/2010/12/twitter-vs-facebook-population.html>

that is to use social commerce strategy.

2.2 WHAT IS NEW AGE BUSINESS

According to Österle, H., new age business is defined as business that evolves around the reformation of information flow. The evolution of new age business transforms from the invention of mobile phones, to now the interactive encyclopedias, and financial derivatives (Österle). For these recent twenty years, the globalization of business has facilitated the global economy to engage in the almost instantaneous flow and exchange of information, capital, and cultural communication. These flows order and condition both consumption and production. The networks themselves reflect and create distinctive cultures. Castells demonstrates, in the light of major world trends, how the network society has now fully risen on a global scale (Castells, 1996).

To define old age business, it is somewhat difficult to draw a fine line between old and new. Nevertheless, in order to facilitate further discussion, it is to differentiate old age from new age, by defining old age business as business that requires physically shops and involves physical processes for business transactions, including manufacturing that involve physical appearance of workers or point to point services, also involvement of physical actions in order to complete business transactions.

The global trend – use of internet; social networking platforms; prompt data gathering; and global sourcing (i.e. global supply chain) are commonly adapted by old age business nowadays to reduce lead time for information flow, also to facilitate marketing strategies to penetrate the market in a promptly manner (Williams & Media). For recent decades, old age business has evolved to utilize other tools to amplify the expansion speed of the business. No matter from good based business, such as selling products like FMCG goods, or service providing, utilization of new age technical tools become inevitable for business to follow in order to compete and survive in this competitive business environment. From using Twitter; Facebook fan's page; or having online advertisement on Google; or developing smartphone's applications, all of these elements become

essentiality for a business to look into. They became the basic components for businesses in the set up stage. Nonetheless, these tools are also the easier and faster way to penetrate the market without inducing a lot of fixed cost. The trend and behavior of the business environment is constantly changing and evolving to what we see now. Social commerce becomes an essential basic component to new age business for setting up the foundation.

According to Ellison et al. (2007), social network sites (SNSs) such as Friendster, CyWorld, and MySpace allow individuals to present themselves, articulate their social networks, and establish or maintain connections with others. Online SNSs support both the maintenance of existing social ties and the formation of new connections. Much of the early research on online communities assumed that individuals using these systems would be connecting with others outside their pre-existing social group or location, liberating them to form communities around shared interests, as opposed to shared geography (Wellman et al., 1996).

Facebook is tightly integrated into the daily media practices of its users: The typical user spends about 20 minutes a day on the site, and two-thirds of users log in at least once a day (Cassidy, 2006). The high traffic of Facebook users provides a solid social platform into the intangible online world, allow people to share and spread information in a very timely manner. Likewise, this induces great opportunities for businesses to utilize its nature to nurture the growth of penetration to the market.

Table 1 Economic Effect of Internet and Impact on Marketing

Economic Effect		Impact on		
Type of cost/benefit	Internet-related effects	Producers and Providers	Market Intermediaries	Consumers
Agency Costs and Benefits	<ul style="list-style-type: none"> · Lower coordination and control costs · Potentially greater opportunity costs and risks of delegated agency · Greater benefits of wide-ranging 	<ul style="list-style-type: none"> · Cost savings from flatter organization · Potential delegation of agency to customers · Ability to reach vast, geographically 	<ul style="list-style-type: none"> · Traditional intermediaries face threat of being bypassed · New cybermediaries have opportunity to capture agency-delegation benefits by 	<ul style="list-style-type: none"> · Convenience of “self service” available at desktops and in homes · With some investment of time, ability to control many aspects of market

	agency	spread markets at modest costs	“aggregating” large numbers of repeat-visiting users	transactions
Transaction Costs	<ul style="list-style-type: none"> · Faster, more direct transactions · Lower transaction costs 	<ul style="list-style-type: none"> · Shorter and faster production and order-processing cycles · Lower costs and stronger profit margins 	<ul style="list-style-type: none"> · Direct transactions threaten traditional intermediaries · Cybermediaries may benefit from lower transaction costs 	<ul style="list-style-type: none"> · Faster access to desired items at potentially lower prices
Network Externality	<ul style="list-style-type: none"> · Positive externality of large networks · Negative externality when networks are intrusive 	<ul style="list-style-type: none"> · Frantic race to create large, ubiquitous, user-friendly networks · Trade-offs have to be made between reaching out to (“assisting”) users and infringing on their private time and (virtual) space 	<ul style="list-style-type: none"> · Cybermediaries attempt to aggregate users and to become their “network of networks” – that is, a one-stop site for multiple types of transactions in cyberspace 	<ul style="list-style-type: none"> · Incentives available to join networks, and to switch networks · Greater choices but increasing search costs · Standardization (no/low choice) becomes appealing if it lowers search costs without significant price penalty

(Dholakia, Dholakia, Kshetri, and Park)¹⁰

The economic effect and marketing impact on different stakeholders of the business are summarized in Table 1. The use of Internet and new social networking method for marketing helps the business to reach the economies of scale. In terms of agency costs, for producers/providers and consumers, the new age transformation allows them to reduce cost in information exchange, thus market intermediaries face threats to be bypassed by them. Consumers are able to control more aspects of the market transactions, and producers can also outreach the market in a timely manner with limited cost.

In terms of transaction costs, since information is readily available, producers can reduce the production lean time and adjust business operation model according to business needs. Consumers can easily access to desired products or services. Market intermediates are facing threats that force

¹⁰ See more - An Economic Framework for Understanding the Internet-driven New Economy. CiteSeerX, <http://citeseerx.ist.psu.edu/viewdoc/summary?doi=10.1.1.100.5313>

them to adjust to become cybermediaries to continue their competition and existence in the market.

Network becomes an important part with this transition of business phase. From old age to new age, network has become an essential part for producers, consumers or even intermediaries in their business models. Producers create large, ubiquitous, user-friendly networks to reach more consumers. For consumers, now there are more incentives for them to join more networks, also increase their range of choices. However, it also induces an increase in search costs for them since standardization of choices is more difficult for evaluation as it is largely net-based. Cybermediaries also attempt to aggregate users and to become their “network of networks”, thus provide a one-stop site for multiple types of transactions in cyberspace.

2.3 COMPARATIVE CHARACTERISTICS OF OLD AGE AND NEW AGE BUSINESS

Table 2 demonstrated the characteristics of market transaction of old age and new age business. Whereas old age business is defined with the historical phase of pre modern (Pre-Industrial Age) to modern (Industrial Age); and new age business is classified as post modern (Information Age).

Table 2 An Evolutionary Perspective on Market Transactions

Historical Phase	Pre modern Pre-Industrial Age	Modern Industrial Age	Post modern Information Age
Overall characterization of market transactions	One-to-One	One-to-Many	Many-to-Many
Nature of relationship	Personal relationship	Mediated relationship	Electronically mediated, simulated "one-to-one" relationship
Market Response	Immediate and Direct	Delayed and Indirect	Immediate and Direct
Volume of Transactions	Limited	Large	Large
Market Reach	Local	National	Global
Information Sources for Buyers	Personal sources of information	Media-dependent, plus some word-of-mouth	Net-based impersonal and personal sources
Connection among Buyers	Limited, personal	Non-existent, or very limited	Extensive, impersonal

(Dholakia, Dholakia, Kshetri, and Park)¹¹

Old age business characterized with one-to-one market transactions, thus normally it is executed within limited resources and volume of transactions, and is limited due to time lag and delay in response. Information flow is largely dependent on personal sources or word-of-mouth. Connection among buyers is also very limited and personal.

On the other hand, new age business consists of characteristics of constant changes of business environment and requires immediate response in adaptation to new information flow. Likewise, new age business is characterized as business with a fast market response, also able to reach to the global in a timely manner.

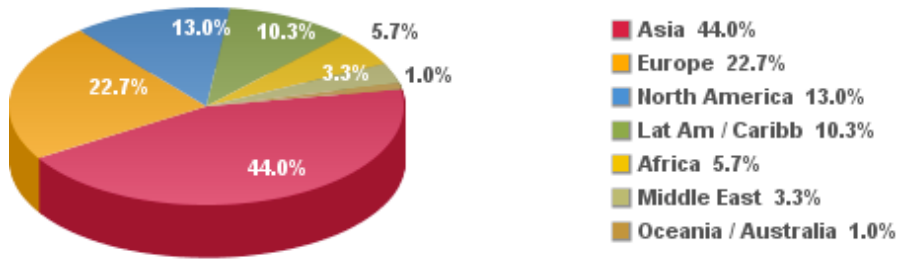
2.4 GLOBAL MACROECONOMICIAL FRAMEWORK

The popularity of text-based communications such as e-mail, news groups, discussion groups, bulletin boards, and chat lines had laid the groundwork for the rapid change in growth of the Internet. Real excitement and explosive rates of growth, however, were triggered by the invention of the multimedia World Wide Web (WWW) protocol. Invented at the CERN laboratory in Switzerland and refined at the NCSA laboratory in Illinois, WWW and the Mosaic browser opened up new vistas of Internet usage and electronic commerce (Hoffman and Novak 1995). E-commerce has evolved to become an important key success factor for business for this new era. From business-to-business, to business-to-customer, effectively use of e-commerce strategy becomes certain for business to success regardless of industries. Nevertheless, for this new information age, e-commerce is not only essential, but extra components (i.e. social media and interactive platforms) to be added on e-commerce strategy are seen to be crucial for success in competitions for this new age of business – that is what we called “social commerce”.

¹¹ See more - An Economic Framework for Understanding the Internet-driven New Economy. CiteSeerX, <http://citeseerx.ist.psu.edu/viewdoc/summary?doi=10.1.1.100.5313>

Figure 5 Internet Users in the World, Distribution by World Regions - 2011

**Internet Users in the World
Distribution by World Regions - 2011**

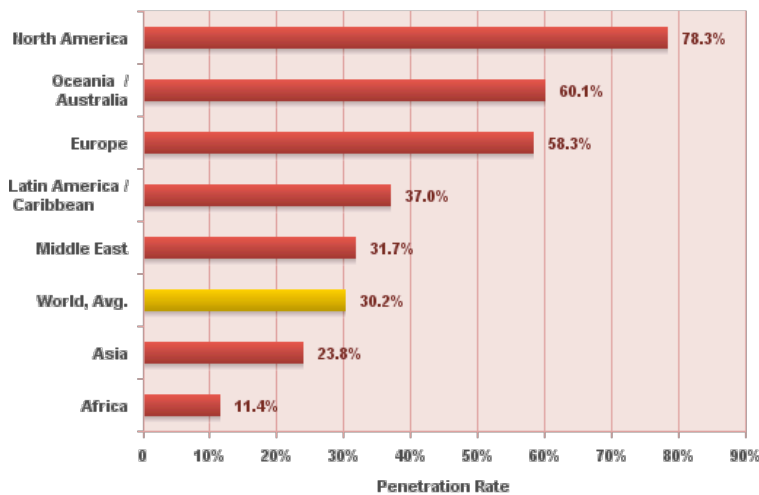


Source: Internet World Stats - www.internetworldstats.com/stats.htm
 Basis: 2,095,006,005 Internet users on March 31, 2011
 Copyright © 2011, Miniwatts Marketing Group

As seen from Figure 5, the data of Internet Users distribution in the world in year 2011, Asia accounted for 44% in terms of total usage. The Internet usage of the Asia area has been growing in an astonishing rate.

Figure 6 World Internet Penetration Rates 2011

**World Internet Penetration Rates
by Geographic Regions - 2011**



Source: Internet World Stats - www.internetworldstats.com/stats.htm
 Penetration Rates are based on a world population of 6,930,055,154 and 2,095,006,005 estimated Internet users on March 31, 2011.
 Copyright © 2011, Miniwatts Marketing Group

Table 3 Internet World Usage STATISTICS (Usage and Population by Countries and Regions)

World Regions	Population (2011 Est.)	Internet Users Dec. 31, 2000	Growth 2000-2011	Internet Users Latest Data	Penetration (% Population)	Users % of Table
Africa	1,037,524,058	4,514,400	2527.40%	118,609,620	11.40%	5.70%
Asia	3,879,740,877	114,304,000	706.90%	922,329,554	23.80%	44.00%
Europe	816,426,346	105,096,093	353.10%	476,213,935	58.30%	22.70%
Middle East	216,258,843	3,284,800	1987.00%	68,553,666	31.70%	3.30%
North America	347,394,870	108,096,800	151.70%	272,066,000	78.30%	13.00%
Latin America / Carib.	597,283,165	18,068,919	1037.40%	215,939,400	36.20%	10.30%
Oceania / Australia	35,426,995	7,620,480	179.40%	21,293,830	60.10%	1.00%
WORLD TOTAL	6,930,055,154	360,985,492	480.40%	2,095,006,005	30.20%	100.00%

Source: Internet World Stats – www.internetstats.com/stats.htm

From Table 3, Asia’s total Internet Users account for 922.3 million of users as at year 2011. With this large amount of users existing in the business world, the growing opportunities of business by utilizing social media tools is predestined. Yet with a penetration rate of only 23.8% of the total population for the Asian area, it is seen that there is an obvious gap between the existing population and the penetration rate. Hence, the upside growing potential for Internet usage still has a large potential for growth in the upcoming years.

2.4.1 New consumer trend

For this new information age, businesses are targeting younger consumers, because of their faster adaptation to new technology and information. According a recent marketing research topic “The Truth about YOUTH” conducted by the McCann WorldGroup in May 2011, there are some interest facts being discovered about young people and their consumer behavior. The quantitative research is conducted across the globe in US, UK, China, India, Spain, Mexico and Brazil. Qualitative research conducted in US, UK, China, India, Spain, Mexico, Brazil, Singapore, Malaysia, Chile, South Africa, Italy, Germany, Korea, Japan, Australia and Philippines. The marketing research is conducted with a 7000 sample sizes of young people.

Chart 3 Motivation that drives youth behavior

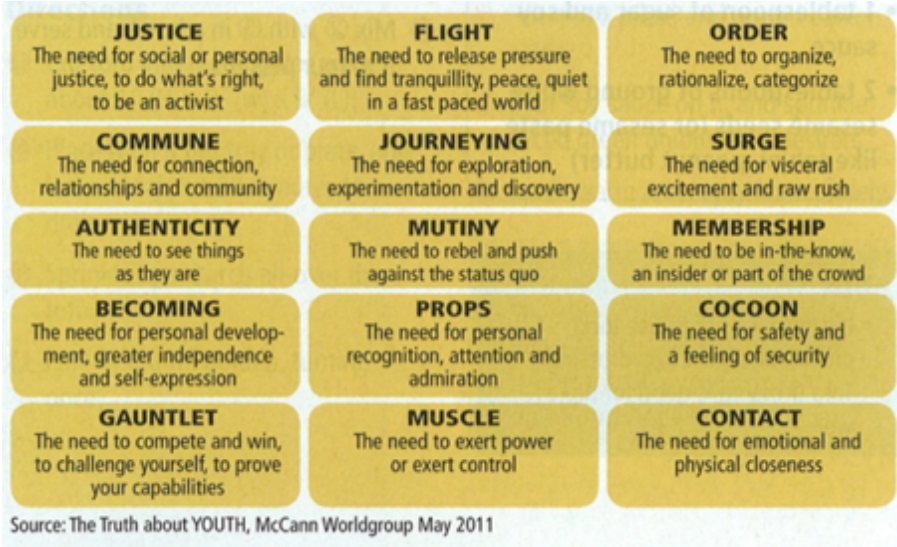


Chart 4 The Strongest Motivations Across Today's Youth (Top Three motivations by market)

GLOBAL	COMMUNE	JUSTICE	AUTHENTICITY
JAPAN	AUTHENTICITY	BECOMING	COMMUNE
USA	MUTINY	BECOMING	FLIGHT
CHINA	ORDER	COCOON	AUTHENTICITY
INDIA	MUSCLE	MEMBERSHIP	GAUNTLET
KOREA	COMMUNE	AUTHENTICITY	BECOMING
AUSTRALIA	COMMUNE	BECOMING	JOURNEYING

Source: The Truth about YOUTH, McCann Worldgroup May 2011

According to an article that Dave McCaughan has published in Japan Close-Up, the main drivers of motivation for today's youth is summarized as in Chart 3 (McCaughan, July 2011). While these 15 drivers act as the important mindset and drivers for youth, the most important three drivers around the globe are Commune, Justice, and Authenticity (See Chart 4). The following is the definition of these drivers.

Commune: The need for connection, relation and community.

This younger generation of consumer has the need to be connected and maintained multiple connections. Connecting with friends and various groups become strategic and they act and behave differently in various groups. Younger generation is more readily to discuss and participate in groups

for discussion through online platforms (Burgess et al., 2009). Messaging and sharing are very important in this sense thus the implication from this for business is that social activities are increasing more important when developing new products or services, especially if it is to target this group of younger consumers.

Justice: Classified into two categories. Social Justice, which is the need to do what's right for society; Personal Justice: the need to do what's right for me.

