

Social Shopping: How technology is reshaping the consumer experience in apparel retailing

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INTRODUCTION

Over the past few years, social networking web sites, such as MySpace, Facebook, LinkedIn, and Friendster, have begun to generate more web traffic than the traditional web portals. For example, according to one research group, in November 2006, MySpace scored more page views than Yahoo! for the first time.¹ MySpace averaged 31.5 billion unique page views per month in 2006 and views increased by 79% in the month of March 2007, as compared with the previous year.²

Despite this torrid rate of growth, MySpace has thus far failed to translate its popularity into dollars, generating only \$90 million in ad sales, the company's primary revenue driver, in 2006. MySpace is just one player in the online social networking marketplace and online ad sales may be just the first and simplest strategy for monetizing web traffic to these social networking sites. In fact, in the near future, social networking sites like MySpace may prove to be just one category in a larger universe of online social interaction applications.

In this paper, we explore several emergent social interaction applications that are beginning to shape the customer experience in the retail apparel industry. While some of these applications tie in with existing social networking sites and/or duplicate some of the functionality of these sites, they are distinct in their ability to join virtual worlds with the real world in real-time and to directly drive consumer purchase. In the press, these applications are often discussed under the rubric of "social shopping" or "social retailing." The latter term was recently trademarked by digital consulting firm IconNicholson, New York, whose technological innovations in the space are discussed in detail below.

Whatever the terminology used to describe the phenomenon, these applications have the potential to solve one of the major problems facing online retailers. As stated by Gordon Gould, CEO of ThisNext.com, a social shopping web site, "online shopping is more accurately described as purchasing, because it's so directed and goal-specific."³ Consumers typically visit online retailers for the express purpose of making a specific purchase, rather than to engage in the social shopping activities that typically lead to purchase in physical stores. Social shopping applications have the potential to re-create the real world shopping experience online, harnessing the inherently social aspects of bricks-and-mortar shopping excursions to generate demand for products in real time and drive more typical mall purchasing behavior.

This paper looks at four distinct types of social shopping application in the apparel retail market. The first type, examples of which are often referred to as "virtual worlds," allows members to interact and shop within online re-creations of real physical spaces, such as streets and shopping malls. The second allows consumers to try on apparel merchandise and share the look with others without putting the clothes on their bodies or, in some cases, even stepping foot inside a store. The third type of application includes web communities that facilitate ratings and advice

¹ "MySpace Gets More Hits Than Yahoo In November." *FinancialWire*. 13 Dec 2006.

² Grover, R. "Cold Cash from a Hot Site: Can MySpace pull in revenue fast enough for Rupert?" *Business Week*. 9 Apr 2007.

³ Tedeschi, B. "Like Shopping? Social Networking? Try Social Shopping." *The New York Times*. 11 Sep 2006.

on apparel-related topics, thereby generating sales. Finally, we investigate weblogs that directly enable or influence apparel purchase.

VIRTUAL WORLDS

Virtual worlds are web sites or online communities that attempt to recreate real-world physical settings to facilitate enhanced online interactions between individuals. These communities range from relatively simple extensions of traditional social networking sites to significantly more complex, three-dimensional virtual environments in which people interact through self-designed, animated characters or alter egos. Just as these sites vary in their level of technical sophistication, they also represent a wide array of potential retail applications.

One example of a virtual world that lies on the less sophisticated end of the spectrum is Yub.com, which is owned by web e-tailer Buy.com and describes itself as "an online mall where people meet, hang, and get up to 25.00% back for shopping." The main revenue-generating feature of the site is a three-story virtual mall designed much like a typical, U.S. suburban shopping mall. The map of the mall is highlighted with a red outline in **Exhibit 1**. As of May 13, 2007, the Yub.com mall offered 6,066,096 products from such well-known retailers as Macy's, CompUSA, The Apple Store, PetSmart, Foot Locker, Sephora, Gap, and Saks.⁴

Clicking on the mall map brings the user – known as a "Yubber" – to an expanded view of Level 1 of the mall, as shown in **Exhibit 2**. As the Yubber moves his or her mouse over the floor layout, ads for individual stores on that level of the mall are displayed in the upper right-hand corner. Yubbers also have the option of exploring the mall in three dimensions, which is beta functionality that site designers likely added in order to compete with the more sophisticated, three-dimensional worlds described later in this section. The three-dimensional view of the front door to the Gap store is shown in **Exhibit 3**. Regardless of whether the Yubber chooses to use the two-dimensional or three-dimensional view, clicking on the Gap store takes the user to the Gap page shown in **Exhibit 4**.

One key aspect of Yub.com's value proposition is that Yubbers earn points and monetary rewards for making purchases from retailers featured on Yub.com. Whenever a Yubber makes a purchase by clicking through Yub.com to a retailer's own web site, the Yubber is credited a specified percentage of his or her purchase in the form of Yub Points. The percentage credited to the consumer varies by retailer, as shown in Exhibits 1 and 2 beside the retailer names. For every 1,000 Yub Points that a member earns, Yub credits \$10 in real money to the user's PayPal account. Meanwhile, Yub.com earns commissions from retailers on any purchases originating from the site.

