

Facebook-The Next Retail Frontier

by Andrew Asch, Retail Editor

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Dylan Whitman is one of a handful of entrepreneurs gambling on the potential for shopping on **Facebook**—a new retail channel dubbed F-commerce.

On June 13, Whitman debuted **TabJuice**, a San Diego-based e-commerce company that builds branded Facebook stores for fashion designers, labels and other businesses.

In little more than a week, TabJuice built Facebook shops for 40 businesses. By the end of 2011, Whitman forecast, TabJuice will build more than 50,000 stores on the world's dominant social network. And that is just the beginning.

“People expect you to have a Facebook presence, even if they are not shopping,” Whitman said.

With a membership of 500 million people across the world, Facebook's sales possibilities seem endless, Whitman said. It might even be the only way to reach fashion-obsessed youth, said Tina Wells, a marketing guru and author of “Chasing Youth Culture and Getting It Right.”

“It's not magazines like *Seventeen* or TV shows like '90210.' If [businesses are] looking for a universal platform for marketing to today's youth, Facebook is the closest thing to that today,” Wells wrote in an email.

Not everyone is convinced of the viability of F-commerce. As recently as April, influential e-commerce analyst Sucharita Mulpuru of market-research company **Forrester Research** published a research paper that predicted Facebook will continue to be a forum for marketing, not business.

“Social networks fail to drive meaningful revenue for e-business professionals in retail, have a questionable [return on investment] and are generally ineffective as customer-acquisition tools,” Mulpuru wrote.

According to a Forrester survey, social networking is last on a list of 10 most effective ways to acquire customers. In the 2009 survey, it ranked below the old warhorse of direct mail.

Some e-tailers are taking a wait-and-see approach on F-commerce. **Make Me Chic**, based in City of Industry, Calif., does marketing on Facebook and **Twitter** and frequently offers coupons to Facebook users, according to Make Me Chic's Polly Su. But it has not placed a checkout on Facebook. The e-tailer cannot place its entire inventory on the social network, and Facebook pictures often tend to be small—too small for the type of browsing that e-consumers need, Su said.

In reply, Whitman argues that F-commerce is so new that people have not prospected its full potential quite yet. “Remember when e-commerce started? People said it was crazy. ‘No one will shop online.’”

F-commerce won't replace e-commerce, Whitman said. F-commerce could provide a different shopping experience from traditional e-commerce and physical retail, according to Christian Taylor, chief executive of **Payment**, a Palo Alto, Calif.-based company that helps retailers open stores on Facebook using the social network's free technology.

Facebook's culture of sharing new discoveries with social networks will result in sales, Taylor said.

If a Facebook user reports that she likes a top or a jacket on Facebook, her entire social network—on average, more than 130 people—will receive the news of her “like” on their own profiles. One person’s vote for a designer on Facebook could turn into a trend, Taylor argues.

“It’s sparking interest in a product,” he said. “With one person liking something, with social networks, it becomes 30 people. You can have hundreds of thousands of people talking about your brand.”

According to Payvment, more than 400 Facebook stores are created with Payvment software every day, and some Payvment shops earn more than \$100,000 in annual revenue. He estimated more than one-third of Payvment shops sell fashion.

Iconic designer Vivienne Westwood built a store with Payvment. “Project Runway” alum Althea Harper runs a Payvment store, and fellow alum Christian Siriano curates one.

F-commerce is crucial for retailers looking to turn liking into buying because people prefer to remain on Facebook rather than click over to another website, Taylor said. If Internet users are required to visit an e-commerce site to make a purchase, they often don’t leave Facebook, and an impulse buy is missed.

Transactions at Payvment’s F-commerce stores are powered by **PayPal** and credit cards. Taylor said his company is looking to provide new tools to help retailers drive shoppers to their F-commerce shops. In February, Payvment debuted an online market called **Shopping Mall, Powered by Payvment**. At the online mall, shoppers have a central place to find retailers and can locate them through the search function.

“The reason to get on Facebook is to get new customers,” Taylor said. “If you’re not on Facebook, you’re missing out on new shoppers.”