To ask a young person to choose the brands that have made the most positive difference to our lives from a list of the biggest global brands, technology brands are the clear winners of the day (i.e. Google, Microsoft, Apple, Facebook). Young people are faithful to these brands, believing that technology brands will solve most of the problems that the world faces today, from environmental issues to food shortages. Which is just as well given that it is these brands that transcend borders like no government can, will increasingly influence the shape of global justice, from freedom of speech to privacy and terrorism (McCaughan, Oct 2011).

Authenticity: The need to see things as they are, which is the truth.

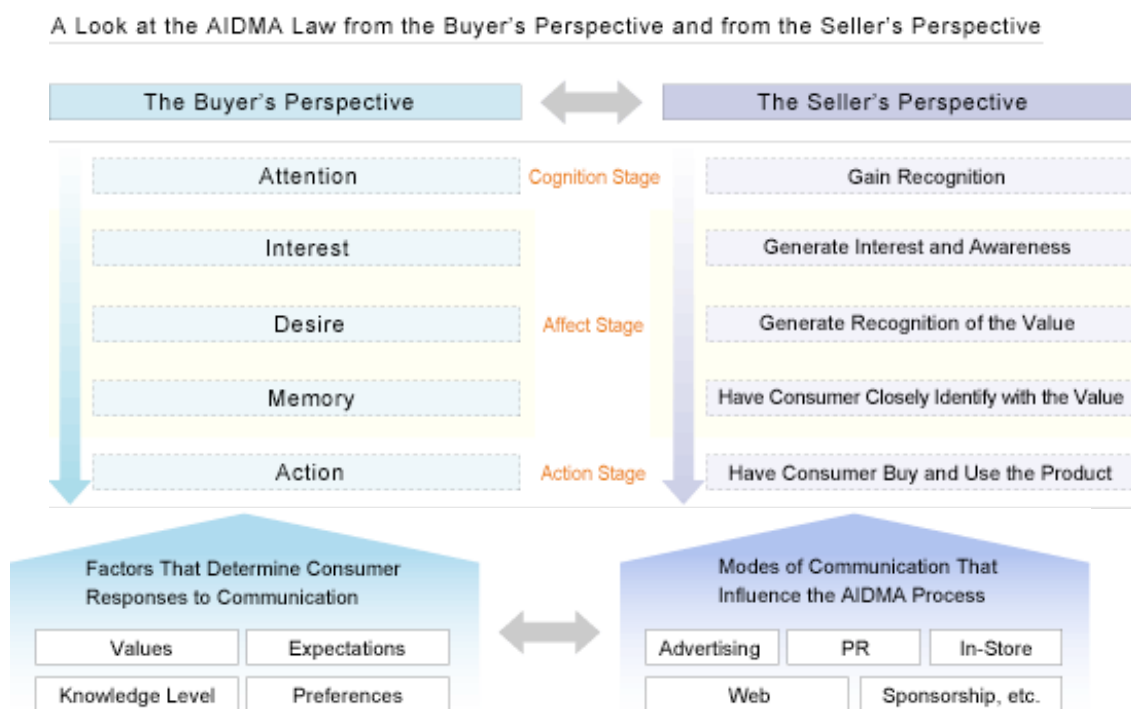
Young people are keen to seek the truth about products or services. They regard themselves as the truth seekers, thus we can see Google is utilized and regarded as one of the top brand among the younger generation. Search engines on Internet are acting as parts of the fabric and infrastructure of their lives and is seen as the route to knowledge, to know-how, to problem-solving and ultimately their believe to truth (McCaughan, Oct 2011).

These drivers are seemingly driven by personal technologies that young people engaged in, and are larger influenced for the social economy emerging with new trend and are being empowered as well as consumer behavior of today's youth. By understanding the new consumer behavior trend, business can adjust strategies in tackling these specific drivers that motivate consumer to spend on new products or services.

2.4.2 Understanding Customers – from AIDMA Law

AIDMA Law is a marketing framework advocated by S. Roland Hall, an American economist in the 1920s. Attention, Interest, Desire, Memory, and Action (AIDMA) Law is a hypothesis on the process of "consumption behavior" (Tanahashi, 2011).

Figure 7 AIDMA Law



Source: <http://www.mitsue.co.jp/english/case/marketing/02.html>

Consumer buying process is broken up into three stages - Cognition, Affect, and Action. Over these three stages the consumer first pays attention to the service or product in the **Cognition Stage**, then becomes interested in the product, wants the product and remembers the product in the **Affect Stage**, finally taking action to purchase the product in the **Action Stage** (Kotler, 2001).

AIDMA is useful for analyzing consumer behaviors in order to develop appropriate strategy. In terms of social commerce strategy, it stands as an excellent framework to be based for interactive

and personalized approach targeting individuals. There are a few key points to remember when comes to use AIDMA.

From the “Attention” phase, Cognition Stage describes the process in which a potential customer becomes aware of a certain product or service. This is an important phase that brands have to create a common foundation for consumer to recognize its products and provide a general common knowledge level. If information gets too difficult to communicate across consumers, the products are easily forgotten, thus brands have to provide understandable, and attention seeking information for consumers to retain their interests on the products. Supplementary information should be provided on websites or contact points that consumers normally reach out for information.

In the “Interest” phase, company has to capture consumers’ interests on their products. It is a common occurrence that people tend to want what other people buy. Testimonials, reviews, opinion leaders and professionals’ recommendations could be used in terms to promote and increase consumers’ awareness of the products. Allowing customers to put themselves into one’s shoes will allow them to imagine the possible possessions of consuming the product. This way it will motivate customers in the Affect stage to put their thoughts into Action.

In the “Desire” and “Memory” phase, it is important for brand to provide products and services that exceed these expectations and that offer a high degree of satisfaction. According to Pareto Law (Mishan, 1867), it is common that normally the purchases by the top 20% of customers contribute for 80% of total sales. Hence, it would not be difficult to imagine a company should develop strategy and promotions to maintain their valuable top 20% customers. To make and develop a place for loyal customers, help to conserve consumers’ desire for products, hence their good purchasing experience memories remain and continue as a loop as long as the company keeps up with the level of satisfaction. Boosting the brand value of products and services, and also brand building are also extremely important in retaining loyal customers and seeking new potential customers. By repeating the AIDMA process, company should come to understand the needs of their customers. Collecting feedback through social commerce platforms such as forums, fan pages, blogs, also allow consumers to show their involvement with the brand itself, enhancing mutual communication.

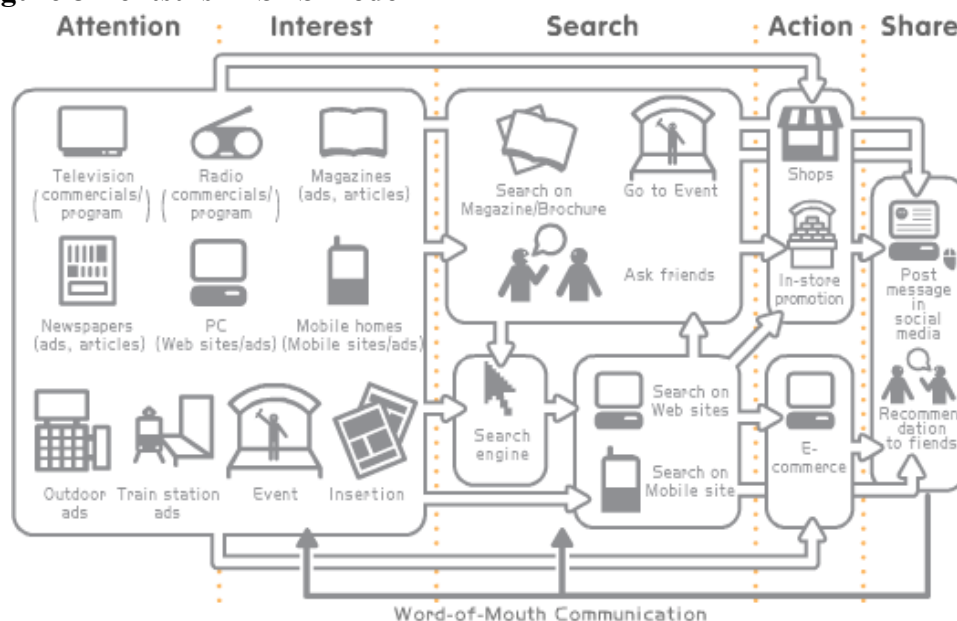
In the Action Stage, where customers have already decided what to purchase, they require another attribute from the brand, which is convenience. Customers will not repeat their purchase action if it is difficult for them to take action. Hence, companies should boost their convenience to increase the proportion of repeat customers. In terms of social commerce, online shopping website (e-shopping) is becoming more and more acceptable among customers as it helps to reduce the time in the purchasing process. Ensuring the smooth and easy to access for customers is seen as one of the important contributes for success.

The AIDMA Law is very useful in understanding customers and developing strategies targeting them. Keeping AIDMA Law in mind provide companies a clearer insight into the methodology for strategic development.

2.4.3 Dentsu's AISAS Model

AIDMA has been a useful tool for marketing for a long period of time. Nevertheless, due to the increasing speed of information transformation, the function of Search and Share have become more important for consumers. In regards of social commerce that become popularly in used since 2010, a more relevant framework to analyze consumer behavior is proposed by Dentsu, which is the AISAS model (Sugiyama & Andree 2011).

Figure 8 Dentsu's AISAS model



Source: Dentsu

Developed that based on AIDMA, AISAS model consists of Attention, Interest, Search, Action and Share (See Figure 8). The process is reduced to a shorter timeframe with 2 stages, Passive - Psychological changes, to Active - Action. The Action segments are further expanded into SAS (Search → Action → Share).

With the severe competitive business environment, businesses are to provide the most efficient contact points for consumers to reach out for information. It is now very important for businesses to seek out contact points that effectively communicate with target consumers, and design easy to access linkage between consumers and contact points. Businesses have to take into account the “Breath”, the reach and frequency; and “Depth”, which is the consumer involvement with the information communicates to them. Creating “scenarios” that attract move consumers, drawing their attention to brand and products and increase their involvement. Consumers need a reason to be involved. In this sense, it gives consumers an active brand experience and also creates brand loyalty before they know it. This is where social commerce comes in place, to provide a platform; a contact point for marketing strategies to be implemented and reach out to consumers to enhance their involvement with their purchasing process.

CHAPTER 3 NEW AGE CONSUMER BRANDS CASE STUDIES (B2C)

3.1 CASE EXAMPLE: UNIQLO

3.1.1 Company Background

Apparel fashion retailer UNIQLO opened its first store in 1984 in Japan, and later sparked a surge in UNIQLO sales nationwide with their fleece apparel campaign, which took the nation by storm in 1998. After then experiencing a period of falling revenue and shrinking income, they quickly reworked their strategy and engineered a boost in performance by expanding their line of women's wear.

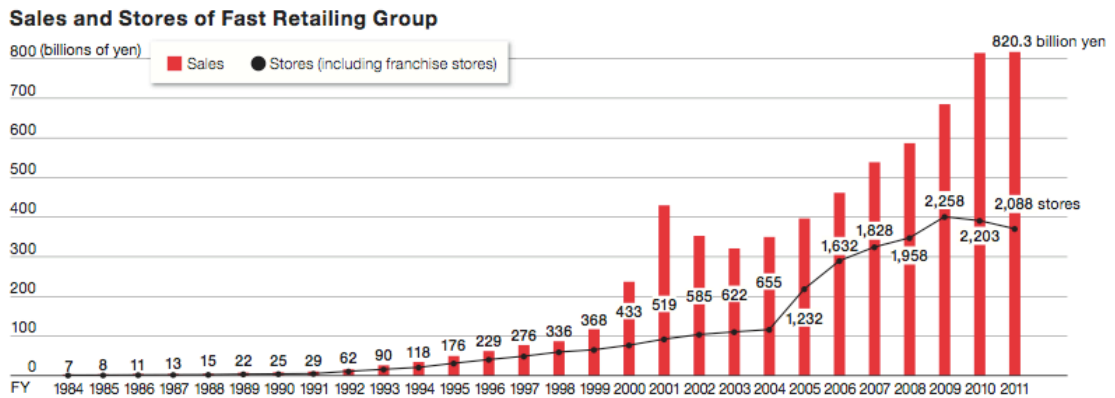
UNIQLO began their global sales network since 1991. They started by launching stores in the UK, and subsequently launched ventures in China, Hong Kong, South Korea, U.S., France, Singapore and Russia.

UNIQLO has 13 stores in the UK, all located in the southeast area. Previously in 2001 when they entered the UK market, they faced drastic failure. In the UK the taste of defeat was particularly bitter when Fast Retailing (parent company of UNIQLO) closed 16 of its 21 stores in the UK and posted extraordinary losses of 14.2 billion yen. UNIQLO re-enter the UK market in 2006 with a new strategy approach. As of the end of August 2011, UNIQLO boast 843 stores in Japan and 181 stores in other markets overseas.

3.1.2 Financial Data

From Figure 9, it can be seen that UNIQLO has been enjoying increasing sales since 2003. For August 2011, UNIQLO's sales reached 820.3 billion yen, and maintain a total of 2088 stores.

Figure 9 Financial Highlights in fiscal 2011



Source: UNIQLO, Company Annual Report

Table 4 UNIQLO Japan



	FY2011	Billions of yen	YoY
Net sales		600.1	-2.4%
Operating profit		106.2	-16.8%
Store number*		843 (stores)	+35 (stores)

* Including franchise stores

Sales by Product Category

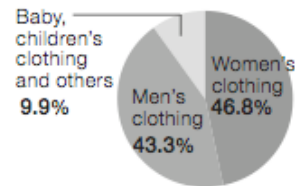
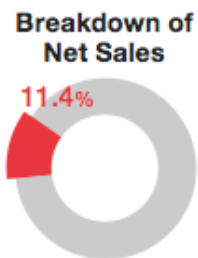
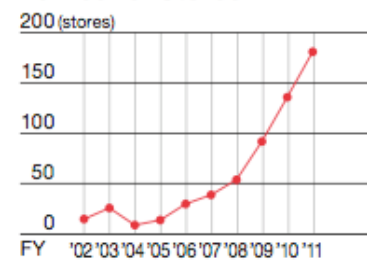


Table 5 UNIQLO International



	FY2011	Billions of yen	YoY
Net sales		93.7	+28.7%
Operating profit		8.9	+40.6%
Store number		181 (stores)	+45 (stores)

Number of Stores



Source: UNIQLO, Company Annual Report

Table 4 depicted the net sales for Japan has decreased for a 2.4% for a YoY, operating profit also decreased for a 16.8% YoY. Table 5 depicted the net sales for International has increased for a

28.7% YoY, while operating profit increased for 40.6% YoY. It can be derived that UNIQLO has gained more brand awareness in overseas and UNIQLO's strategy in expanding to overseas has been so far seen as successful.

3.1.3 Social Commerce Strategy

UK "Under Construction Campaign"

UNIQLO has been running the "Under Construction" social commerce campaign – revamping its UK e-commerce website by involving their customers to participate (See Exhibit 2). The main ideas for the campaign is very simple:

Lucky Counter: a reverse-auction counter that slashes prices down every time someone tweets about a brand product;

Lucky Machine: a pinball machine game that allows customers to win discounts or cash prizes.

So whilst the UNIQLO site is down, site visitors see a holding page where they can set the price for 10 UNIQLO items that will go on sale on the new website. Users get to set the price by simply tweeting their favorite item – the more people who tweet, the lower the price (Marsden, 2010).

The campaign was a total success.

Competitors of UNIQLO, namely Zara and H&M, the two biggest U.K. retailers with 65 and 173 stores respectively, are also switching their retail strategies by changing their U.K. websites to include online shopping. Zara launched their site a week before UNIQLO did, and H&M's unveiling was pursued in September of the same year. The point is, 3 big clothing retailers decided to do similar things all around the same time, and the one that was least likely to get coverage or attention was the obvious underdog, UNIQLO. But so far the UNIQLO brand is doing pretty well because it knows how to play the social commerce game correctly (Hung, 2010).

First, with the Lucky Counter, UNIQLO invited customers to engage with the brand while waiting for the website to launch. Rather than putting up a standard "under construction" page, it set up a sort of reverse-auction that worked like this: certain products were posted up on the page with

prices marked underneath them, each product linking to a “tweet” page where consumers could tweet about the product and watch as his/her tweet instantly caused the price of the item to drop. This worked great for inbound marketing by giving UNIQLO free and honest, ‘real people’ Twitter marketing, and it brought in new consumers who were interested to see that they could directly impact prices of items they wanted. The buzz boosted UNIQLO’s brand name, so although it does not have much visibility physically store-wise, more people heard about the website through this campaign.

Second, when the Lucky Counter ended, there was immediately another fun tool to take over. The Lucky Counter was only available from September 3rd to September 9th on the same year in order for the re-launched website to be able to showcase the newly discounted items. Since the launch, the website has been allowing customers to play the Lucky Machine, a pinball-like game which awards cash prizes and discounts. This tool is linked with both Twitter and Facebook, so if customers invite friends to join in, they get more pinballs to play with. The Lucky Machine is available through October 1st, again for U.K. consumers only, but it is likely that other social commerce campaigns will be popping up soon with UNIQLO.

UNIQLO did one thing different: it strayed from the usual “under construction” page and replaced it with something interactive. An entire new world of possibilities opened up, creating new experience for customers.