This site has a number of features that make it an interesting online social interaction application. **Exhibit 5** shows the actual homepage for a Yubber named "Zara" and serves as an illustration of the various social shopping capabilities available to site members. These features fall into two categories: typical social networking functions and purchase drivers. The former category includes personal profiles, picture uploading capabilities, interest and school affiliations, links to friends' Yub.com profiles, the ability to post comments to friends' homepages, and a section for

⁴ http://www.yub.com/about

publishing "columns," which essentially constitute a weblog. These functions are quite similar, if not identical, to the capabilities available on mainstream social networking sites such as MySpace and Facebook.

The more interesting functions of Yub.com that make it a true social shopping application are the social features that drive purchase, two of which are shown on Zara's homepage. First, users have the ability to add "raves" to their personal profiles. Raves signal membership in affinity groups for individual products. Six of Zara's 68 raves are outlined in red on the left side of Exhibit 5. Raves may include any type of product, from restaurants, musicians, and movies, to fashion brands, beverages, and political candidates. Clicking on a rave brings the user to a page dedicated to the product. For example, the rave page for Starbucks is shown in **Exhibit 6**. Here, members may post product reviews, chat about the product, connect with other Yubbers who enjoy the product, and see what other products these Yubbers enjoy.

The second social interaction feature that drives purchase is outlined in red in the upper right corner of Exhibit 5. As they shop the Yub.com mall, members may add items from individual retailers to their "collections" of "stuff," along with their own product reviews. Other users can access these product collections and reviews, and can click through to retailers' web sites to shop for particular items. The most novel aspect of this functionality is that for every purchase made based on a Yubber's recommendation, both the purchaser and the recommender receive 1% of their purchase back in Yub Points, which, as noted above, may be converted into cash.

We have discussed Yub.com in the context of "virtual worlds" rather than in the Ratings/Advice section below primarily because of the shopping mall simulation functionality described above. However, in terms of technical sophistication, Yub.com is more of a hybrid between these two types of social shopping application. Second Life, on the other hand, is a pure example of the social shopping phenomenon in a virtual world context.

Second Life is "a 3-D virtual world entirely built and owned by its residents."⁵ In order to join this world, a new user must download a piece of software, register with the site, and create an "avatar," or online persona. All of these steps are free. Next, the software application is launched and the user sees his or her avatar standing in a world composed of three-dimensional graphics. Within the Second Life world, avatars may engage in many of the same activities as their real-life owners. For example, there is a thriving economy in Second Life, all based on Linden Dollars (L\$) (Linden Labs is the company that developed and runs Second Life). There is a virtual currency exchange called LindeX where real U.S. dollars may be exchanged for Linden Dollars and vice versa. There are also several third-party exchanges where virtual and real money may be traded. In addition, various economic statistics are tracked, as shown in **Exhibit 7**.

With this economic infrastructure in place, Second Life is an entrepreneur's paradise. After converting USD into L\$, individuals, through their avatars, may purchase land in Second Life and build whatever they desire, including structures that are physically impossible in the real world. By writing code using a built-in scripting language, members can also create objects that can be sold to other members' avatars. For example, members may wish to sell or buy clothing

⁵ http://secondlife.com/whatis

or jewelry for their avatars, furnishings for their virtual homes built on their virtual land, or fantastic objects that give avatars new capabilities, such as flying carpets. The creators of Second Life have even put in place intellectual property laws to ensure that avatars and their owners get credit for their creations.

Beyond the economic characteristics of Second Life, this is also a highly social world. While navigating the enormous landscape, avatars cross paths, communicate via body language and instant messaging, and form relationships. As of June 2006, there were approximately 100,000 residents of Second Life.⁶ By February 2007, there were 334,000 regular visitors.⁷ As of May 21, 2007, Second Life had 6.6 million residents with 1.7 million having logged in within the past sixty days.⁸ In addition to the in-world interactions between these millions of residents, Linden Labs has also set up or facilitated a number of other mechanisms for members to interact, such as community forums, blogs, newsletters, and mailing lists. For example, Exhibit 8 shows the front page for the fashion community, featuring tools for designing avatar fashions and a link to the "Unofficial Second Life Shopping Blog." The panel on the left side of Exhibit 8 shows a list of the community interaction options available to residents. One final item of note is the "Events" page, accessible from a link on this left-hand panel. This page lists in-world events being hosted by individual avatars, and includes such activities as a 50's sock hop at an in-world club, auctions, poetry readings, concerts, yard sales, and even a genealogy seminar – "Krag Mariner, (RL: Craig Roberts, CG) will speak on researching Quakers who came from PA at the Open Air Auditorium on InfoIsland."9

The potential of Second Life as a social shopping application lies at the intersection of the economic functionality and social aspects of the virtual world. According to Michael K. Wilson, CEO of Makena Technologies, which runs another virtual world called "There":

...e-commerce sites, while they have reduced retailers' brick-and-mortar costs, don't address the inherently social nature of shopping, especially for women. But in the mall of a virtual world, an avatar could try on – and try out in front of virtual friends – real-world clothing brands or styles her creator typically couldn't afford or wouldn't dare to wear. If she got rave reviews from her pals and became (along with her creator) comfortable with the idea of wearing a particular outfit, a purchase in the real world might follow.¹⁰

In May 2006, a milestone event occurred in the history of virtual world development when American Apparel became the first real-world retailer to open a virtual store in Second Life.¹¹ This American Apparel outlet still exists in Second Life today and provides an excellent example of social shopping in a virtual world environment. To illustrate, we created our own avatar (named Huntington Bailey) and sent him to the American Apparel store (**Exhibit 9**). Once inside, we, along with our avatar, were able to see virtual clothes hanging on racks as well as

⁶ Hemp, P. "Avatar-based Marketing." *Harvard Business Review*. Jun 2006.