That brings up another lesson to be learned here: be interactive with customers. Allow them to have opportunities to express their thoughts. Perhaps company can’t all afford to let customers directly influence the prices of their items, but shoppers like to be able to see immediate results. So create opportunities for them to do so, it helps to open up a new world of possibilities.

Japan’s Facebook Check-In Chance Campaign

UNIQLO Japan also had undergone Facebook Check-In Chance Campaign in November 2011, to celebrate their Thankful Festival (See Exhibit 3). Customers are encouraged to check-in through the UNIQLO Facebook application, and identified themselves if they are shopping in the UNIQLO’s

shops. Customers will then enter lucky draw online and earn cash coupon from 100 yen to 2000 yen for any purchase during the three days in Thankful Festival. UNIQLO offered lucky draw for customers to win the chance to join global flagship stores tour. Winners can travel overseas and visit UNIQLO flagship stores, including big cities like New York and so fore. UNIQLO kept count of their customers that have checked in through their Facebook application (See Exhibit 4).

The campaign has been a really successful one and created big noise among domestic customers. At the end of the campaign, approximately around 200,000 people checked-in through Facebook to the UNIQLO stores in Japan.

Implications

According to Marketing Charts (2011), UNIQLO's Facebook Fan page helps to generate more noise about the brand, thus being successful at prompting consumers to talk positively about the brand, stores and products (See Exhibit 5). This is only one of the many evidences in the market to demonstrate the effectiveness of successful implementation of social commerce strategy by brand.

3.2 CASE EXAMPLE: BENEFITS COSMETICS

3.2.1 Company Background

Another success case study of utilizing social commerce strategy is Benefits Cosmetics. The Benefit Cosmetics is a manufacturer of cosmetics founded and headquartered in San Francisco, California. The twin sisters, Jean and Jane Ford found benefit Cosmetics in 1976. Initially found as a beauty boutique, the shop specialized in quick-fix products for beauty dilemmas. The Fords have since built Benefit Cosmetics into a global beauty brand and now selling at over 2,000 counters in more than 30 countries. In addition to their product expansion they have also opened up "brow bars" worldwide. Benefit Cosmetics LLC is now a subsidiary of LVMH (Benefit Cosmetics).

3.2.2 Social Commerce Strategy

Benefit Cosmetics has employed Bazaarvoice, a Social Commerce Consulting firm; also Fluid Inc. a hybrid, interactive agency with its own social commerce platform, in helping them to implement new social commerce strategy, mainly focusing the implementation of Facebook fan page.

With Bazaarvoice

Facebook brand site uses product catalog to engage with customers

Benefit Cosmetics employed Bazaarvoice to bring their product catalog to Facebook. Benefit's fans can review products, ask and answer product questions, and share this content with their friends and fellow fans on Facebook or the brand site. As customer content is collected from either environment, the Bazaarvoice Platform simultaneously publishes it on Facebook and the Benefit Cosmetics brand site, which creates a consistent customer brand experience.

Customer content drives a 1,000% higher click-through

Benefit Cosmetics fans browsing product-related customer content on Facebook can click the "Buy Now" button for any products, which takes them directly to the brand's website where they can purchase the clicked item. Benefit sees a 1,000% higher click-thru rate for the "Buy Now" button on Facebook than their average online advertisement.

Rewarding brand advocates increases community participation

Benefit Cosmetics considers customer recommendations their most valuable form of communication, bringing them the best sales results. To increase community participation, the brand recognizes their advocates through Facebook, using a leaderboard to identify and reward their most active fans. They have collected over 5,000 customer opinions through Facebook and the brand site to date. Approximately 5.8% of reviewers share their content with their friends – roughly four times

higher than the industry benchmark. Partnering with Bazaarvoice has enabled Benefit Cosmetics to channel their advocates to increase brand awareness in an authentic, social manner (Bazaarvoice, 2011).

Partnered with Fluid Inc.

Fluid Inc. is Fluid's social platform products range from Fan Shop; Experience; Socialize and Configure. Benefit partnered with Fluid to leverage a platform on Facebook that enables the retailer to offer exclusive promotions, such as sneak peeks, discount codes for new fans, feature top selling products, and advertise flash sales specifically for Facebook fans.

Fluid Fan Gate

This Fan Gate was created in two days and put into action immediately by Benefit. The first campaign offered 20 percent off Benefit's top sellers to their Facebook fans. The goal of the promotion was to engage existing customers to get excited about a rare discount offer, to spread the word around social media channels and to drive traffic to their newly-launched ecommerce website. Visitors to Benefit's Facebook page had to "Like" the fan page to gain access to the discount code.

Benefit conducted a two-day promotion using the Fan Gate platform, which resulted in a net gain of 11,000 new Facebook fans, a four percent growth in 48 hours. Benefit also increased traffic to its website by 32 percent in the same time period. This promotion campaign led to Benefit's biggest two days of sales ever for their ecommerce website.

Implications

Benefit's social commerce campaign proved how social media platforms helped to increase growth of sales in a very prompt manner. Disregarding traditionally online advertising approach and utilize already existed social commerce resource, i.e., Benefits can be seen as one of the businesses that created innovative approach to their marketing strategy to real users of their products.

3.3 CASE STUDY: KOREA GINSENG CORPORATION, JAPAN

3.3.1 Company Background

Korea Ginseng Corporation (KGC) is an affiliate of Korea Tobacco & Ginseng, recently renamed to Korea Tomorrow & Global (KT&G). KGC is responsible for the manufacture and distribution of red ginseng and other red ginseng related products.

Ginseng is a deciduous perennial native or root of a tropical plant, native to northern hemisphere countries, highly sought after for its medicinal qualities. There are several species but only two are commercially (and medicinally) significant: *Panax Ginseng* referring to Ginseng native to northern areas of China and South Korea, and *Panax quinquefolius Ginseng* native to North America and Canada. According to traditional Chinese medicine, American ginseng promotes ‘Yin’ energy (shadow, cold negative, female) and Asian Ginseng ‘Yang’ energy (Sunshine, hot, positive, male). This is believed that due to the different climates in which the two varieties were traditionally cultivated. ‘Red Ginseng’ is *Panax Ginseng* that is harvested after 6 years and heated through either steam curing (at around 100 degrees Celsius) or sun-drying. The process is said to change the bio-chemical composition of Ginseng and improve the efficacy of *Panax Ginseng*, at the same time making it red in color, hence the name.

Korea Ginseng Corporation (KGC)’s history could be traced back to 1899 when it was incorporated in Sanjeongwa (Ginseng Management Division) within the royal place of the Daehan Empire in Korea. The origins of KGC begin in 1899 when Samjeong Production Co., Ltd was made the exclusive distributor of Korean red ginseng to China, following the monopolization of red ginseng by the ruling elite of the time.

In 1928, the company began to use the trademark “Korea Ginseng”. Later, as privately produced red ginseng and forgeries became prevalent in the early 1940’s, the government of the time established the use of the mark ‘Cheong-Kwan-Jang’(CKJ) on all labels of exported red ginseng to recognize the product as government authenticated. The issuance of the Cheong-Kwan-Jang brand

differentiated KGC product from non-government sanctioned red ginseng and indicated a trusted and reliable product.

Since 1948, the company is monopolized but the Korean government hence became a government owned monopoly enterprise. KGC established the red ginseng manufacture factory in 1956 in Buyeo.

From the early 1960's, CKJ red ginseng was increasingly exported worldwide as the representative of high quality Korean ginseng. The CKJ red label became began to symbolize a mark of trust and become synonymous with Korean Red Ginseng, especially in Hong Kong and Singapore. The construction of the ginseng factory was completed by 1979. In 1989, the Korean government established the Korea Tobacco and Ginseng Corporation (KT&G). The company expanded its business to the Hong Kong in 1994 by setting up a Hong Kong division.

By 1995, the CKJ labeled Red Ginseng had become that well known internationally as a high-quality product, that the label would come to be included on all domestic (Korean) sold products as well. As the Red Ginseng Monopoly Law is abolished since 1996, competitions became fierce and thus KGC became a spinoff of the KT&G and began to operate separately from the head company. KGC is being privatized in 2002, and ever since has been expanding rapidly to overseas countries. KGC expands their global footprints starting from Hong Kong, US, Japan, China, and Taiwan for the last 10 years (See Exhibit 6), and is continuously seeking for new growing opportunities for further business development.

Today, KGC exists as a separate company from the tobacco affiliate, in 1999 disestablishing itself from KT&G, becoming a stand-alone private company, and successfully diversifying the ginseng product range from simply different grades of ginseng root; into capsules, drinks, liquid extracts, teas and slices; readily packaged for sale through a wide range of retail channels.

The Cheong-Kwan-Jang symbol was designed using the national motif of Korea's 'Taeguk' mark with modern characters representing red ginseng and six stars symbolizing the six-years of cultivation dedicated to each ginseng root. Cheong-Kwan-Jang products are now exported to over 40 countries all over the world and the brand is recognized as a trusted, high-quality brand valued

locally and abroad. CKJ translates as 'Seikanshou'.

3.3.2 Current Situation

KGC set up its Japanese office for the Japanese market in 2006. KGC Japan was officially established in April 2011, however the CKJ has been exported and sold through various agents since 1972. Since then, the "Cheong Kwan Jang" products have been selling through only the AEON department stores in Japan. This distributional channel is seen to be wrongly picked for KGC strategy as this distribution channels itself and the brand image do not correlate with the products in the first place.

According to Dentsu's marketing research, Japanese health products market has a market capability of about 1 trillion Japanese yen. In Korea, CKJ has over 90% brand recognition. However, Japanese consumers are not aware of the "Cheong Kwan Jang" brand, with only a 3.5% brand awareness of KGC products. For the Japanese health products market, only 2% of Japanese consumers constantly consume Korea Red Ginseng as health supplement. The brand awareness is significantly low compare to other Japanese brands that produced ginseng products.

3.3.3 Marketing Strategy

Segment-Target-Position

KGC has been focusing to target a very niche segment, which the main consumer are very well educated of the red ginseng health effect, and are willing to pay high price for the product to maintain well being of life. Due to the produce nature and the strong belief of the red ginseng health effect, KGC has been focusing to educate their customers, thus a very long period of time is required to education each individual customer. KGC positions themselves in the premium and niche market, yet due to the lack of correlated marketing strategy, KGC is unable to expand their business efficiently and has been constantly making loss since the entering to the Japanese market from 2006. Given a track record of generating only 4% of sales every month, it is now a crucial time for KGC to

change their marketing strategy and refocus their strategy to turnaround their business in Japan.

4Ps

Product

As red ginseng products are classified to 4 different grades, the business is mainly selling red ginseng products, product ranges from red ginseng extract, capsule, tablet, tea, candy and so forth.

Price

Due to high production cost of red ginseng products and premium image, KGC is charging premium prices for all red ginseng related products.

Place

Currently products are only selling through 1 official brand shop in Shinjuku, and also through 7 other AEON department stores (Kofu, Tsurumi, Yono, Tsudanuma, Yamato, Hadano). There is also mail order selling through online distributor shops. However, there is no standard approach and method to track online sales to know if they are generated from Korea's shops or from the Japan branch. KGC also set up counters at duty free in Japan's airports.

Promotion

KGC currently only has distributor price promotion, which is by offering price discount of up to 5% to customers in AEON stores.

3.3.4 Turnaround Strategy

Since 2006, KGC has not been focusing to expand in the Japanese market, thus basically just rely on the distribution channels to implement its so-called marketing strategy. Given recent "Endaka" (appreciation of Japanese yen), KGC sees the opportunity to grow their business in Japan, thus decided to send their Korea expats to Japan to turnaround the failing Japanese business.

The strategic chief marketing officer of KGC is sent to Japan to overtake the company operation and turnaround the business. With successful track records in turnaround business for KGC in both Taiwan and China, the KT&G's CEO has given the strategic marketing chief officer full authority to implement new marketing strategy for the Japanese market.

After going through marketing analyses conducted major Japanese advertising agencies, KGC's marketing chief officer has set up new strategic goals for KGCs positioning and pricing. Conclusion of market analyses and new strategic goals are detailed as the following:

	As-Is (Current problems)	To-Be (Future goals)
Positioning	<p>High price, Low demand</p> <ul style="list-style-type: none"> • Compare to Korea, the product price in Japan is 3-4 times higher • Strong price resistance, difficult to expand Japanese market <p>Middle Pricing products</p> <ul style="list-style-type: none"> • Mass amount of recalls after purchase 	<p>Strategically aiming Middle Market</p> <ul style="list-style-type: none"> • Price acceptance: aim to increase more than 70% <p>Comparison with Korea</p> <ul style="list-style-type: none"> • Lower price acceptance • Decrease product amount: 3gram → 1gram (smaller packaging) • Increase emotional effect product line, e.g. energy drinks; diet products <p>Major Franchising with base size products</p> <ul style="list-style-type: none"> • Domestic marketing and production • High content of red ginseng in products • Promote the official brand name of “Cheong Kwan Jong” within products
Pricing	<p>Drugstore shops price positioning</p> <ul style="list-style-type: none"> • Target consumer spending price range: above 9000 yen <p>*Current consumer price acceptance range: 2000 – 8000 yen</p> <p>No major channel distribution function</p>	<p>Store: All price Line-up → basis</p> <p>Future: High price, high efficiency</p> <p>Demand: Emotional → Effect</p> <p>Major Franchising: Big sales volume</p>

Source: KGC's Company documents

3.3.5 New Marketing Strategy – the 5Ps

Product

Red ginseng products information has been too complicated for consumers to understand. With the premium price range, general mass consumers are not attracted to purchase any red ginseng products of KGC as similar products with cheaper prices are readily available in the market. The strategic chief marketing officer decided to introduce a new range of products that are easier for Japanese consumers to accept. These products include energy drinks, vitamin supplement, prune extract; all include red ginseng extract content.

Packaging is also adjusted to fit in with Japanese consumer spending habit. Targeting customers curiosity to try newly available products, package of products are changed to be smaller in size, thus in terms of cost of products, the price can also be reduced due to less content contained in the package.

In terms of product strategy, different types of products are to be sold in different new channels, thus adjusting the old selling style.

Table 6 Selling Channels

Channels	Products to be sold
Direct sales through brand shops	Present products (ginseng extract) + New products
Mail order	Present products (ginseng tablet, capsule) + New products (tea)
New channel - CVS	New products (energy drinks, vitamin supplement, ginseng latte)

Price

Previously, KGC is reluctant to adjust the red ginseng product content, believing a 100% red ginseng extract in each product will be the best appeal to consumers. However, due to the lack of product education of Japanese consumers, the strong belief is proven ineffective. With the new range of products, the marketing officer decided to adjust the products price to target low-mid spending group, hoping to expand the target market segment from niche to mass market. Price is set through two different logics: 1) for the premium level red ginseng and concentrated ginseng product, prices are still setting above 20-30% above competitors. Discounts are only allowed to up to 15% maximum; 2) for lower red ginseng concentration product, will allow discount with distribution

channels, trying to capture mid-low consumers.

Place

Distributional channel of AEON stores has been proven ineffective to sell KGC products. The strategic marketing chief officer made the decision to expand place for sales, by targeting and negotiating for new distributional channels. These new channels include CVS such as Lawson, FamilyMart; café and coffee shops such as Doutor are also under the process of negotiation. B2B marketing is seen to be inevitable to expand and increase sales in this sense.

On the other hand, KGC is negotiating to have their selling counters set up in high-end department stores, such as Mitsukoshi and Isetan. Adapting business strategy from Korea, KGC strongly believes their premium brand image correlate with the image of department stores, and by setting up counters in premium location, will attract new customers to purchase their products.

The second strategic approach by chief marketing officer is also to set up flagship store or concept shop in Japan. He believes by doing so, the health effect of red ginseng products will be communicate to consumers in a more effectual and timely way. For concept shop, he is looking into high-end consuming pattern area such as Aoyama or Ginza, with a trendy consuming atmosphere. The marketing chief officer is aiming to change the brand image of KGC from old to new by using concept shop, offering trendy drinks and food which all menu consist of red ginseng extract.

Promotion

The strategic chief marketing officer's promotion strategy include extensive used of both above the line (ATL) and below the line (BTL) strategy. To maximize the promotional effect, he decides to do pilot tests with both approach, and adjust accordingly after the first trial result of both ATL and BTL.

In marketing terms, above the line means advertising for which a payment is made and for which commission is paid to the advertising agency (Marketing glossary). ATL is also classified as pull strategy, which attract customers by using branding strategy (Juett, 1993). ATL is normally

seem to be more costly, as it incurred during the production of an advertising commercial that are associated with the creative side of it. These costs include those incurred for actors, music and photography. Because creativity cannot be measured directly, above-the-line costs may have little correlation with the creativity of an advertisement or commercial. That is, incurring high above-the-line costs may not necessarily result in a commercial with a high degree of creativity, while a low-budget commercial with minimal above-the-line costs may still be quite creative (Above-The-Line Costs Definition).

KGC is determined to raise brand awareness of the KGC brand among the Japanese market, thus they are to hire Japanese advertising agency to create a one-stop advertisement campaign to boost their brand awareness. Knowing the nature of ATL approach does not guarantee success, the chief marketing officer has been carefully selecting the right Japanese advertising agency, which can deliver KGC's request yet keep the advertising expense within budget of 300 million Japanese yen. The key concept of the ATL promotion is to use K-pop stars or Korean actors/actresses that are already famous in Japan, to raise the consumer awareness of the "Cheong-Kwan-Jang" brand.

On the other hand, the chief marketing officer is also implementing push strategy of BTL to boost sales. According to Marketing Glossary, below the line promotion means non-media advertising or promotion when no commission has been paid to the advertising agency. These promotions include direct mail, point of sale displays, catalogs, giveaways and so forth. BTL advertising tends to be less expensive and more focused, and is also classified as push strategy in marketing sense (Whittome, 1995). Below the line advertising seeks to reach a consumer (instead of a mass audience) directly rather than through an intermediary. This type of advertising is often centered on specific localities and is used to promote products that a consumer will want to see in person. It can be coupled with in-store sales help in order to explain the features of the product (Below The Line Advertising Definition).

With the BTL definition in mind, the strategic marketing chief officer realized the need to train sales person to go up front with customers to explain product features. New leaflets and infomercial are made to be available in AEON stores. The belief is to reduce the information education time to

within 5 minutes. Likewise, promotional campaign of the “Cheong-Kwan-Jang” product is extensively carried out in current existing distribution channels, i.e. AEON stores. From September 2011 onwards, different themes of promotion campaign is going to launch and thus aiming to broaden customers’ scope to different target groups.

Table 7 Promotional Action Plan

Month	Contents	Promotion Strategy	Budget
September 2011	Hiking	Hiking use gifts	10 million yen
October 2011	Thanks for worker	Gift sets with 3 different items	15 million yen
November 2011	Christmas theme	Gift sets with 3 different items	10 million yen
December 2011	End of New Year	Special discount on health products	20 million yen
January 2012	Valentine	Beauty products gifts	15 million yen

Source: KGC’s Company documents

The promotional action plan from September 2011 to January 2012 is outlined in Table 7. Given the promotional budget of 70 million yen to spend within 5 months, the action plan is decided to have different themes for each month, and provide different presents and special discount to customers. KGC believes these promotional offers will help in raising customers’ awareness of the brand, attracting consumers from different consumption groups that is outside original targeted groups.

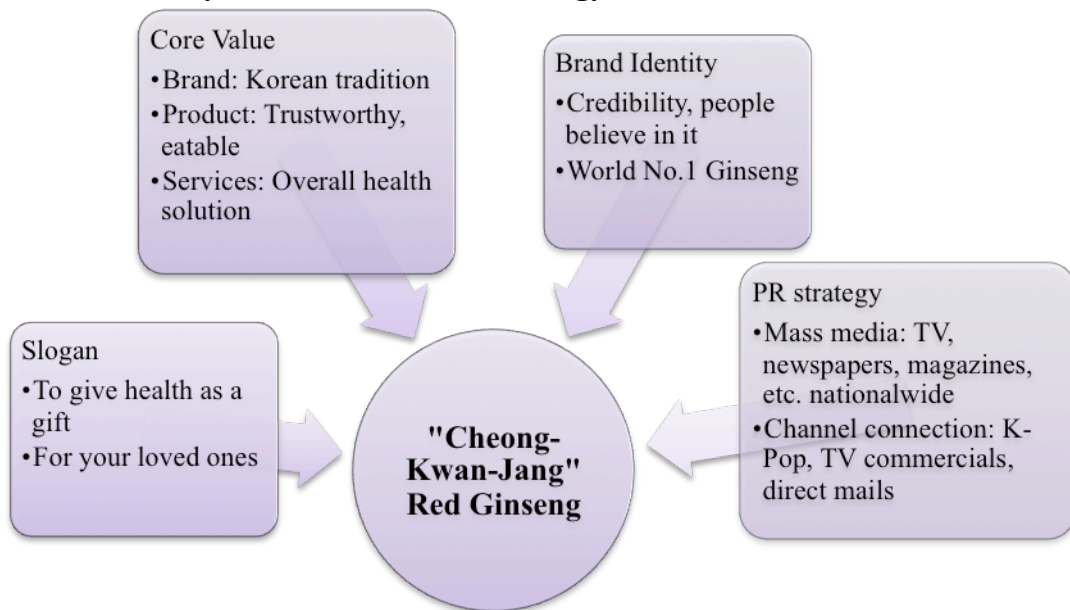
Person

The new 5Ps component is person. The chief marketing officer believes in human capital will be a big contributor to the success of the company, thus he focuses to employ trained sales person with proven track record and place them to the stores. Sale person has to attend training sessions at least twice a month, to update their knowledge of products and also understand new product features. The training session also facilitate sales persons to voice out their own opinions towards both existing and new products, and share sales experience among sales force.

3.3.6 Communication Strategy

Besides developing new marketing strategy, KGC has placed a focus to develop new communication strategy to promote its brand to the Japanese consumers. The objective of the strategy is to promote the official name of “Cheong-Kwan-Jang” Red ginseng, and with use of this new name, to become a brand that is to be seen as a trustworthy and worldwide-recognized brand. There are three main ideas being portrayed by the KGC brand currently, which is a red Ginseng player; or a Ginseng company; and consumers do not know which player is the leading brand in the Ginseng market. In order to promote the premium image of the brand, KGC is going to develop slogan and communicate core values through mass media and promotional channels. The two main strategies to be in used will be branding strategy and PR strategy. Summary of the strategy can be found in Figure 10.

Figure 10 Summary of Communication Strategy



Branding Strategy

1. Rename of brand: redevelop “Cheong-Kwan-Jang” pronunciation for Japanese
 - a. Emphasize in the 6 years produced red ginseng products
 - b. 5 years “Ginseng Boom” → commotion in the industry → negative image due to an increase in Red ginseng companies in the market

- i. PR Communication strategy: World best premium ginseng company; Mass consumer: promote image; Potential buyers: differentiation strategy with other ginseng companies
2. Distribution Channel Product Differentiation: “First Class premium image” for department store products.

Table 8 Communication strategy Portfolio

	Low	Middle	Premium
Product	<ul style="list-style-type: none"> • Vita-sense, tea (latte) • Good grade (sesame seed) • Drinks: energy drinks, diet drinks 	<ul style="list-style-type: none"> • Essence: Earth grade • Tablet: prune • Others: tea, tablet, capsule 	<ul style="list-style-type: none"> • Essence: Highest grade • Tablet: loyal • Others: tea, tablet, capsule
Role	<ul style="list-style-type: none"> • Expanding brand image • Consumer directly experience the product 	<ul style="list-style-type: none"> • Experience of products’ effects • Other roles: as a gift product for others 	<ul style="list-style-type: none"> • No.1 health product • Premium brand positioning
Core Target	<ul style="list-style-type: none"> • All age 	<ul style="list-style-type: none"> • Female: 40~60 (62%) • Male: 50~60 (26%) 	<ul style="list-style-type: none"> • Health concern, high disposable income group
Channel	<ul style="list-style-type: none"> • Flagship store, Franchise, Mart (SIS), Drugstore, Direct Mail, CVS, GMS 	<ul style="list-style-type: none"> • Flagship store, Franchise, Mart (SIS), Drugstore, Direct Mail 	<ul style="list-style-type: none"> • Department stores

Source: KGC’s Company documents

Rational of strategy

The strategic marketing chief officer believes that with use of the new 5Ps marketing strategy in correlate with the communication strategy, will both help to create and amplify synergies between each function, helping to expand consumer base and attract new customers, thus achieving increase in sales for KGC.

Management – Ad-hoc management style

Like other Korean companies, KGC is very Korean centric in their style of management. The

KGC headquarter has sent through some other Korea expats to Japan in 2011 summer, aiming to assist the chief marketing officer to carry out up and coming new business strategies. However, management seems not have fully believed in the marketing officer's business vision and has been constantly changing strategies that has been proposed by the marketing officer. These Korea expats have been trying to force previous strategies that have been implemented in Korea and other Asian regions to the Japanese market. Nonetheless, they have not been seen successful so far.

3.3.7 Strategic assessment framework for KGC

To assess the successfulness of these companies' strategies, a new strategic assessment framework combining 3Cs and SWOT is developed to analyze the current strategies implemented by the four companies. The factors are assessed in the following

Table 9.

Table 9 3Cs and SWOT Analysis Framework - KGC

Customers			Competitors	Company (KGC)
Segments	Profile/Trends	KSFs/Needs	Strength/Weaknesses	Strength/Weaknesses
Premium	<ul style="list-style-type: none"> • Health concern age group 	<ul style="list-style-type: none"> • Health products • Professional knowledge • Effective 	<ul style="list-style-type: none"> • Nice packaging • Japanese players 	<ul style="list-style-type: none"> • Nice packaging • Korean content • Expensive
Middle	<ul style="list-style-type: none"> • Female: 40~60 • Male: 50~60 	<ul style="list-style-type: none"> • Beauty products • Energy products • Good reviews 	<ul style="list-style-type: none"> • Use of magazines, blogs, opinion leaders 	<ul style="list-style-type: none"> • No channels to distribute reviews
Low	<ul style="list-style-type: none"> • All age, younger people 	<ul style="list-style-type: none"> • Affordable • Cheaper price • Fun 	<ul style="list-style-type: none"> • Target Japanese consumer behavior: Use of Internet resources for promotion, e.g. Blogs, twitter, 	<ul style="list-style-type: none"> • Neglect Internet marketing • Do not understand Japanese consumer behavior

			barcode readers, sharing	
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Table 10 Strategic Assessment Criteria

Criteria	KGC
Profitability	<ul style="list-style-type: none"> • No obvious profits, been losing money ever since entering to Japanese market
Market Share	<ul style="list-style-type: none"> • Acquisition of new customers is slow and ineffective with marketing campaign
Fit with current business strategy	<ul style="list-style-type: none"> • Constantly changing ad-hoc style management • Too focus on previously done campaign • Not willing to expand further options
Threats	<ul style="list-style-type: none"> • Exchange rate risk • Growth • Customer/cannibalization • Financing
Assessment	<ul style="list-style-type: none"> • Not successful

3.3.8 Recommendation to KGC

KGC has neglected the use of Internet marketing in regards to the Japanese market. Management is constrained by their local knowledge of Korean consumers, thus adapting similar marketing strategies as used in Korea or other Asian regions. KGC has been focused on traditional marketing strategies, without being able to think outside the box. However, Japanese market and consumer behavior are slightly different in terms of consumption behavior.

According to a marketing research report “Japan Consumer & Shopper 2010” conducted by McKinsey & Company (2011), Japanese consumers behavior are constantly changing compare to their counterparts in the Europe and the United States. Whilst they were willing to pay for higher prices for better quality products, and brand consciousness driving their luxury good demand, the younger generation are reducing cost and looking for good value products. Japanese consumers also spend more time at home. Forty-six percent of Japanese consumers are now more likely to spend and

do activities at home over going out. In terms of online shopping, consumers are more willing to shop online as it allows them to search and compare before they consume the products in shops. The online market has been booming for Japanese and has grown from only \$1.3 billion in 1999 to approximately \$30 billion in 2010. According to McKinsey, the Japanese Internet retail market is expected to grow and reach at least \$50 billion by 2015.

Another interesting fact is that Japanese consumers are actually growing their interests in managing their own healthcare and physical conditions. According to a research paper by Nomura Research Institute (2009), eighty-nine percent of Japanese are well aware and are willing to spend money to maintain their health. For KGC, we can see there is definitely an opportunity to grow and penetrate the Japanese market. The question is, how?

In order to target the Japanese consumer, it is recommended to make use of the AISAS model in terms of analysis consumer behavior. KGC is lacking the throughout use of the whole AISAS model. Whilst KGC needs to attract consumer Attention and Interest of the products, KGC also needs to focus is the Search, Action and Share function of the model. According to McKinsey (2011), Japanese consumers are increasingly more willing to search for their products features and other information beforehand at home before they make consumption. KGC realizes the problem of consumer education of products, yet did not propose an effective way to communicate these information to their consumers.

3.3.9 Social Strategy Recommendation

Facebook/or other social networking websites

The Facebook's Fan Page could also be used in terms of branding strategy. Creating a Facebook Fan Page definitely helps to bring interested consumers together to share information. The younger generation uses Facebook to share and comment on new information of the company and its products. Facebook users can share and like if there are products that they think it is good to share with their friends through the Facebook. Information of product could be spread more promptly and

feedbacks could be collected instantly as well by KGC. It is a very cost effective way to brand awareness of consumers to the brand itself. Promotional campaigns could also be advertised through Facebook. A lot of successful brands including, Coca-Cola, General Electrics and a lot more are rediscovering the benefits of using a Facebook Fan Page, to stay in touch and connect with their real customers.

Twitter

Twitter is another possible strategy for KGC to use. Twitter is increasingly popular among the use of Japanese consumers (Yuan, 2010). Promotion campaigns, offers or other company's news could be updated by using Twitter. It helps by providing a very short yet effective message to the KGC Twitter account's subscribers. Consumers will know about the update instantly and this enables to shorten the time to engage in traditional promotion campaigns, which normally take longer time to raise consumer awareness. Twitter will allow consumer to know the most recent promotion campaign and drive them to purchase in shops. Marketing campaigns can be implemented to prompt consumers to share feedbacks and opinions through these social commerce channels.

YouTube Channel

Utilize YouTube channel could have allow KGC to explain product features on Internet in a low-cost and timely manner by posting infomercial online. KGC could sponsor some famous YouTubers to do reviews on their products. It is way more effective and influential to use an opinion leader to spread information about its products than filming infomercials in house by KGC. Opinions leaders, i.e. famous YouTubers provide a more realistic review which is more accepted by consumers nowadays as they search for information before they make consumer decision. Consumers tends to approach and make purchase action when they have search and get hold of real reviews of users of the products. The use of YouTube and these famous YouTubers' channels reinforce the process of the SAS process in the AISAS model. The Search, Action and Share process will continue to loop and will increase the people involve in the whole process. KGC needs not to

worry about spending a lot of time to show and explain to consumers of products features and functions as it is now outsourced to YouTubers, who are experts in conveying products features and related ideas in the most personalized way to consumers and provide real feedbacks, which consumers are constantly seeking for.

Online shop

While KGC believes in physical shop as one of the main channel for sales, the use of online shop is inevitable if KGC wants to reach out to more customers in Japan. Japanese consumers are very sophisticated in terms of online shopping in this recent decade. Their requirement for flawless packaging and good after-sale service has imposed a barrier for a lot of brands and make them reluctant to take their purchasing channel online. Nevertheless, online shopping is a very efficient concept for cost saving in expanding sales network, as it requires less investment in setting up shops and wait for return. KGC's products, while a wide range are targeting older customers which are health concern and are more wealthy to afford expensive products. This target group of customers is normally resided in rural areas or more suburban of Japan. KGC should improve its logistics network, looking into selling products to these areas. Japan has a very good logistic network such as Yamato Kuroneko, one of the famous logistics companies that deal with a large percentage of ecommerce activities. KGC should review their ecommerce strategy and look into setting up in house online shop to increase the economies of scale of the company operation.

Blogs & Forums

Nowadays, companies use blog and forums as media when they want to promote their products. Bloggers are used to post comments and reviews of products or services, and discussion in forums are also used to raise consumers' awareness. For KGC, these may be some cost effective social commerce tools to utilize.

In short, it is recommended for KGC to look into some of these social commerce tools in order to facilitate their promotion campaigns and raise brand awareness with a lower cost. With use of these

low-cost or no-cost social commerce channels, allows KGC to avoid the need to invest huge amount of money first hand for ATL or BTL marketing before knowing the actual responses rate of consumers. Whilst the social commerce strategies may not guarantee success, they are yet so cost effective that would not hurt the already red balance sheet of KGC.

CHAPTER 4 NEW AGE MANUFACTURING CASE STUDIES (B2B)

4.1 CASE STUDY: LUCKY GROUP LTD

4.1.1 Company Background

The Lucky Group Ltd was found in Taiwan in 1968 as Lucky Star Enterprise & Co. Ltd. It has been a family business and has been built by the six brothers of the Yeh family. From 1968, with more than 44 years of business, the group is now expanding their global footprints across Asia, namely with offices and showrooms in Taipei, Hong Kong, Shanghai, and manufacturing factories set up in Guangdong and Shanghai in China. The Group's main activities include acting as a buying agent for retailers, creating new lines of products, developing and manufacturing electronic products, and OEM manufacturing of licensed merchandise. Besides the core business of manufacturing, the Group is expanding to different business areas such as hotel, restaurants and retail shops in China.

For OEM manufacturing, their products range from general Plastic Injection Molded Toys, Candy Toys (optional packed with candies), and Cold Cast Collectible Polyresin Statues, etc. With a production capacity of over 2500 workers, 15 production lines, 51 injection machines, 74 tampo printing machines, 300 spray booths and numerous other production machines, including roto molders and blow molders. With the up and coming second generation, they are actively trying to expand to oversea, exploring opportunities for partnership with Chinese factories partners, and also joint-venture to continue their global footprints.

4.1.2 Management

As a family business, the Group has been educating their second generation to become the up and coming young leaders for continuous growth. Consisting of 6 brothers, the Yeh family conducted their businesses with everyone responsible for different functions.