⁷ Facenda, V. L. "Retail's Newest Frontier." *Retail Merchandiser*. Feb 2007.

⁸ http://secondlife.com/whatis/economy_stats.php

⁹ http://secondlife.com/events

¹⁰ Quoted text belongs to author of article; it is not a direct quote from Michael K. Wilson. Hemp, P. "Avatar-based Marketing." *Harvard Business Review*. Jun 2006.

¹¹ Hemp, P. "Are You Ready for E-tailing 2.0?" Harvard Business Review. Oct 2006.

high-resolution product billboards that one might just as well see in a real American Apparel store (**Exhibit 10**). By clicking on one of the billboards, we were given the option to purchase the displayed item for our avatar using Linden Dollars (**Exhibit 11**). As shown in the exhibit, the red track jacket would have cost our avatar L\$350, or approximately \$1.62 in USD. If we had exchanged \$1.62 in USD for L\$ on the LindeX, we could have clothed our avatar in the American Apparel jacket. Alternatively, when we had our avatar touch the billboard for the jacket, we were shown the prompt captured in **Exhibit 12**. Clicking the "Go to page" button launched a browser window and took us to the page on American Apparel's actual company web site for the real-world version of the jacket displayed on the billboard in Second Life (**Exhibit 13**).

While these capabilities alone suggest interesting possibilities for the future of consumer retailing, the potential for virtual communities to drive purchase behavior is even more compelling when other avatars, and their real-world owners, enter the picture. While our avatar was shopping for track jackets at the American Apparel store, we were joined by two other individuals, as shown in **Exhibit 14**. While we did not interact with these other, fashionably dressed avatars, it is clear that this shopping excursion could easily have become a social experience. It does not require any stretch of the imagination to conceive of a group of real-world friends, geographically separated from one another, arranging a time to log in to Second Life from remote locations to look at, and have their avatars try on, outfits with each other. Furthermore, with links to real-world retailer web sites embedded in the virtual world, peer input could drive purchase just as surely as it does during trips to real shopping malls.

American Apparel is just one of several retailers that have begun to explore the marketing and sales potential of virtual worlds, and Second Life is just one of several such worlds (others include Entropia Universe and There). Furthermore, showcasing and selling products through virtual stores are just the tip of the iceberg when considering the marketing activities that could be facilitated by a virtual world platform. Concept testing, survey research, and brand building are a few examples. Unfortunately, the many potential marketing applications of virtual worlds are outside the social shopping focus of this paper, but Paul Hemp, a senior editor at *Harvard Business Review*, provides excellent insight on this topic in his *HBR* article "Avatar-based Marketing" (June 2006). In any event, as virtual worlds increase in popularity and the shopping experiences provided by these worlds become ever closer to the real thing, consumers will increasingly enjoy the social aspects of apparel shopping without ever leaving their homes.

VIRTUAL TRY-ON

While virtual worlds represent a universe of social interaction possibilities of which apparel shopping is just one small part, there are a number of social shopping applications that are specifically focused on this activity. For example, several recent technological innovations allow consumers to virtually try on apparel and accessories and to share their experiences with others. These technologies range from in-store applications that allow shoppers to connect with their social networks outside the store while trying on merchandise to online applications that allow shoppers to try on apparel and share their looks using avatars similar to those in Second Life.

IconNicholson, a New York-based digital consulting agency, is currently at the forefront of this genre of social shopping application. Founded in 1987, IconNicholson is an international, full-service firm that assists companies in integrating technology into their strategic business initiatives. IconNicholson currently has over 2,000 employees in 17 offices around the world, and has worked with several prominent apparel retailers, including Prada, H&M, and Polo Ralph Lauren. In a recent interview, Christopher Enright, the company's Chief Technology Officer, stated that IconNicholson's aspiration is to create "cool, new, highly designed, extremely intuitive, extremely usable, cutting edge" technology for its clients.¹²

IconNicholson has recently developed and trademarked an innovative shopping approach called "Social Retailing." Social Retailing combines social networking with shopping in bricks-andmortar stores so that customers can connect in real time with their friends while they shop. The Social Retailing concept is exemplified by a "magic mirror" that allows shoppers to virtually try on garments and share their experience with friends located elsewhere. The mirror, images of which are provided in **Exhibit 15**, functions as follows:

- 1. Avery Denison RFID ("radio frequency identification") tags are attached to garments in the store. These RFID tags link to information concerning the garment's style, color, and size.
- 2. The mirror is equipped with a Motorola XR440 reader with Anderson antenna that can read an RFID tag up to 35 feet away. When a shopper picks up a garment and walks near the mirror, the reader senses the garment and the mirror is activated. The mirror begins projecting images and playing music reflecting the "aura" or "theme" of the garment's product line (for example, a nautical theme) to attract the shopper's attention.
- 3. Once drawn in, the shopper can use the touch screen on the mirror's left panel to begin trying on merchandise. The shopper inputs her height and selects garments to try on.
- 4. Once a garment is selected, it appears in the large central panel of the mirror in the appropriate size and at the appropriate height. The garment appears as if it is superimposed on the shopper's body, which is reflected in the mirror.
- 5. During this process, the right panel of the mirror displays product information, including price, sizes available in the store, and suggested complementary products such as footwear and accessories.