Core Value

Lucky Group's company philosophy has been evolving around the 3 main core values that the Yeh family strongly believes in. They are price, quality, and delivery. By controlling these 3 main factors, the Group believes creditability of their services will be ensured and this philosophy is strongly emphasize and communicate to their customers. The group also believes in the philosophy of "no title is a title" for their management, which also portray a humble attitude when they come to presentation to their customers. They use numbers to identify their function within the management. The management and family tree is demonstrated in Exhibit 8.

Client base

According to the Lucky Group's company documents, the group has been successfully expanding to overseas market such as the United States and the European region, and produced licensed products for famous Hollywood movies, Toys'Rus, Walmart, Target, Marvel, and a lot more (See Exhibit 10).

4.1.3 Operational Strategy

Acquisition and Plant Expansion

Lucky Group has 2 OEM manufacturing factories in Changping and Dalang of China. In order to continue the Group's growing business, they see the need to acquire existing production facilities in China to increase the production capacity. In 2009, the Group has acquired a tool shop for plastic injection molds that would be housed under the Dalang plant. The new acquired tool shop originally consisted of 8 milling machines, 2 CNC machines, 5 EDM machines and so forth. The acquisition is seen to be successful as it works line in line with the increase demand of OEM products from the Dalang plant.

Lucky Group Industrial Park – Hongmei

Due to increasing demand for the OEM products, Lucky Group has decided to build an industrial park in the Hongmei area of China to meet with the needs of customers. Lucky Group has financed a

USD 15 million for this construction plan. The Industrial Park is planned to be carried throughout a timeline of 15-20 years in the Lucky Group's vision planning, and aiming to have 6 new building to be built, thus this Industrial Park is expected to be one of the largest toy manufacturing complexes in South East Asia, located in Hongmei, Dongguan, China. Exhibit 7 shows the graphic plan of the Hongmei Industrial Park.

The Group has bought the land in Hongmei since 2005, yet due to political issue in China, the construction plan has been delayed for 5 years. The first building of the Lucky Group Industrial Park is built by April 2010 and has been running since then. This new facility can house 4000 workers, 21 production lines, 51 injection machines and equipment for manufacturing of electronic products (See Exhibit 9). Currently, 2 other buildings are under construction and expected to be built in 1.5 years by 2013.

4.1.4 Before Basecamp

Before the implementation of Basecamp system, Lucky Group maintains their customer relationship solely based on telephone calls and emails. It has not been the most efficient way in terms of communication due to time difference between company and clients' time zone. Back and forth emailing has been time consuming for both parties and information is not share in the most efficient manner. Customer feedbacks and product orders and logistics flow is not handle properly as Lucky Group wishes them to be.

Besides contacting directly to their customers, they also reach customers through agents. Delivery schedule and logistic engineering face great challenges since 3 parties are involved for the projects.

4.1.5 Adapting Basecamp system

The first son of the 6th brother, Michael Yeh, is responsible for the Hong Kong, China Sales and Operation, also Factory production function of the Group's business. According to Michael, the

implementation of Basecamp started since 2010 and ever since then the system has indeed help to improve information flow and lead-time in operation. Currently there is a lot available project management online platform in the market. (See Exhibit 20 for a general comparison of existing platforms). Nevertheless, Lucky Group's client base mostly have adopted the Basecamp platform, thus Lucky Group adopted the Basecamp system as a result of this. Basecamp consists of features including project overview (Exhibit 14), message (Exhibit 15), to dos, file sharing (Exhibit 16), write boards, (Exhibit 17), and calendar (Exhibit 19).

Users are given a user name and password to login to their relevant account for organization of projects (Exhibit 12). Management login to relevant client's project lists (Exhibit 13), and then will be able to edit and use function simultaneously with their clients. Basecamp's simple features and uploading files and message board for feedbacks allows users to trace relevant records for particular projects.

According to Michael as mentioned in the interview, the search function has been the most useful features among all features provided by basecamp. The search function helps to enhance the traceability of files and records relevant to particular projects, which make it very useful and handy for users.

Some pros and cons feedbacks provided by the management of Lucky Group are demonstrated as below in Table 11.

Table 11 Basecamp - Pros and Cons

Pros	Cons
<ul style="list-style-type: none">• Reduce the need of email communication• It helps to reduce the time for back and forth replying, also duplicating response or missing emails• Provide a linkage among relevant parties including the group, clients and agents, improving lead-time• Allow instant feedbacks from customers• Improve decision-making process• All information on the platform also works as a database and keep track of all records• Online calendar functions helps to facilitate more efficient logistic shipping timeline	<ul style="list-style-type: none">• Need constant response to feedback and clients expect more instant response, need to assign special personal to deal with customer feedbacks everyday• No notification of messages, may miss out on emergency response• Censor concern from China, cannot be used in China• Monthly fee (alternatives or lower fee)

4.1.6 Future Plans

Lucky Group is aiming to expand its family based business to be a more globalized company. Older management is slowly letting the second generation to take in charge and adaptation of new mindsets.

Younger management also believes in the utilization of other resources to help in expansion. The Group is now actively seeking potential partnership in other regions such as Hong Kong and China, to leverage synergies from both sides to amplify the economies of scales. Management are also looking into hiring professional or experts outside the company, they are looking into hiring new CEO to execute better expansion strategy.

In order to facilitate better operation, the management has decided to make board meetings more efficient, from 4 times a year to twice a year. Meetings are to be held in a style of 2 days marathon, also allowing bonding and training session for the management. The group is determined to turnaround management style from family-based into more internationalized approach. Decisions can now be made by a more democratic way in terms of voting, rather than just mainly decided by

the main family members. Management also transit from only family-based meeting, to now involving top managers and staff to gain more opinions and feedbacks from front personnel of the company. Every member who participates in board meetings is required to write up SWOT analysis of their view on company strategies and future goals. In this sense it helps to bring in staff involvement.

Management is encouraged to bring up new suggestions on company future goals and development. In terms of social commerce strategy, they are continuing to actively utilize basecamp online platform, also using Skype and video conferencing to communicate with clients. The group also decides to develop simulation of factory and office tours with web application, and computerized database for easier operation management.

In terms of industrial plan, within a 10-15 year timeline, the group aims to finish the building of the factory complex and gather all factories in other regions, including transforming 3 rental factories and moving them to this complex, to provide a one-stop factory experience and service to their clients. The group believes the total one-stop factory experience will also help brand building, boosting client's confidence.

In terms of quality control, according to Michael, the group has been keeping a good track record of no recall for products since their start of business. Clients normally send third party as agent to factory and do sample checking; otherwise the group will send laboratory report to clients for safety checking. The group aims to maintain their high quality control in the future, thus enhancing customer experience and consumer feedbacks system remain an important function for the group to look into.

4.1.7 Strategic assessment framework for Lucky Group

Table 12 3Cs and SWOT Analysis Framework – Lucky Group

Customers			Competitors	Company (Lucky Group Ltd)
Segments	Profile/Trends	KSFs/Needs	Strength/ Weaknesses	Strength/ Weaknesses
US, European market	<ul style="list-style-type: none"> • Bigger market players (e.g. Walmart, Marvel) 	<ul style="list-style-type: none"> • Instant feedbacks despite time difference • Professional knowledge • Production timeline • Engagement to business 	<ul style="list-style-type: none"> • International standards • Standardization • Maybe be cheaper 	<ul style="list-style-type: none"> • Adaptation of Basecamp satisfied clients' needs • Family oriented • Customization • Famous brand name among industry players

Table 13 Strategic Assessment Criteria

Criteria	Lucky Group
Profitability	<ul style="list-style-type: none"> • Increasing profitability
Market Share	<ul style="list-style-type: none"> • Acquisition of new customers through toy fairs, referrals, word-of-mouth from existing customers • No recall of production so far
Fit with current business strategy	<ul style="list-style-type: none"> • Constantly seeking and adapting to changing business environment • Adaptation of Basecamp system • Computerize paper-base document gradually to computer database • Developing new company website to integrate system and make it as a platform for client to communicate knowledge • Production quality management • Family-oriented adapting to international standards • Employing experts in specific fields from other places
Threats	<ul style="list-style-type: none"> • Exchange rate risk • Financing of huge factory building plant • May face political issue from Chinese government
Assessment	<ul style="list-style-type: none"> • Successful

4.1.8 Success Factors

Lucky Group has so far been successful in terms of expansion and gaining their client base. While social commerce may not seem to be as relevant as business-to-consumer industry, this case study acts as a good indication for business-to-business social commerce strategic implementation.

Lucky Group realized the importance of branding especially in this business-to-business environmental setting. With their main client base from US and European region, helps prompting Lucky Group to engage in information sharing through online project platform, thus implementing online platform BaseCamp has become handy for Lucky Group to deal with large amount of data sharing among employees within companies and clients from all over the world. In fact, Lucky Group is one of the first movers among Chinese manufacturers of implementing online project platform in the Asian centric company. Management is willing to learn and accept new technology helps them to improve quickly against their competitors in China.

On the other hand, Lucky Group has decided to utilize YouTube channel and also their online website to provide simulation videos for potential clients to experience the factory tour online. This is a relatively innovative approach in manufacturing industry, considering business consumer experience in terms of their decision making process. Lucky Group aims to provide an end-to-end solution for their clients, thus controlling the initial customer experience before prompting consumption is seen to be a groundbreaking approach. Lucky Group's future vision to become an one-stop solution for its clients in toy manufacturing allows them to leverage their already owned and built factory facilities, whilst enable them to continue develop other synergies such as utilizing social media platforms and social commerce strategy to achieve cost efficiency in expansion of client base and control of information flow.

With subsequent social commerce strategies implementation, the company is expected to realize even greater ROI (return on investment) – now seeing costs just one-seventh of those before. It is in Lucky Group's mind to continue this successful campaign one over another.

In the case of Lucky group, the social commerce strategy helps accelerate and shorten the sales

cycle, improve operational efficiency and lead-time of information flow. B2B customers are now more involved in the communities and engaged with the brand through these new social media channels and platforms. This whole new trend for the business world is expected to grow exponentially.

CHAPTER 5 FURTHER ANALYSIS

5.1 LESSON LEARNT: KEY SUCCESS FACTORS/NEEDS

Through all these case studies, we learnt about a few things. In order to keep up with faster information flow and the changing needs of consumers, a refined approach is needed in terms of business strategy. There are a few lessons learnt in catering to the needs, or the key success factors for business to target their customers.

5.1.1 Prompt response

We know customers are more eager to engage in communication, thus companies should ensure the faster process in mutual way of communication. With use of social commerce channels and other online tools such as emails, forum, blogs and so forth, there are no more excuses to respond slower than your competitors to your consumers. Different time zone is no longer an issue if the company is equipped with efficiency personnel to handle enquiries.

5.1.2 Shorter time in process

“Time is money” as one may say, consumers are more concerned with time management. Multitasking has become an important issue for them and anything that wastes more time than expected will pull consumers away from your brand. Remember shorter lead-time and consumption process is the key to success in this informative age.

5.1.3 Involvement of Mass customers

Consumers are in love with sharing of information. From brand stories to personal opinions to reviews, involvement of consumer is increasing more important. Companies should look into allowing consumers to participate. A refined approach like UNIQLO can set as a benchmark for

many companies yet it should not be limited to just this. More innovative approach will soon be the new trend for companies to implement to enhance customer engagement to the brand and create brand loyalty through social interaction with the brand.

5.1.4 Listen to customers

For every product or service launch, one of the key success factors includes listening to your consumers. Market research on consumers' real needs will be a challenge for many companies. Do not assume or be mesmerized by old beliefs. The world is changing everyday and so as consumers. Companies should do their homework ahead and identify the gap between the company and consumers to provide them the right solution to listen to them.

5.1.5 Use Video often

Web pages with video draw five times more engagement than those without. A lot companies now encourage video blogging to add transparency to bloggers' voices. Again, this is targeting the Share function in the AISAS model. Sharing has become and will be one of the most important drives for consumer to consume.

5.1.6 Talk at versus talk with

Product launches of the past communicated at the audience. Like Apple, Steve Jobs had always compared past products and the newly launch one. The interactive element of this involves consumers to think and realize the benefits of new products and services.

5.1.7 Brand building continuously

Not everyone's ready to buy now, especially when it comes to premium products. Brand building is important if company want to create loyal customers. Continuously effort has to be made to

opinion leaders or professional in the field to boost brand image and reviews. Activities like these will help to prompt consumer to become loyal to the brand thus will become heavily influential for purchasing decisions for business.

5.2 ENGAGING IN SOCIAL COMMERCE BUSINESS STRATEGY

With advancing technology and changing consumer behaviors, it is foreseeable for most companies to look into the engagement of social commerce business strategy across business functions. For most companies, social commerce represents a new channel to promote their products and brand image, yet there is so much to learn and master before one can utilize it effectively in business. It is the company to identify the new social trends for consumers to implement the effective strategy targeting towards them.

There are four essentials to be suggested for companies that are looking into utilizing social commerce tools in enhancing business performance.

5.2.1 Jump in soon and learn by doing

There are usually a lot of good ideas to study when new opportunities are around. Given the fast pace at which social commerce is evolving, companies must be willing to learn while trying to do it. They should place some targeted bets, particularly in the areas of consideration, conversion, and loyalty and service. Companies should understand their capabilities in engaging social commerce projects. New age businesses may be more equipped with younger people with more technology sense and skills, thus can engage and adapt the social commerce strategy more promptly. Old age businesses may not have the expertise and knowledge to understand the basic requirements and components to develop social commerce strategy. Nonetheless, it is never too late to learn and build on knowledge of social commerce in order to fully maximize the effect for the companies to use these strategies to continue to survive in the business. They can employ experts in social commerce in helping the companies to adapt in transition. It is always advised for companies to understand

oneself incapability and do not stop in learning. After all, social commerce is a very “hot and new” topic and no one company can be forever leading without constant trials and errors learning experience.

5.2.2 Develop a strategy for data collection

Social commerce is still a very new concept for many companies. A company that wants to engage would like to know how exactly it is defined. Mass amount of information available in the market, companies have to develop its own strategy for customer’s data collection. Segmentation of difficulty in obtaining the information should be developed in coherent with the information list that companies would like to obtain. For example, what is it the market saying about the company itself and its competitors’ brands and practices? What is the customer prospect in the market and their likelihood to buy in the next 24 hours? With the defined information requirement, companies can then identify partners or vendors that can provide this information. The key is to have an easy-to-use, flexible platform for collecting and using data. Bare in mind, once again data and information are subjected to changes very frequently and companies have to keep up with the pace and update their database sources.

5.2.3 Define the experience for your customer

Customer experiences are the most important attribute with use of social commerce. Companies should use tests, pilot projects, and sociographic data to map out different social commerce strategies to put themselves into customers’ shoes, to understand consumers’ consumption motives, responsiveness to social commerce campaign and also what is in consumers’ mind that is seen as the best. Identifying needs and assessing how a company is viewed vis-à-vis its competitors is very important. Companies should conduct surveys and other forms of primary customer research such as focus group regularly in order to keep up to date with market information. Information flow is extremely speedy in regards of social commerce trend thus frequent online market research is

necessary. Together, this information can help determine what the customer base needs and how a social commerce strategy should be developed to deliver and match the supply and demand of products or services.

5.2.4 Integrate social commerce into an overall multi-channel strategy

It is important to realize the use of social commerce strategy is not a one-off program, but rather an integrated approach to support all functions that are related to an organizational level. As social commerce becomes a bigger part of the overall sales mix, it will be increasingly important regards to its position in the company's broader multi-channel strategy. The impact of social commerce that will have on other channels should be in particularly pay attention to.

5.3 UPCOMING CHALLENGES

Everything has its constraints. While chasing behind the technology and engaging in social commerce in business, there are still challenges to be faced by companies thus it is to constantly tackle these obstacles while developing the strategies.

5.3.1 Political issue

With different political constraints of countries, some companies may still encounter difficulties when trying to expand to countries with political constrictions. China, with a communist government system, future of global social commerce phenomenon may not be as easily applied to this country. While Facebook, YouTube, Twitter and other US-base social commerce platforms are blocked or monitored by the Chinese government, advertising and branding campaigns may face obstacles in terms of penetration into this market. Yet there are many Chinese companies developing their own social commerce platforms, such as Weibo, Youku, Sohu, etc. Companies are to look into different approaches in targeting and globalizing the social commerce strategies that fits with the local context

of the location they want to expand.

5.3.2 Economical environment

It is a phenomenon that social commerce is emerging as a new era for business. Nonetheless, social commerce is emergence as seen as a fast and cost effective way to promote and brand a company without using a large amount of initial down payment. The economical environment is a close factor to keep an eye on. Will this become another Internet bubble? Social commerce agencies and specialist companies will be increasing, how could companies differentiate themselves as the good ones out from the bad ones? This is a question to keep in mind and management of companies should not neglect the effect of economical factor.

5.3.3 Privacy

Privacy concern has always been an issue for customers when communicate involves with Internet or online communication platforms. Customers are worried about their personal information being misused, and it is more and more easy to have access of basic information through the Internet. Companies have to really look into the problem and provide a trustworthy environment for customers to share their thoughts and feedbacks. Credibility and social ethics of the companies are being put into test in this case.