¹² Interview with Christopher Enright, CTO of IconNicholson, New York City, 26 Apr 2007.

- 6. While the shopper is viewing herself in the mirror, she can contact her friends outside the store to get their opinions. The shopper can point her cell phone at the mirror and use either a blue tooth or infrared connection to upload her contact list to the mirror. Using functionality built in to the mirror, the shopper may then send her friends an invitation via text message, email, or any other combination of notices, to open up a browser to a password-protected URL. Once they log on, friends can view the try-on session in real-time video. A camera films the session and streams a full high definition feed to the store's web site (**Exhibit 16**). Friends can interact with the shopper by sending instant messages that appear embedded in the mirror. Friends can also suggest alternative garments to try on, and the shopper can immediately try on the suggested garments by selecting them on the touch screen.
- 7. The session is also stored on the store's web site. The shopper and her friends can therefore subsequently access the session using a unique password.
- 8. During the session, the shopper's friends can also view the catalog that has been posted by the retailer and make Internet purchases of their own.

The mirror enhances the customer experience by allowing shoppers to virtually bring their friends shopping with them. In this context, the mirror technology is targeted at retailers catering to youth aged 16-24. According to Tom Nicholson, Chief Executive of IconNicholson, "[t]he idea of being able to take your whole social network with you when you shop is a concept that any kid who leaves their house every day with their social network in their phone will understand. They are already sharing everything with 500 contacts on Friendster, so if five of them happen to be online, why not ask them whether you look good in green?"¹³

A study by IBM Global Business Services released at the National Retail Federation's 2007 Convention in New York City supports Nicholson's emphasis on the social nature of teen shopping, finding that teens and baby boomers have different shopping habits. For baby boomers, shopping is all about the "end," while for teens it is about the "means."¹⁴ 67% of teens named friends and peers as the biggest influence on their purchases. The IBM study stated:

It is the social factor that is important, namely sharing the experience with friends online or in a store...Nearly two-thirds said they use their cell phones to send text messages to a friend while shopping. Some girls also report sending a friend photos from their cell phone before making a purchase in a store. When shopping online, nearly 30% of teens said they used the 'e-mail a friend' link to gain advice.¹⁵

Thus, the mirror fills two important needs of the youth audience: the need to socialize and the need to gain approval from friends. Enright states, "[i]t's a mirror, yes, but it's also a window. It's a window on the world, a window on relationships."

¹³ Singer, N. "If the Mirror Could Talk (It Can)." *The New York Times*. 18 Mar 2007.

¹⁴ Cited in Wilson, M. "Magic Mirror on the Wall." *Chain Store Age.* 1 Mar 2007.

¹⁵ Ibid.

With respect to their target audience, Enright adds that the mirror technology is targeted at retailers who sell in "high touch situations" where more personalized service is the goal. He cites bridal fitting as a prime example of such a high touch situation. Using the mirror, brides-tobe can get advice on their bridal gowns from friends and relatives in distant locations. They can even pre-schedule a fitting session to ensure that key participants are logged on for the fitting in real time.

The Social Retailing mirror has not yet been permanently installed by any retailers, but was piloted for three days in the Nanette Lepore boutique at Bloomingdale's in New York City in March of 2007. Enright reports that, within the first hour of trial, friends in 37 countries were networked into try-on sessions, representing every continent except Antarctica. Enright also confirms that total sales in the Nanette Lepore boutique tripled during the pilot period. Nanette Lepore has now ordered a mirror for its Broome Street boutique in New York City, and Bloomingdale's has ordered mirrors for its California and Washington, D.C. locations.¹⁶

It is clear that the mirror has the potential to enhance the in-store shopping experience and to potentially broaden the audience outside the store, thereby increasing sales. At the same time, however, the technology has some limitations that may prevent it from becoming ubiquitous. First, the use of the mirror is time consuming. It takes several minutes for a single customer to try on a few items and to have meaningful online conversations with friends at the same time. During the Bloomingdale's event, customers were lined up to use the mirror.¹⁷ Thus, it is unclear whether it would be practical for daily in-store use without a more efficient way of marshalling customers through the process. Second, Enright indicated that, to comply with privacy requirements, every customer who uses the mirror will be required to sign a waiver prior to use. This waiver requirement seems time-consuming, cumbersome, and intimidating. It may deter customers from trying the mirror. Third, the technology is extremely costly. Although Enright could not provide us with the price charged to a retailer for a basic unit, he explained that the cost to IconNicholson of only the hardware components (not including any software design costs, installation, or markup) is over \$100,000. Given the difficulty in measuring the incremental sales gained from installing such technology, retailers may be hesitant to make such an investment.