5.3.4 Keeping up with technology

We know the old stories. Competitions is stiff, companies are racing with time in terms of new technology development. Identifying new needs and implementing new technology will become an constant rigid part of the business development division, while companies are engaging to their customers, they are also put into place to race against competitors to provide a new experience to target audience, to enhance their brand experience with their brand and the customer community the company has created for them.

Another problem that companies may face is the Internet infrastructure of countries. Some countries like U.S., Japan, and Hong Kong SAR and so forth, Internet and Social Commerce infrastructure are more developed, thus development of social commerce and infrastructure works hand in hand with each other to stimulate further growth. Whilst some other countries with less developed infrastructure, companies may find it difficult to penetrate the market, or it requires longer timeframe to implement social commerce strategy due to differences in infrastructure. Nevertheless, this Social Commerce trend is inevitable thus it is just a matter of time for it to be fully popular around the globe.

5.3.5 Environmental concern

Despite the unwillingness of companies in not wanting to deal with, natural disasters are still the biggest and unavoidable enemies for business management around the globe. Recent disasters like the 311 earthquake of Japan; flooding in Bangkok, chaotic yet true, affect millions of people and of course business operations. While prompting social commerce, it is also to think about the degree of reliance on Internet and cyber systems. It will be a great challenge for companies to maintain the balance between the virtual and the actual world.

5.3.6 Legal

In terms of legal issue, it is always a concern for a lot of companies in terms of intellectual property right. Nevertheless, there is no fine line between being creative or copying other's ideas. Competitors are likely to accuse your company if similar social commerce campaigns are used, or similar ideas are being portrayed. Different geographical locations have different set of moral and legal system as well. In retrospect, company should respect one culture's customs and be creative in how to navigate information, culture and creativity to create the best social commerce experience for their consumers.

CHAPTER 6 FUTURE IMPLICATIONS & CONCLUSION

6.1 SOCIAL COMMERCE FOR CONSUMER BRANDS (BUSINESS TO CONSUMER)

6.1.1 Future of Social Commerce

We know the future of using social commerce has become inevitable for companies if they want to promote social commerce strategy. It is to suggest companies to pay attention to the following for social commerce implementation.

Systematic 'fan-seeding'

Facebook fan-stores will be more commonly in used by consumer brands in a more systematic manner for seeding new products with brand fans.

Viral fan-stores

Consumer brands fan-stores will appear as shareable stores in newsfeeds and using viral mechanisms to promote advocacy such as samples, vouchers and social currency (disruptive and surprising news) to share.

Empowered involvement

Facebook fan-stores will empower the involvement with fan by advocating their fan-store experience. Brands can utilize promotion video and provide new products exclusively to fan base by asking them to share and view.

'Pop-up' fan-stores

Consumer brands will increasingly use temporary fan-stores to support all marketing promotional events including advertising campaigns, PR events and other brand activities not are not only limited to new product launch.

Analytics & logistics

The use of fan-stores by consumer brands will spawn new entities in the ecosystem; specialized fan-store analytics and metrics, and new specialist fan-store logistics companies offering fulfillment and drop-shipping services.

Digital and virtual goods

Digital goods will become more important. Music, movies, TV, gaming, publishing and sports (premium Facebook streaming), ticketing, and digital merchandise will be made available for download by customers through fan-stores due to their constant involvement online. YouTube bloggers

Facebook Credits

As Facebook Credits gain traction, fan-stores will increasingly allow frictionless fan payment with Credits for both digital and physical products, subject to the beta commission of Facebook to reduce to the market norms level.

Fan-store agencies

Emergence of specialist agencies and agency competencies for managing Facebook fan-stores for consumer brands are seen. Dentsu, DeNA, Beachmint and much more up and coming social commerce specialist companies will offer a turnkey brand-literate service for consumer brands to manage social commerce.

Fan marketing

'Fan-first' marketing on Facebook is yet to be proven successful. Yet emerging of a new era of 'fan marketing' with marketing campaigns and special products designed specifically and uniquely for brand fans and made available via dedicated fan-stores are to be seen. This trend may already be underway. Warner Brothers sells fan-only special editions from Facebook fan-stores; Simon & Schuster offers fans, and only fans, special author-signed books; Disney Studios offers fan-only VIP services to Facebook fans such as a group-buy facility to see new Disney movies.

Beyond the brand

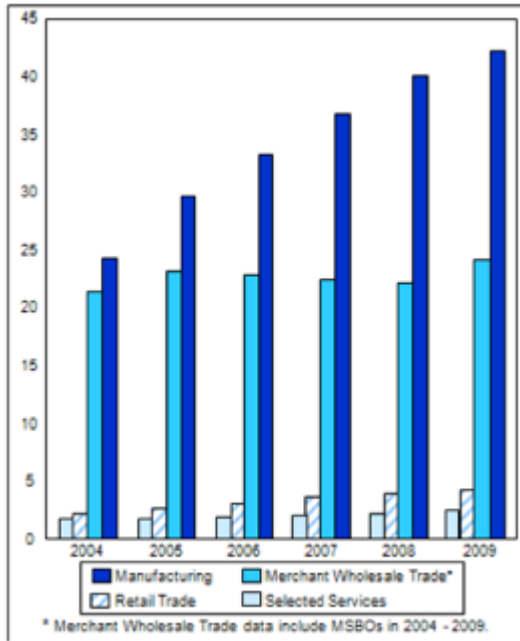
If Facebook fan-stores prove to be successful, we will see the emergence of a new type of fan-store that, rather than being brand-centric, will be interest-centric; fan-stores for fans of sports, interests and activities selling curated bundles of gear from a range of different brands. The opportunity for brands will be to curate these fan-stores with non-competitive brands.

6.2 SOCIAL COMMERCE FOR MANUFACTURING (BUSINESS TO BUSINESS)

According to the latest survey carried out by ThomasNet (a sister company to Managing Automation) to weigh in on manufacturers' changing economic fortunes, reveals that selling into new industries, innovating to develop new products and services, and leveraging the Internet to pick up the pace of business are the top growth drivers. The top two successful growth strategies are selling into new industries (36%) and introducing new products or services (33%). 71% said their online strategy would be critical.

Liberty Industries, one of the companies that claim their successful online strategy with ThomasNet, their president Bob Kaiser said that they are becoming more future-focused and more strategic in our outreach to clients. Liberty manufactures and distributes clean room and contamination control supplies for organizations such as NASA. "By watching customer demand, we're able to identify emerging markets and develop new extensions to our product lines," Kaiser said. Liberty's website delivers 40% of the company's total sales (Sloane, 2010).

Figure 11 E-commerce as percent of Total Value 2004-2009



Source: U.S. Census Bureau

According to the US Census Bureau (See Figure 11), for year 2009, the Manufacturers sector led all industry sectors, with e-commerce accounting for 42.0 percent (\$1,862 billion) of total shipments.

Table 14 U.S Shipments, Sales, Revenue and E-commerce: 2009 and 2008

U.S. Shipments, Sales, Revenues and E-commerce: 2009 and 2008								
[Shipments, sales and revenues are in billions of dollars.]								
Description	Value of Shipments, Sales, or Revenue				Year to Year Percent Change		% Distribution of E-commerce	
	2009		2008		Total	E-commerce	2009	2008
	Total	E-commerce	Total	E-commerce				
Total *	20,014	3,371	22,470	3,774	-10.9	-10.7	100.0	100.0
B-to-B*	9,602	3,073	11,630	3,482	-17.4	-11.8	91.2	92.3
Manufacturing	4,436	1,862	5,468	2,171	-18.9	-14.2	55.2	57.5
Merchant Wholesale	5,166	1,211	6,162	1,311	-16.2	-7.6	35.9	34.7
Excluding MSBOs ¹	3,707	729	4,435	739	-16.4	-1.4	21.6	19.6
MSBOs	1,459	483	1,727	572	-15.5	-15.7	14.3	15.2
B-to-C*	10,412	298	10,840	292	-3.9	2.1	8.8	7.7
Retail	3,638	145	3,953	142	-8.0	2.1	4.3	3.7
Selected Services	6,774	153	6,887	150	-1.6	2.2	4.5	4.0

* We estimate business-to-business (B-to-B) and business-to-consumer (B-to-C) e-commerce by making several simplifying assumptions: manufacturing and wholesale e-commerce is entirely B-to-B, and retail and service e-commerce is entirely B-to-C. We also ignore definitional differences among shipments, sales, and revenues. The resulting B-to-B and B-to-C estimates, while not directly measured, show that almost all the dollar volume of e-commerce activity involves transactions between businesses. See the "Note to reader" for cautions relating to the interpretation of the "Total" shown here.

¹Manufacturers' Sales Branches and Offices

Source: U.S. Census Bureau

The key findings from Table 14 are summarized as the following:

- In 2009, as in prior years, Manufacturers and Merchant Wholesalers relied far more heavily on e-commerce than Retailers or Selected Service businesses.
- In 2009, as in prior years, business-to-business (B-to-B) activity, transactions by Manufacturers and Merchant Wholesalers accounted for most e-commerce (91 percent).
- Evidence from Merchant Wholesalers indicates that B-to-B e-commerce continues to rely overwhelmingly on proprietary Electronic Data Interchange (EDI) systems.
- Retailers' e-commerce sales increased by 2.1 percent. As a share of total retail sales, e-commerce sales was 4.0 percent (\$145 billion), up from 3.6 percent (\$142 billion) in 2008.
- E-commerce sales for Selected Service Industries, a special group of service industries created for the E-Stats report, increased by 2.2 percent. E-commerce accounted for 2.3 percent (\$153 billion) of these industries' total revenues. In addition, a new Selected Service Industries total has been provided, which includes additional industries that have been published for the first

time. This new series shows total e-commerce sales of Selected Service Industries of \$244 billion.

The heavily reliance on e-commerce from manufacturers is once again proven the need for them to improve operation through more effective approach. The future of effective e-commerce lies in the ability to deliver a buyer-centric and engaging online experience that enables customers to interact and transact with the brand and allows manufacturers to reduce administrative costs, increase sales and improve brand loyalty. This is achieved by reducing costs through the following means: Ensuring a minimum-touch, 100% accurate order in the least possible time; understanding customer needs and behavior to deliver specific marketing messages to influence decision makers; and providing a rich customer experience by leveraging rich Internet application (RIA) technologies, easy access to data to help with buying decisions, and online post-purchase support.

To achieve the above objectives, manufacturers are aggressively adopting B2C and retail best practices. They should target customers with buyer-specific online promotions, recommendations and messages. Manufacturers should also increase their brand visibility by utilizing social networking tools, i.e., YouTube, Twitter and so fore. They should also look into opening of new markets and channels through alternate business models, such as mobile commerce (also known as M-Commerce), which involves SNS applications in terms of social commerce.

Figure 12 E-commerce Challenges for Industrial Manufacturers



Source: From Brick to Click: E-commerce Trends in Industrial Manufacturing. *Cognizant*.

Even though the manufacturing industry has long recognized the importance of e-commerce strategy, the adoption of it by these industrial manufacturers has been unexpectedly slow. Over the last decade, while many manufacturers have expressed an interest in incorporating Web technology into their existing platforms, very few have actually implemented it. As depicted in Figure 12, shows the key obstacles that are currently facing by manufacturers that causing this slow rate of adoption. These challenges yet are to be tackled by manufacturers in order to continue to grow their businesses.

Expedite the shopping process; enhance the customer experience and evolve using future trends and tools are the new main drivers for manufacturers in improving their business processes with use of social commerce strategy to become successful (Rai, 2011).

Expedite the shopping process

For today's fast changing business world, it is critical to enable our customer to effectively search, identify products of his choice and quickly complete the shopping purchase through a single

platform. To ensure that the customer is completely satisfied with the shopping experience, it is important to provide multiple search and ordering options. It is again what we see from the AISAS model that searching made an important part in the action phase. For website design, displays products information have to be included, providing customers their search or previous shopping recorded, such as using “recently viewed and purchased” and have been “popular customer buys” to aid in expediting the entire shopping process. An example of this protocol is Amazon.com, where customers can always see their previous shopped items, and website also suggested relevant items that may interest the customers. These functions on the website allow users to also compare multiple products across different attributes, including price, to help make a well-informed purchasing decision.

Enhance the Customer Experience

Another two key drivers to enhancing the overall customer experience are customer-centric marketing and a rich online experience.

Customer-centric marketing: Marketing campaigns and promotions, an integral part of B2C sites has to be customer-centric. These marketing tools are becoming essentials for B2B e-commerce, thus these campaigns can be in the form of banners, recommendations and promotions.

Rich online experience: E-commerce sites are increasingly leveraging Rich Internet Application (RIA) technologies to deliver an enhanced and personalized shopping experience, enabling customers to easily perform actions such as comparing multiple products, product search, adding to shopping cart and checkout. A well-designed RIA provides a seamless shopping experience, visually guiding the customer from one step to the next, providing the continuity that’s lacking in many of today’s e-commerce sites. The site should also be compatible with social media tools such as Facebook, Twitter, blogs and forums to help customers make an informed buying decision.

Evolve Using Future Tools and Trends (Social Commerce Strategy)

Social networking tools, mobile capability and analytics will play a critical role in the future of e-commerce in the industrial manufacturing industry.

Social networking tools

Industrial manufacturers and stakeholders across the B2B supply chain, such as dealers, distributors, retailer and etc., have largely accepted online social media technologies as useful marketing tools and have identified them as necessary components in a majority of marketing campaigns. With the help of social networking tools such as Twitter, Facebook and LinkedIn, it is now easier for industrial manufacturers to let their customers to build brand awareness and customer loyalty. These different social media tools can work perfectly as marketing tools that help manufacturers to raise brand awareness and customer loyalty; through viral marketing, marketing through relevant blogs and participation in online business communities. As the sales decision in a B2B channel is predominantly relationship driven, it is crucial for industrial manufacturers to determine the various social media tools (blogs, wikis, professional forums, etc.) to be utilized by customers and ensure appropriate presence across these multiple mediums to initiate ongoing conversations and continuously understand customer business needs. Social networking tools has now opened up an opportunity for industrial manufacturers to take a more engaging, personalized and interactive approach with their customers.

Mobile and its Applications

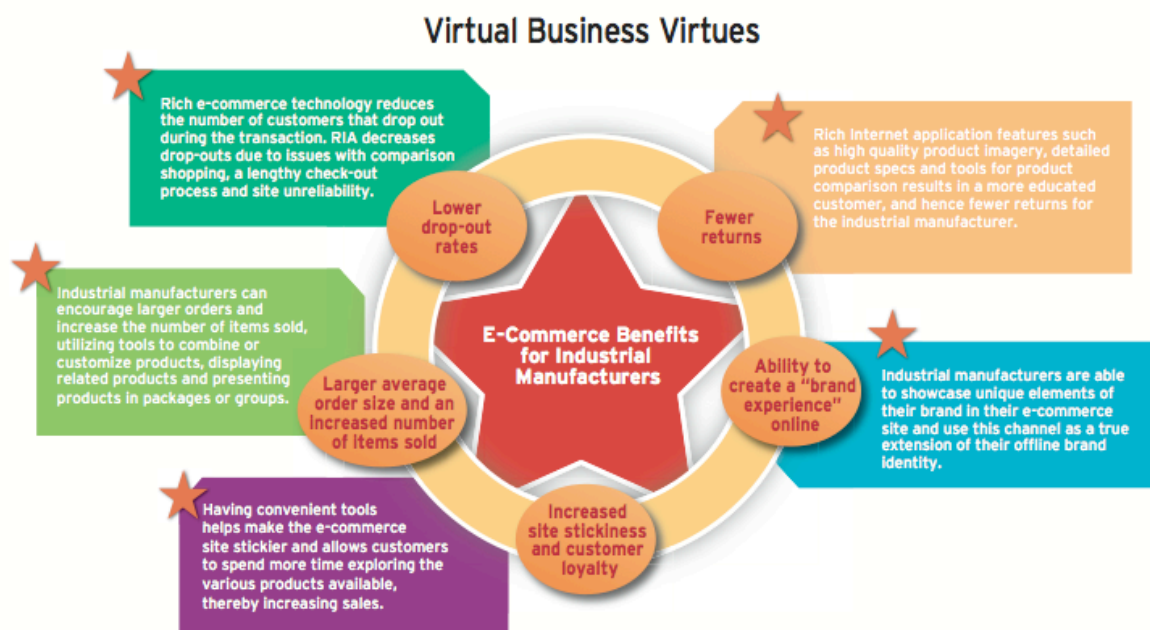
With the increasing use of smartphones and their applications, now customers are demanding to check and to review their past purchases, promotional campaigns, product descriptions and even post reviews on products and services through their mobile devices. E-commerce and in-store channels converge with the growth of mobile networks; customers of industrial manufacturing companies will see this as an opportunity to grow their businesses with use of this intangible platform.