Finally, customers may find the mirror to be of limited benefit given that the garment is superimposed on their mirror images, rather than on their actual bodies. It is difficult for the customer to see what the garment will actually look like when worn. In this context, Enright explains that IconNicholson does have the ability to introduce a body scanner into the mirror system. The scanner could scan one million points on the customer's body, create a "virtual you," and then project an image in the mirror of the actual person trying on the garment. Enright explains that, when this version of the technology was tested, it was a "miserable failure" because people did not want to see what they actually look like. Enright feels that, ultimately, what resonates with the customer is not the accuracy of the mirror's fit, but the social aspect of the experience.

¹⁶ Rhone, N. "Fashion feedback: Technology streamlines advice from friends, family, fashionistas for savvy consumers." *The Atlanta Journal – Constitution*. 8 May 2007.

¹⁷ O'Loughlin, S. "Technology: Bloomingdale's Puts High-Tech to the 'Dressing Room' Test." www.brandweek.com. 26 Mar 2007.

Nevertheless, the addition of body scanning technology to the mirror unit could offer great potential for broadening the benefits provided by the mirror, and possibly for broadening the mirror's appeal. In a recent study of consumer interest in commercial applications of body scan data, researchers at Cornell University found that over 80% of a sample of women 34 to 55 years of age were interested in the use of body scanning for virtual try-ons.¹⁸ Moreover, virtual try-on applications incorporating body scanning technology were selected as most likely to influence participants to buy more clothing on the Internet (over 35%) and to help find clothing that looks good on the body (over 25%).¹⁹ As such, incorporating body scanning into the mirror system could broaden its target audience.

While the mirror facilitates virtual try-on at the retail store, there are also applications that facilitate virtual try-on from the comfort of home. StyleZone.com is one such application. StyleZone.com (**Exhibit 17**) is a web site that, like the mirror, focuses heavily on the social aspect of shopping, but also allows virtual try-on in a manner that approaches body scanning. At StyleZone.com, users can create models that approximate their own appearance and virtually try on apparel and accessories online using the customized model. Users can even design their own clothing. All images can be shared with others both within and outside the StyleZone community. The user follows these steps:

- 1. Model Choose a base model from options provided (Exhibit 18).
- 2. Makeover Adjust the model's features to customize his/her appearance (**Exhibit 19**). The makeover process is extremely detailed. Features that can be customized include:
 - a. Hairstyle various options
 - b. Face face width, face length, cheekbones, jaw width, chin width, eye angle, eye height, eye distance, nose length, nose width, lip thickness, mouth width
 - c. Body Shape age, height, body type, muscle tone, pregnancy, posture, top posture, bottom posture, body width
 - d. Upper Body bust, waist, hips, underbust, cups, belly, shoulders, neck, shoulder slope, breast shape, breast position, apex to apex, bra support, push up, sport bra, pointed bra, back length, upper hips, shoulder position, butt shape,
 - e. Arms arm length, biceps, forearm, wrist, palm
 - f. Legs outside leg, inner leg, thigh, knee, X/O leg, calf, ankle, foot length, foot width
 - g. Expression lift left/right brow, sad eyebrows, furrow, squint left/right eye, blink, smirk left/right, sneer left/right, kiss, frown, smile, open lower lip, open mouth
 - h. Skin tone various options
- 3. Closet Enter the closet and choose designs to try on (**Exhibit 20**). The user simply clicks and drags selected designs to his/her model.
- 4. Design Design personalized clothing if desired.

¹⁸ Loker, S., Susan P. Ashdown, Lora Cowie, and Katherine A. Schoenfelder. "Consumer Interest in Commercial Applications of Body Scan Data." *Journal of Textile and Apparel, Technology and Management.* Summer 2004. Vol. 4 Iss. 1. pp. 1-13, at page 8.

¹⁹ Ibid, page 9.

Send – Post a new design or a new look incorporating others' StyleZone designs (Exhibit 21). Images can also be emailed to friends or posted to MySpace.com (Exhibit 22). Users can comment on each other's looks and designs.

Currently, StyleZone.com offers only one real-world, branded product line for try-on – Fox, an Israeli clothing line. Other items in the closet appear to be amateur designs created by users within StyleZone (**Exhibit 23**). The site, or a similar concept, has great potential to be leveraged by other manufacturers and retailers to market their products and/or to directly enable purchase. Similar to the in-store mirror concept, StyleZone.com offers online users the opportunity to bring their social networks with them when shopping and trying on clothes online, with the added benefit of models that approximate their own appearance.

RATINGS / ADVICE

According to the Pew Internet & American Life project, approximately 33 million U.S. Internet users had reviewed or ranked someone or something as part of an online rating system as of November 2005.²⁰ The newest incarnation of online rating web sites infuses highly social interactions into the rating process and has created a new breed of social shopping. The headlines on the homepages of some of the leaders in this social shopping space, including StyleFeeder.com, ThisNext.com, Kaboodle.com, and Stylehive.com, reflect the social aspect of the experience:

"Never Shop Alone. Stuff you like. People like you. (No friends to shop with? No problem! We'll find you some!)" www.StyleFeeder.com

"Real Recommendations from Real People" "Like Shopping? Social Networking? Try Social Shopping" <u>www.ThisNext.com</u>

"Shopping is more fun with friends Share recommendations and discover new things from our community" www.Kaboodle.com

These social shopping sites go beyond traditional user reviews. They function both as an information resource and as a tool for self expression. That is, they help users to discover and learn about products, while providing them with a venue to express their own unique style. Moreover, they bring users together in social communities to share the shopping experience. According to Michael Carrier, president of Stylehive, "[a]ll of shopping is fundamentally social. What you buy is based on the people around you and what they like and what they buy."²¹ These social shopping sites leverage the highly social nature of shopping to ultimately drive purchase.

²⁰ Reda, S. "Scenes from a (Virtual) Mall." *Stores*. 1 Nov 2005.

²¹ Dilworth, D. "Online shopping is something to talk about." *DM News*. 30 Mar 2007.

Users of the sites include consumers, stylists, designers, and retailers. On the sites, users create their own profiles, in which they may identify products which are of interest to them and may be of interest to groups of users with similar tastes. StyleFeeder.com has a unique method of profiling users. When registering on the site, potential users are asked to select photos that interest them from a wide array of images (**Exhibit 24**). After this selection is made, an array of product images is generated which correspond to the user's interests. The user then selects particular products of interest from this second array (**Exhibit 25**). Individual selections are used to immediately generate a list of "stuff you'll like" and "people like you" (**Exhibit 26**).

After creating a profile, users can add products to the sites and post recommendations and ratings. They can also bookmark their favorite products, create personalized wishlists, and build databases for their favorite designers and stores. Members can even track the product choices of users whose style they seek to emulate. The sites also contain blogs and forums for discussion of particular topics. Users can form groups based on similar interests for forum discussions and to track product discoveries and reviews. Interests could include such topics as fashion, beauty, "moms," and crafts. Group members can share trends and great product finds and seek out specific information. In this way, users create a social network of online "friends" with similar interests and tastes from whom they feel they can get reliable information. Moreover, user profiles and group membership enable users to receive personalized product recommendations tailored to their particular tastes. In addition, as Gordon Gould, co-founder and CEO of ThisNext.com points out, a great advantage of these social shopping web sites is that they provide users with access to recommendations from "experts," or individuals who are extremely knowledgeable about particular products or trends.²²

Some of these ratings sites also provide users with the opportunity to connect with their extended social networks. On StyleFeeder.com, for example, users can link their "Style Feed" to their own blog, web site, Friendster, or MySpace page. The user's Style Feed can include the user's wishlist, particular product ratings, or blogs.

Although no products are actually sold on these sites, they contain links to the featured products and thereby enable purchase. In addition, the sites contain advertisements and links to online retailers. The sites earn revenue from a combination of fees from vendors and retailers (based on click-throughs), display ads, and the sale of proprietary market and trend information gathered from visitors' comments.²³ Kaboodle.com created another revenue source by entering into agreements with Shopping.com and eBay.com.²⁴ In particular, whenever a user features a product that is also contained in the Shopping.com database, Kaboodle.com posts the prices at which the product is sold online at various merchants. If a user clicks through to the merchant's site, Kaboodle earns a share of the fee the merchant pays Shopping.com for that click. For eBay.com, Kaboodle enabled collectors of particular items to receive feeds of relevant eBay auctions on customized pages of the Kaboodle site.

The majority of the current leaders in this space came online in 2005 and 2006, such that it is somewhat premature to evaluate their business models. They have, however, experienced great

²² "www.Thisnext.com Social Shopping Online." ABC News Now: Money Matters. 4 Dec 2006.

²³ Schneider, K. "Word of Mouth Helps Them Fly Off the Shelves." *The New York Times*. 1 Nov 2006.

²⁴ *Supra*, note 3.

growth thus far. As of April 2007, Stylehive had a membership of over 40,000 users²⁵ and as of September 2006, Kaboodle had 50,000 registered users.²⁶ StyleFeeder was recently named at the Mashable Social Network Awards as "Hot for 2007."²⁷ The Mashable Award is delivered by Mashable Labs and Advantage Consulting Services based on the following criteria: growth and momentum, design and usability, and uniqueness and innovation. StyleFeeder has become so popular that it has attracted celebrity participants including Kelly Clarkson and Mary Kate and Ashley Olsen.

It is clear that these social shopping web sites have great potential to change the online retail landscape. They represent a significant innovation in that they shift the online focus to the shopping experience, rather than just the purchase transaction, as described by Gordon Gould:

We think e-commerce is broken because the focus is on purchasing and not shopping, which are two different things. Truly successful appeals by retailers to consumers are emotionally driven like those found in peer-based recommendations.²⁸

WEBLOGS

Although weblogs are perhaps the most informal social shopping application, they have become an extremely powerful phenomenon in the fashion industry. Blogs can increase consumer awareness of products and, ultimately, influence what people think and wear.