Mobile devices help customers make quick decisions by helping them access online information

on the spot rather than having to research an item later. The key requirement for the successful adoption of is the availability of a single-click checkout process, which will help eliminate the effort required to enter payment and shipping details by customers. The single-click checkout process is implemented by integrating the E-commerce and engines, allowing for a seamless flow of payment and shipping details between the two sales channels. This along with enhanced user experience and the flexibility offered by smart phones will enable to be the sales channel of choice for industrial manufacturers. Its usefulness is summarized as the following:

- Analytics: Reporting and subsequent analytics allow industrial manufacturers to gain valuable insights on the following aspects:
 - A real-time view into the Web store and marketing campaign performance.
 - Monitoring lead conversion and Web site metrics, helping to maximize site effectiveness.
 - Analyzing cart abandonment and identifying up-sell opportunities.
 - Performance of promotions and campaigns.
 - Visibility into live transactions or customer details.

Figure 13 E-commerce Benefits for Industrial Manufacturers



Source: From Brick to Click: E-commerce Trends in Industrial Manufacturing. *Cognizant*.

The benefits from E-commerce sites incorporating the aforementioned approaches range from stronger brand building with end customers, to increased average order size. Other benefits are depicted in Figure 13.

The future of effective e-commerce lies in the ability to deliver a buyer-centric and engaging online experience that enables customers to interact and transact with the brand by expediting the shopping process, enhancing the customer experience and evolving using future tools and trends. This will result in increased customer utilization and conversion, as well as increasing sales through the online channel. As such, the approach is to help industrial manufacturers successfully navigate and complete the journey from “brick to click.”

6.3 CONCLUSION

Throughout this paper with the case studies discussed, demonstrated how social commerce could be leveraged from business-to-consumer brand building purposes, to business-to-business

information sharing purposes. Social commerce offers a way to achieve greater return on investment than traditional marketing methods. All three case studies show evidence of cost effectiveness on their brand equity that is hard to imagine arising from an ordinary marketing campaign. Utilizing social commerce tools are seen to be effortless compare to complex marketing campaigns. While for now key performance indications are still developing in this industry to measure social commerce effectiveness, companies and brands are more aware of its impacts on business than ever before.

French Connection leverages the use of YouTube and created YouTique to prompt online purchasing by using YouTube videos, a new, direct and innovative way to communicate brand message to customers.

UNIQLO demonstrates the effective use of Facebook Fan Page, Apps and Twitter to prompt consumer involvement and increase consumption over a short period of time. The Fan Page also prompt discussion and brand awareness of its customers in a promptly manner. The increase of brand awareness of UNIQLO's sales and discounts in a short period of time is again proven to be very cost effective by just utilizing social commerce tools.

Benefits Cosmetics shows with use of the Facebook's Fan page successfully increase brand awareness in a rapid rate, also driving ecommerce sales flid high in 2 days in history.

KGC portrays as an unsuccessful example for an old age business' attempt to transform from old to new, yet overlook the importance of new evolving consumer trends and its influence on marketing campaign, impacts the effectiveness of inputs and effort. Old beliefs of 4Ps and marketing theories are essential, yet more is required to success in this new age. Improved 5Ps approach proven to be insufficient for this age. The key to success, as shown by other case studies is to involve the phase of information sharing with customers. This has increasingly become an essential component for marketing campaign add-ons with original 4Ps approach.

In contrast, Lucky Group shows the successful attempt of an old age business keeping up with technology and new consumer behavior. Engaging in information sharing, prompt feedback and response, Lucky Group is enabling itself with the economies of scale of already available resources of this digital age, and leveraging synergies to sustain business growth.

It may not be relevant for all business to adapt social commerce to survive in this stage, yet the social commerce phenomenon has become unavoidable for consumers and business to pay more and more attention to keep up with. Improving technology, changing consumer behavior with use of more technical products such as smartphones, iPhone, iPads, tablets, laptops, that all involve more and more social networking and information sharing activities, a new age of digital data community is evolving. While social commerce is still at its baby booming period, it is believed that it will soon grow in an exponentially manner. Companies are racing with time, in terms to utilize and understand the relevance of social commerce in accordance to own business operations. The winners are the one who can act quick and response fast to changing information sharing environment.

Managers may realize how the world is changing at incredibility fast pace by the hindsight of social commerce evolution. The forms of consumer behavior keep changing and so do business managers. In this transformational future, consumers have access to zero moment of truth (ZMOT) everywhere in real time; they search and share wherever their spot happens to be (Lecinski, 2011). Consumers start to search and find ratings, reviews, advertisements, or videos and add their own feedbacks on the spot. The AISAS model has become more relevant than ever. To compete, now business may want to take what Lecinski has suggested, “All you need to do is get your business into the conversation. Take risks. Say yes. Ask your team the question that we at Google ask clients every day: ‘Are you ready to win at the Zero Moment of Truth?’”

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APPENDICES

EXHIBIT 1 FRENCH CONNECTION YOUTIQUE



Source: <http://socialcommercetoday.com>

EXHIBIT 2 UNIQLO'S "UNDER CONSTRUCTION" – UK SITE



SCREENSHOTS

Source:

<http://socialcommercetoday.com/uniqlo-under-construction-social-commerce-campaign-screenshots>

EXHIBIT 3 UNIQLO THANKFUL FESTIVAL FACEBOOK CHECK-IN CAMPAIGN

スペシャル特典02

チェックインでクーポンが当たる!!!!

62nd 創業感謝祭
ANNIVERSARY

UNIQLO

CHECK-IN

CHANCE

さあ、みんなでユニクロにチェックイン!

11/16 (水) ~ **21** (月) の
期間中ユニクロのお店に
チェックインすると、
店舗・オンラインストアで
使えるクーポンが当たる!
さらに総チェックイン
数に応じて豪華になる
グローバル旗艦店ツアー
に応募出来る!

詳細はこちら

11/16 (水) よりスタート!!

創業感謝祭価格

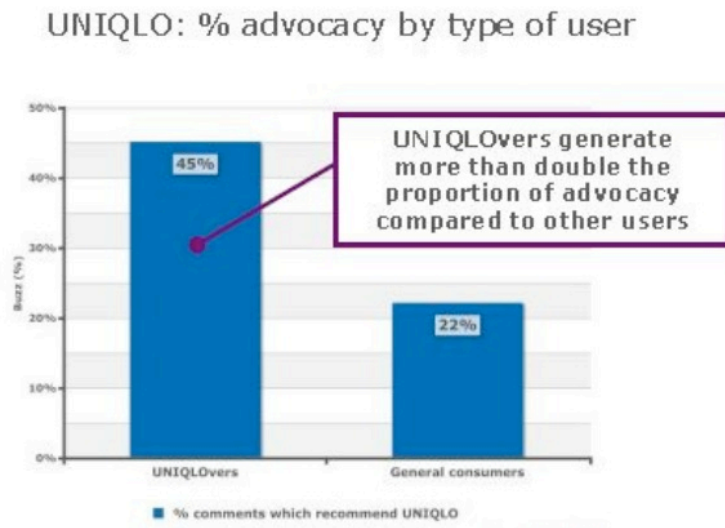
Source: <http://www.uniqlo.com/jp/>

EXHIBIT 4 UNIQLO THANKFUL FESTIVAL FACEBOOK CHECK-IN COUNTING



Source: <http://www.UNIQLO.com/jp/>

EXHIBIT 5 UNIQLO: % ADVOCACY BY TYPE OF USER



Source:

<http://www.marketingcharts.com/direct/socnet-crowdsourcing-has-mixed-results-19634/wave-UNIQLO-oct-2011.jpg/>

EXHIBIT 6 KGC'S GLOBAL NETWORK



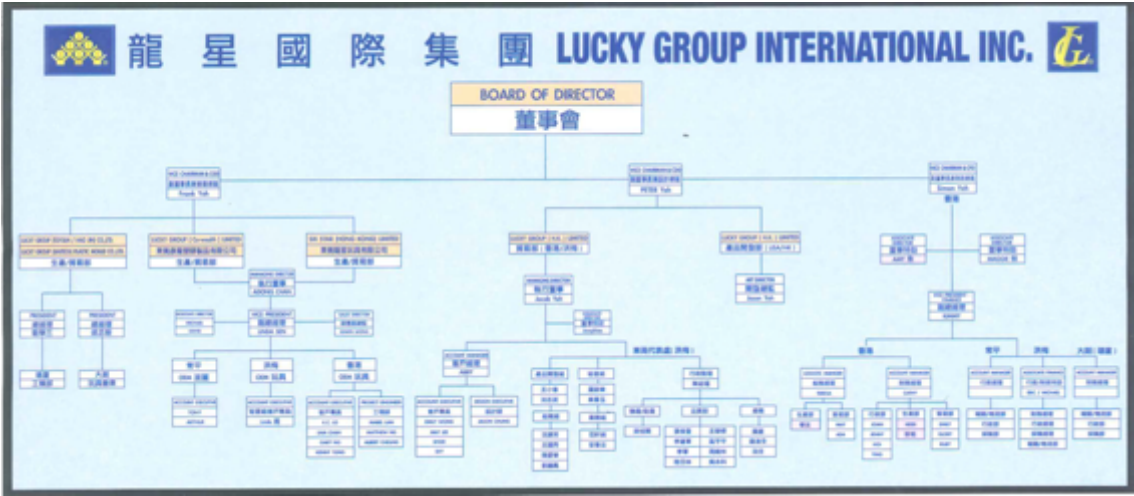
Source: KGC's official website

EXHIBIT 7 LUCKY GROUP'S HONGMEI INDUSTRIAL PARK PLAN



Source: Lucky Group's company documents

EXHIBIT 8 LUCKY GROUP MANAGEMENT AND FAMILY TREE



Source: Lucky Group’s company documents

EXHIBIT 9 LUCKY GROUP’S HONGMEI INDUSTRIAL PARK BUILDING 1



Source: Lucky Group’s company documents

EXHIBIT 10 LUCKY GROUP'S CLIENTS



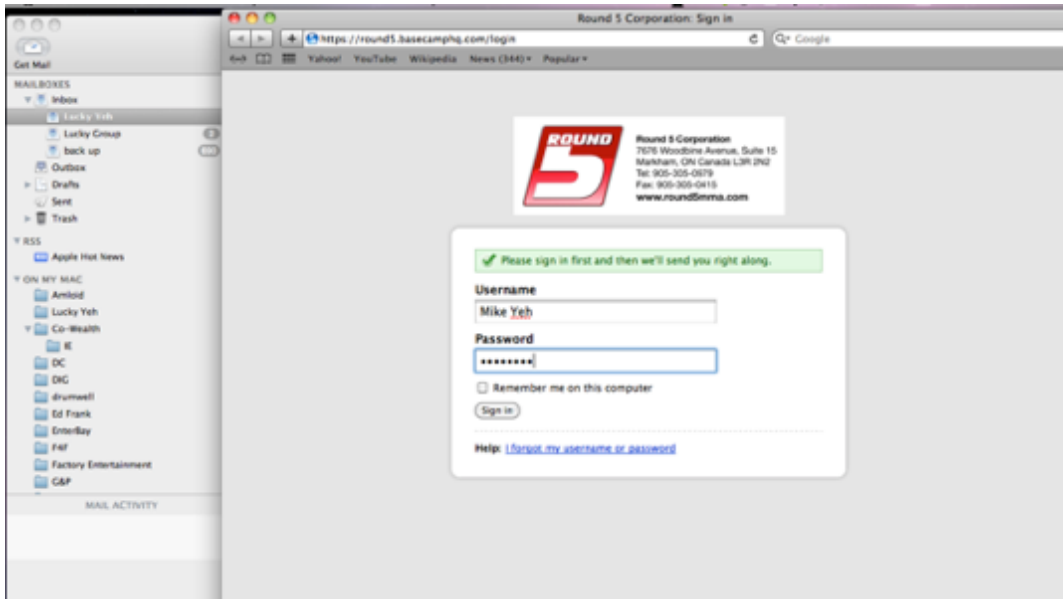
Source: Lucky Group's company documents

EXHIBIT 11 LUCKY GROUP'S PRODUCTS



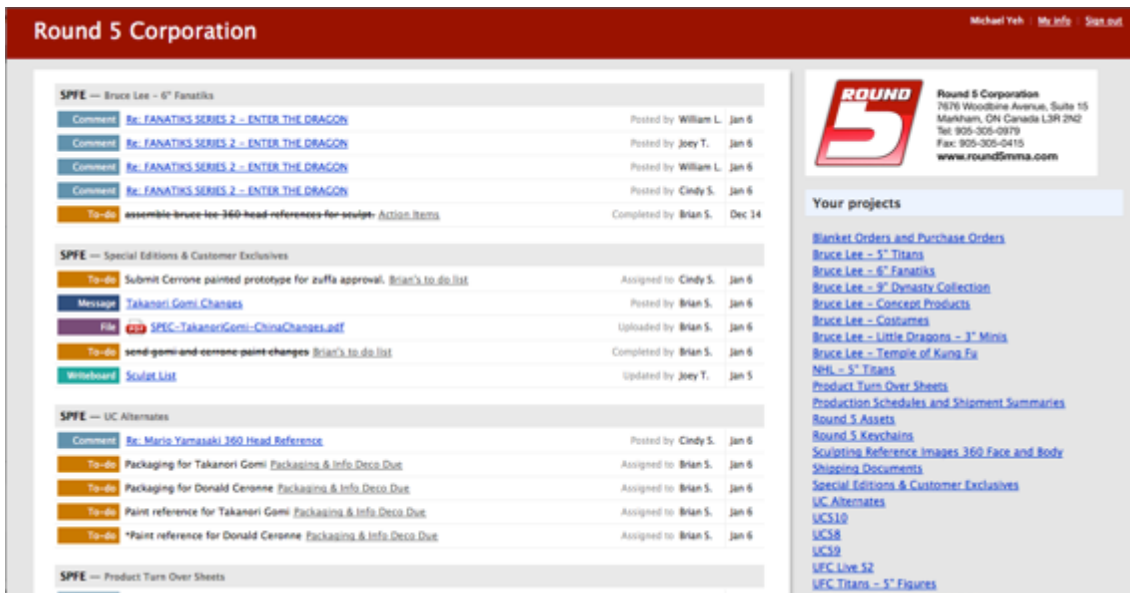
Source: Lucky Group's company documents

EXHIBIT 12 BASECAMP LOGIN SCREENSHOT



Source: Lucky Group's company documents

EXHIBIT 13 BASECAMP CLIENT SCREENSHOT



Source: Lucky Group's company documents

EXHIBIT 14 BASECAMP PROJECT OVERVIEW SCREENSHOT

The screenshot shows a Basecamp project overview page. At the top, there is a navigation bar with 'Back to Projects' on the left and 'Michael Yeh | My info | Sign out' on the right. The project title is 'Bruce Lee - 6th Fanatiks SPFE'. Below the title are tabs for 'Overview', 'Messages', 'To-Dos', 'Calendar', 'Writeboards', and 'Files'. The main content area is titled 'Project overview & activity' and contains a list of activity items. On the right side, there is a sidebar with the 'ROUND 5' logo, contact information for Round 5 Corporation, and sections for 'Stay up to date on this project', 'People on this project', and a list of team members.

Project overview & activity [New message](#) | [New to-do list](#) | [New event](#) | [New file](#)

FRIDAY, 6 JANUARY 2012

- Comment** [Re: FANATIKS SERIES 2 - ENTER THE DRAGON](#) Posted by **William L.**
- Comment** [Re: FANATIKS SERIES 2 - ENTER THE DRAGON](#) Posted by **Joey T.**
- Comment** [Re: FANATIKS SERIES 2 - ENTER THE DRAGON](#) Posted by **William L.**
- Comment** [Re: FANATIKS SERIES 2 - ENTER THE DRAGON](#) Posted by **Cindy S.**

WEDNESDAY, 14 DECEMBER 2011

- To-do** [assemble bruce-lee-360-head-references-for-script](#) Action Items Completed by **Brian S.**

MONDAY, 12 DECEMBER 2011

- To-do** [lay-up-script-for-BLE-approval](#) Action Items Completed by **Brian S.**

SATURDAY, 10 DECEMBER 2011

- Comment** [Re: FANATIKS SERIES 2 - ENTER THE DRAGON](#) Posted by **Barron L.**

FRIDAY, 9 DECEMBER 2011

- Comment** [Re: FANATIKS SERIES 2 - ENTER THE DRAGON](#) Posted by **Joey T.**
- Comment** [Re: FANATIKS SERIES 2 - ENTER THE DRAGON](#) Posted by **Barron L.**
- Comment** [Re: FANATIKS SERIES 2 - ENTER THE DRAGON](#) Posted by **Joey T.**

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 Round 5 Corporation
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 Tel: 905-305-0979
 Fax: 905-305-0415
www.round5mma.com

Stay up to date on this project

- Turn on email updates to receive a daily digest notifying you of any to-do items or milestones that were added or completed in the last day.
- [Project RSS feed](#) (What's RSS?)