Blogs have become so influential that certain prominent bloggers have been dubbed by some in the fashion industry as the "Net Force."²⁹ The most significant example of these Net Force bloggers is Diane Pernet, whose online diary can be found at www.Ashadedviewonfashion.com. Pernet has become so powerful that the world's most significant fashion designers have offered her front row seats at their runway shows.³⁰ Pernet began her career as a photographer and then became a fashion designer. She designed her own brand in New York for 13 years, in part under a license with Seibu department store in Tokyo. Pernet now lives in Paris, where she works as a freelance journalist and creator of short documentary videos covering fashion designers, events, and shows. Pernet is infamous for her edgy fashion docudramas and gritty, diary-style blogs, as well as for her use of cutting edge technology.

At Ashadedviewonfashion.com, Pernet diarizes her day to day experiences as a fashion insider. She recounts experiences at fashion shows and reports on interviews with designers. She also discusses trends and recommends particular items and boutiques. Bloggers can comment on Pernet's entries and engage in conversations with each other. The blog provides aspiring fashionistas with virtual access to the world of high fashion and creates an instant social network for chatting about current trends. Although the blog does not directly enable purchase of

 ²⁵ McAllister, R. "StyleHive Brings Collaborative Shopping to the Web." *California Apparel News*. 13 Apr 2007.
²⁶ Supra, note 3.

²⁷ "Mashable Names Stylefeeder a Hot Social Shopping Site for 2007." Business Wire. 9 Jan 2007.

²⁸ *Supra*, note 21.

 ²⁹ Gaidatzi, D. "The Net Force is with us. The newly powerful blogger has earned a place in the front row of the fashion show audience among the celebs, says Dimi Gaidatzi." *Financial Times*. 22 Oct 2005.
³⁰ Ibid.

particular products, Pernet's choice of designers, products, and boutiques to feature arguably has a significant impact on bloggers' purchase behavior. Please see **Exhibit 27** for Pernet's homepage and a sample blog entry.

The power of Pernet's blog in creating social shopping networks is evidenced by the fact that these networks have extended beyond the blog itself. At Myspace.com, avid bloggers have formed a group called "Diane Pernet Junkies" (see **Exhibit 28**). Pernet has truly developed a cult following that comes together to talk, shop, and talk about shopping.

In addition to high profile blogs like Ashadedviewonfashion.com, other less high profile blogs also bring together bloggers seeking a social shopping experience. Many of these blogs create online social shopping networks while directly enabling purchase. The "Purse Blog" (www.purseblog.com), for example, claims to serve "over 5.2 million addicted handbag lovers a month." The blog states its mission as follows:

The Purse blog is the blog for designer handbag enthusiasts to manifest their shallow obsessions. Do not fear, we feel your pain!

In the purse blog, blogmaster "Megs" posts descriptions and images of designer bags, and bloggers can post comments and recommendations. Bloggers engage in discussions about the pros and cons of particular products, usage occasions, and pricing. The blogs contain links to the homepages for the featured products, thus directly enabling purchase. The web site also displays advertisements for particular brands and online retailers such as eluxury.com, shopbop.com, zappos.com, and netaporter.com. In addition, the web site provides bloggers with content such as feature pages identifying the season's "It" brands. The site also contains a separate "Purse Forum" where registered users can post comments pertaining to specific topics, including discussions relating to new trends, particular purse brands, and "deals and steals." Users can also showcase their personal handbag collections and buy, sell, or trade bags. Forums also exist for the discussion of clothing, jewelry, and shoes, as well as for "off topic" discussions about subjects including television, health and fitness, food, and pets. The forum also administers contests and giveaways. As of May 2007, the forum contained 2,770,799 posts and included 51,941 registered members. Please refer to **Exhibit 29** for screenshots of the www.purseblog.com homepage, sample blog posts, and views of the purse forum.

Purseblog.com provides purse lovers with an opportunity to find other similarly minded shoppers, share information, and socialize. Although it provides users with the same type of purchase-related information as a ratings web site, it has a distinctly social aspect that extends beyond the ratings sphere. The tone of the site is fun and flirty – the site's tag line is "Shallow obsessing strongly encouraged." Purseblog.com is intended to be more than just an information destination – it aims to be a fun, social shopping experience for a very particular consumer niche.

CONCLUSION

Social shopping applications have enormous potential to transform the apparel retail landscape. By embracing the inherently social nature of shopping, particularly for clothing and accessories, these technologies enhance the customer experience and thereby drive purchase. They satisfy consumers' utilitarian information needs in ways similar to traditional ratings websites or wishlists, but go beyond the traditional realm by satisfying much more hedonic needs: the need for approval from peers, the desire for self expression, and the desire for entertainment. Joe Gagnon, leader of IBM's retail consulting practice, recognizes the emotional needs of fashion consumers and the value in leveraging social interactions to influence buying:

In shopping, there's an interdependent relationship that people have around buying...In the case of a specialty item, the buyer is looking for knowledge; in fashion, it's emotional. With trendy items, the buyer is looking for encouragement, and with a commodity it's about the visibility of price. You're always going to be more effective when you can leverage a social network to influence buying. The Internet facilitates those connections.³¹

Many of the social shopping applications discussed in this paper leverage consumers' existing networks to drive purchase, such as IconNicholson's mirror and StyleFeeder.com's Style Feeds. Others, such as the ratings web sites and blogs, allow consumers to expand their social networks by facilitating contact with strangers who have similar interests and tastes. The growth of these sub-networks has a viral effect in influencing purchase.