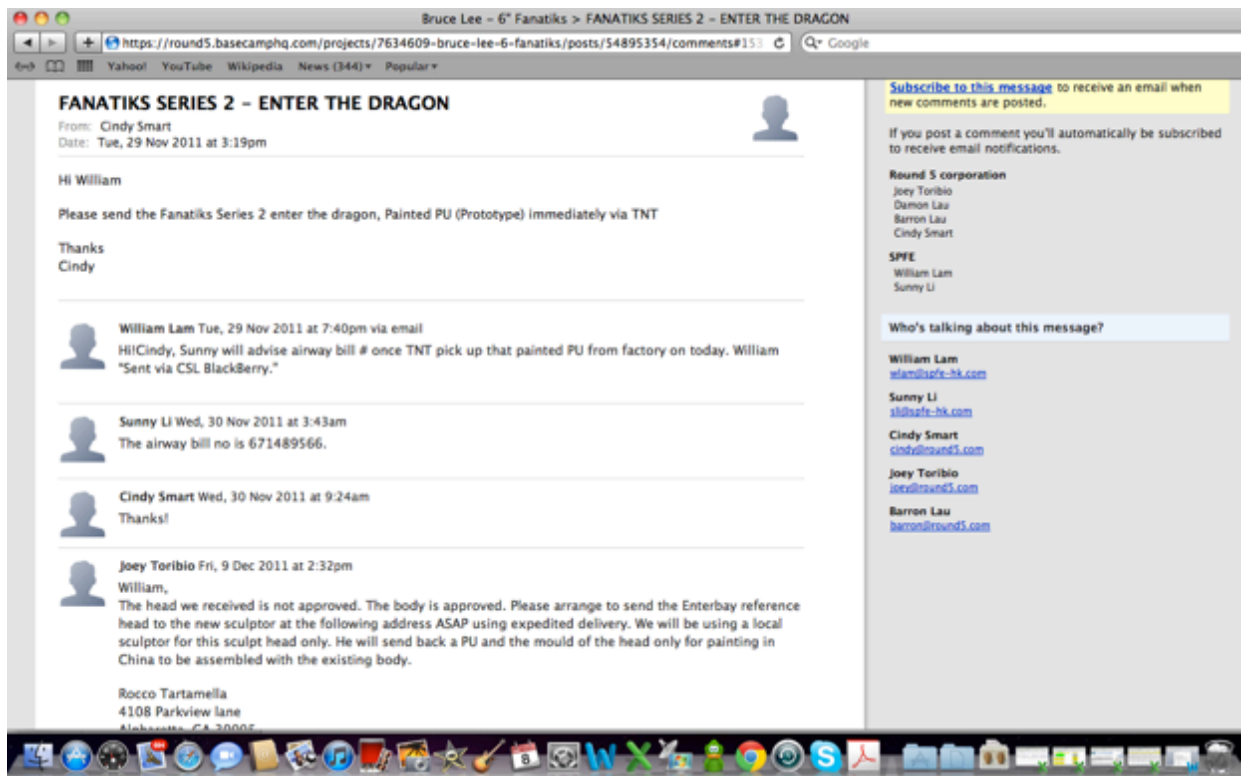
People on this project

Round 5 corporation

- Joey Toribio**
Latest activity 1 day ago
- Cindy Smart**
Latest activity 1 day ago
- Brian Senchak**
Latest activity 8 days ago
- Eddie Kwong**
Latest activity 8 days ago
- Barron Lau**
Latest activity 29 days ago











Source: Lucky Group's company documents

EXHIBIT 15 BASECAMP MESSAGE SCREENSHOT



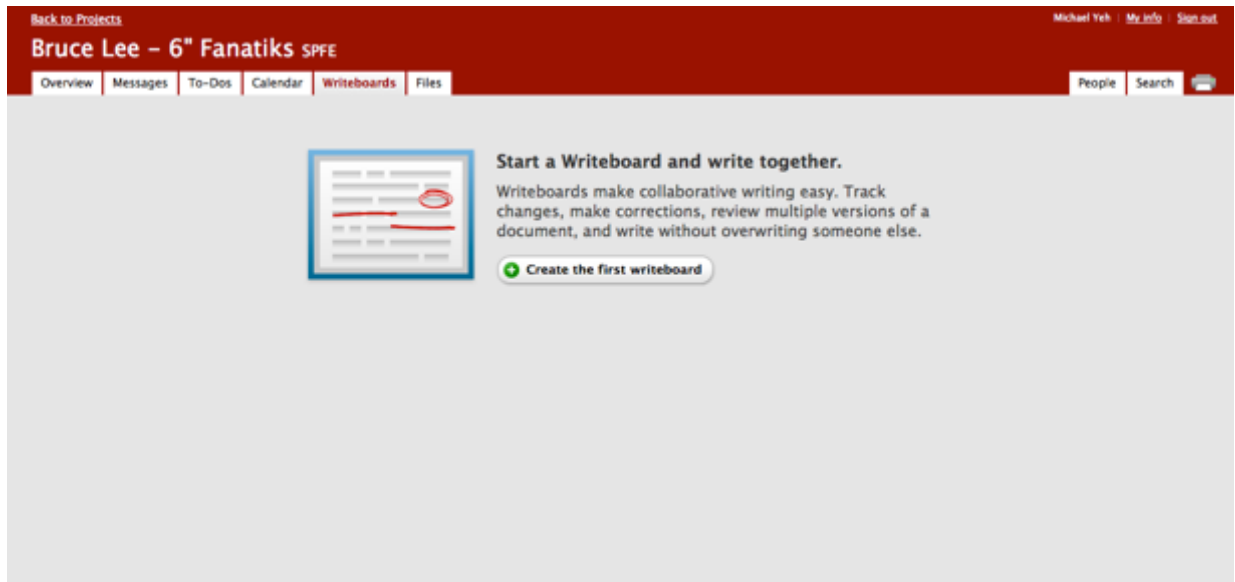
Source: Lucky Group's company documents

EXHIBIT 16 BASECAMP TO-DOS AND FILE SHARING SCREENSHOT

SPFE — Bruce Lee - 9 th Dynasty Collection			
To-do	Dynasty honour packaging is due Packaging due	Assigned to Brian S.	Jan 6
Comment	Re: Bruce Lee -Dynasty-Nameplate artwork	Posted by Brian S.	Dec 19
File	 BruceLee-Dynasty-Series2-NameplateDesign.pdf	Uploaded by Brian S.	Dec 19
File	 BruceLee-Dynasty-Series2-NameplateDesign.ai	Uploaded by Brian S.	Dec 19
Comment	Re: Bruce Lee -Dynasty-Nameplate artwork	Posted by Barron L.	Dec 17
SPFE — UFC Titans - 5 th Figures			
Message	UFC Titans Series 2 Chosen Expressions	Posted by Brian S.	Jan 6
File	 UFC Titans-S2-QuintonJackson-ChosenExpression.pdf	Uploaded by Brian S.	Jan 6
File	 UFC Titans-S2-JonJones-ChosenExpression.pdf	Uploaded by Brian S.	Jan 6
File	 UFC Titans-S2-AndersonSilva-ChosenExpression.pdf	Uploaded by Brian S.	Jan 6
To-do	layup all titans S2 sculpt references and upload to china: Product Development Tasks	Completed by Brian S.	Jan 3
SPFE — Sculpting Reference Images 360 Face and Body			
File	 LORENZO-FERTITTA_360_Head&Body_References2011_OPT.pdf	Uploaded by Brian S.	Jan 6
File	 DemianMaia_360_Head_References.pdf	Uploaded by Brian S.	Jan 6
File	 BrittneyPalmer_360_Head_References.pdf	Uploaded by Brian S.	Jan 6
File	 MarioYamasaki_360Head-Reference.pdf	Uploaded by Brian S.	Jan 6
File	 AndersonSilva_360HeadBody-Reference.pdf	Uploaded by Brian S.	Jan 6

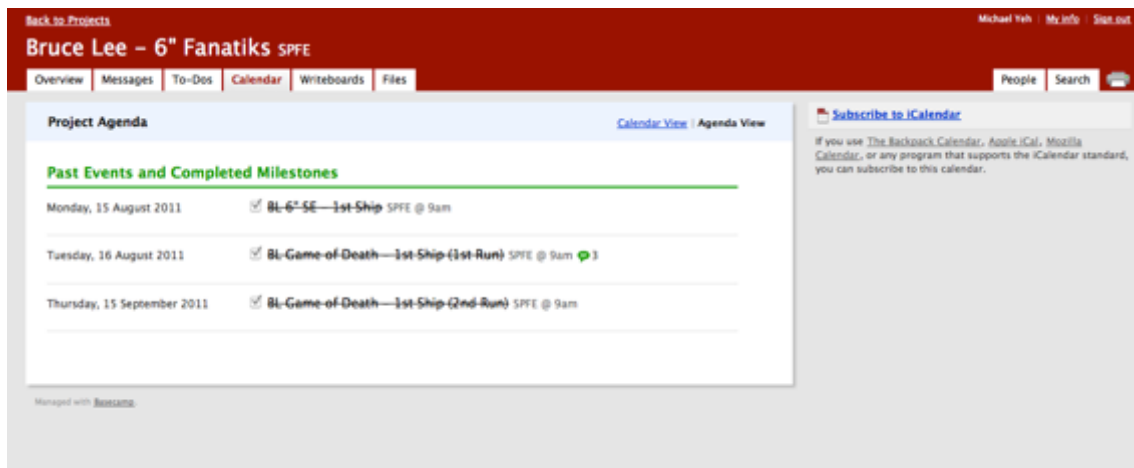
Source: Lucky Group’s company documents

EXHIBIT 17 BASECAMP WRITEBOARDS SCREENSHOT



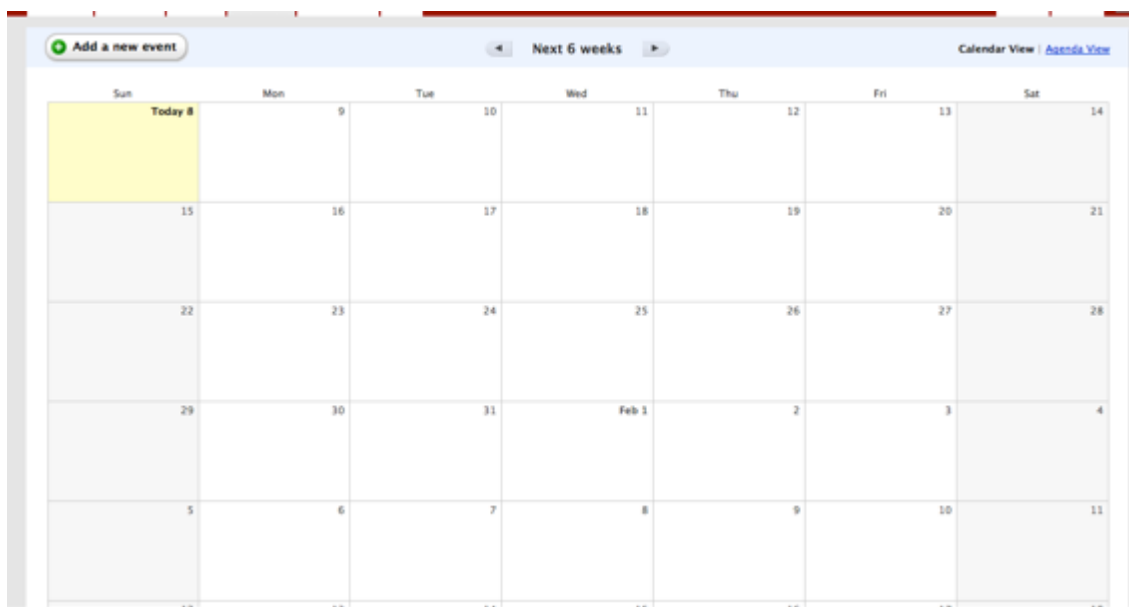
Source: Lucky Group's company documents

EXHIBIT 18 BASECAMP CALENDAR SCREENSHOT (AGENDA VIEW)



Source: Lucky Group's company documents

EXHIBIT 19 BASECAMP CALENDAR SCREENSHOT (CALENDER VIEW)



Source: Lucky Group's company documents

EXHIBIT 20 TABLE 15 COMPARISON OF 20 PROJECT MANAGEMENT ONLINE

PLATFORMS

Product	Pricing	Functionality	Ease of Use	Advantages	Disadvantages
Basecamp	Free for 1 project & unlimited users	Lacks effective tasks (Cannot attach to do items to a milestone. Need unwieldy lists)	Nice, simple and clean	Very easy to use because of so few features	<ul style="list-style-type: none"> • Dashboard page is missing good calendar • Plans are expensive
Intervals	#0 days free. Starts at \$20 for 15 projects & unlimited users	Very complete	Very slick	Much more complete time/cost management	Overkill if you don't need detailed time recording

				than any other product	
Unfuddle	Free for 1 project & 2 users	Very complete	<ul style="list-style-type: none"> • not as cool looking as some • some parts look overly complex 	Nice % completion graphics	<ul style="list-style-type: none"> • some processes can be a bit fiddly because of so many options
GoPlan	Free for 3 projects & 2 users	Very complete	Very nice clean interface	<ul style="list-style-type: none"> • Tickets as well as tasks • Really nice creation of events on calendar • subtasks is a <i>really</i> nice idea • includes time tracking 	NIL
TeamworkPM	Free plan includes time tracking	Same problem with tasks as basecamp	Good		
Wrike	Charged per user	Ok	Good		<ul style="list-style-type: none"> • expensive (charged per user) • no free starter plan
Central Desktop	No free starter plan	Complete	Over featured	Full online office replacement, not just PM	Full online office replacement, not just PM
ActiveCollab	Outright purchase of source	Complete	Extremely nice and slick system	<ul style="list-style-type: none"> • very clean and obvious to use • allows tagging • provides “what’s happening” stream • nice % completion graphics • multiple company & client support 	<ul style="list-style-type: none"> • Expensive: \$250/\$500, not including upgrades
ProjectPier	Open source fork of activecollab	Missing full task functionality	Looks nice, and easy to use	<ul style="list-style-type: none"> • multiple company & client support • allows tagging • provides 	<ul style="list-style-type: none"> • no dates on anything except milestones • basecamp style task-lists • tasks are <i>very</i>

				“what’s happening” stream	simple, no room for comments
Feng Office (was OpenGoo)	Open source version available <ul style="list-style-type: none"> • (fork of activecollab) 	Everything	<ul style="list-style-type: none"> • very slick with nice drag-and-drop JavaScript goodness 	<ul style="list-style-type: none"> • extremely complete with a unique concept of “workspaces”. • Can be customized by reducing functionality when a simpler system is required. 	<ul style="list-style-type: none"> • I am using this in earnest now and have yet to find a downside
Planigle	Or free hosted “community” edition, or open source version with less features	Releases can function as milestones	<ul style="list-style-type: none"> • flash - reasonably good 	<ul style="list-style-type: none"> • pretty good agile support • blocked tasks are supported—a major feature 	<ul style="list-style-type: none"> • only one project at a time for community version • have to get used to Agile terminology
Rocklimbr	Open source and totally free	All the essentials are there	<ul style="list-style-type: none"> • Really not polished enough for use • Lots of Drupally bits show causing confusion 	<ul style="list-style-type: none"> • integrates into Drupal • good handling of to-do-items 	<ul style="list-style-type: none"> • minimal feature set
Open Atrium	Open source and totally free	Totally missing calendar/time on to-do-items (fatal flaw)	<ul style="list-style-type: none"> • Looks really cool 	<ul style="list-style-type: none"> • chat room • nice social integration and a few other tools • integrates into Drupal 	<ul style="list-style-type: none"> • no milestones • can be a bit confusing to navigate
Storm	Open source and totally free	Seems to have no time-aware features, a fatal flaw	Ok	<ul style="list-style-type: none"> • integrates into Drupal 	Limited
TeamBox	Open source and totally free <ul style="list-style-type: none"> • plus a free online hosted service 	Complete	<ul style="list-style-type: none"> • very simple and cool, but not totally obvious what are tasks and what are lists 	<ul style="list-style-type: none"> • tasks have start as well as end date which allows Gantt charts • gives a twitter-like stream of events 	<ul style="list-style-type: none"> • no milestones—have to use task lists (but function similarly) • RoR code is a little harder to install
WebCollab	Open source and totally free	All the essentials seem	Simple and easy to use,	Simplicity	<ul style="list-style-type: none"> • no milestones, but there are

		to be there	but not polished		sub-tasks which do as well <ul style="list-style-type: none"> • no user avatars • very basic
Redmine	Open source and totally free	Hard-core software project tracker (RoR)	Unpolished	Optimized for high ticket volume	Not really general purpose as far as I can see
Lighthouse	Free hosting for your open source projects	Looks complete	Good	Activity streams <ul style="list-style-type: none"> • has an API • supports a public ticketing system • integrates with version control 	Expensive
DeskAway	Free for 3 projects & 5 users	Same problem with tasks as basecamp	Good	Looks nice	Real tasks
Agilefant	Open source and totally free		Very complex because of all the features	Will manage an enterprise	Massively featured
XPlanner-Plus	Open source and totally free	Full Agile PM system	Nice looking and clean	<ul style="list-style-type: none"> • Could be the best tool in the future • blog at: http://blog.xplannerplus.org/ • demo at: demo.xplannerplus.org/sysadmin/admin 	<ul style="list-style-type: none"> • stories can only be used as containers for tasks • not quite ready yet

Source: <http://drup.org/20-basecamp-alternatives-project-management>