There is significant potential for growth in the social shopping sphere given that individuals, and in particular today's youth, have become increasingly comfortable with the use of technology. Moreover, the younger generation's apparently high level of comfort with sharing personal information online, as demonstrated by the popularity of social networking sites, supports the growth of this phenomenon.

Social shopping will likely face some hurdles in its development. For instance, it will be a challenge for ratings web sites to keep online content from becoming stale given that content is user generated and that the fashion apparel market is constantly changing. Given the importance of trend identification for these sites, appropriate culling of outdated user content will be important. In addition, all of these applications will have to grapple with privacy concerns. Appropriate waivers and opt-in clauses will need to be used to ensure that users are aware of privacy risks. With applications such as the mirror, privacy concerns may limit the practicality of the technology, as discussed earlier. Finally, technological limitations could diminish the growth potential of social shopping. Many applications, such as Second Life, require downloads of particular software. Some potential users may not have the hardware required to support such software, and some users may have trouble navigating the somewhat complicated systems.

We believe that the aforementioned challenges can be overcome with careful execution and continued technological refinement, and we predict that social shopping will become increasingly pervasive. Ultimately, social shopping technology promises to reshape the apparel retailing landscape and fundamentally change the way we shop.

³¹ Reda, S. "Scenes from a (Virtual) Mall." *Stores*. Nov 2005.



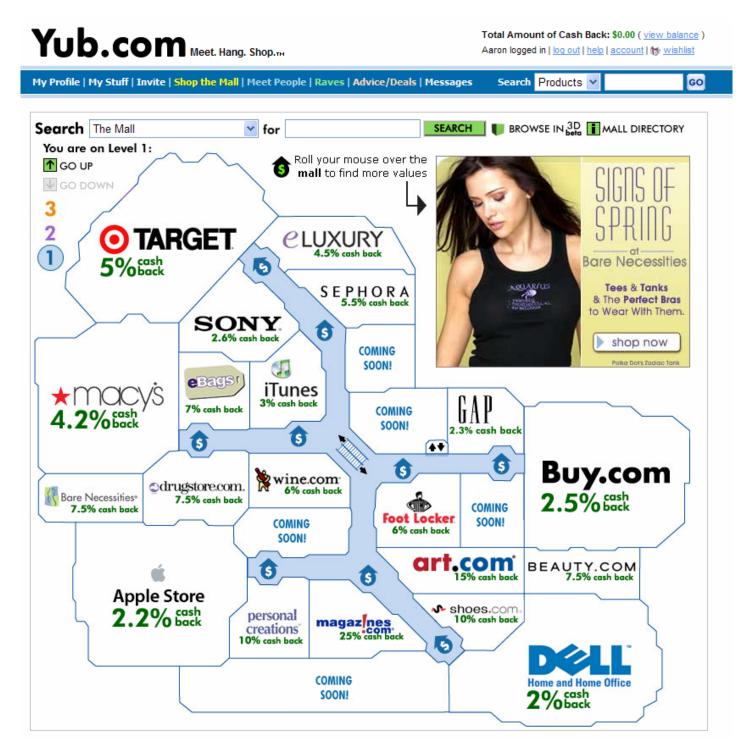
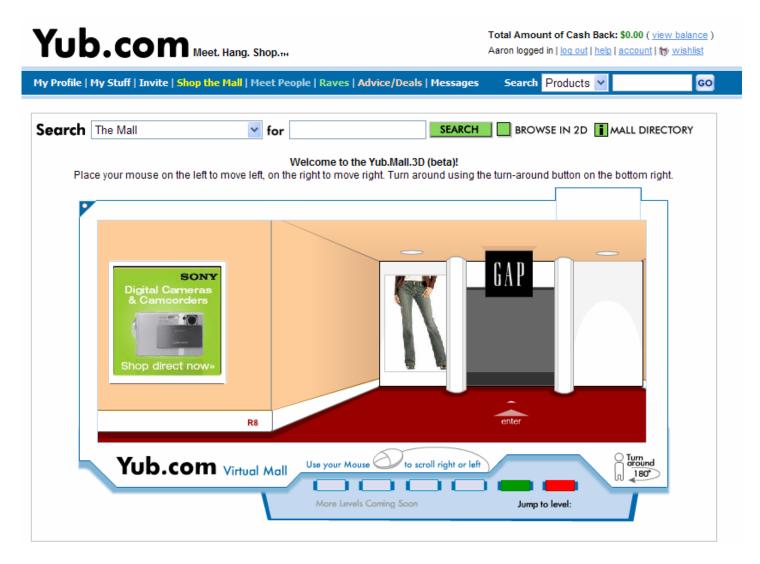


Exhibit 3 Three-dimensional browsing capability





🖥 Add to Your Stuff 🔜 Add to Shopping List 貁 Add to Wishlist

Exhibit 5 Individual's homepage on Yub.com (red outlines added)

Product-related

affinity groups

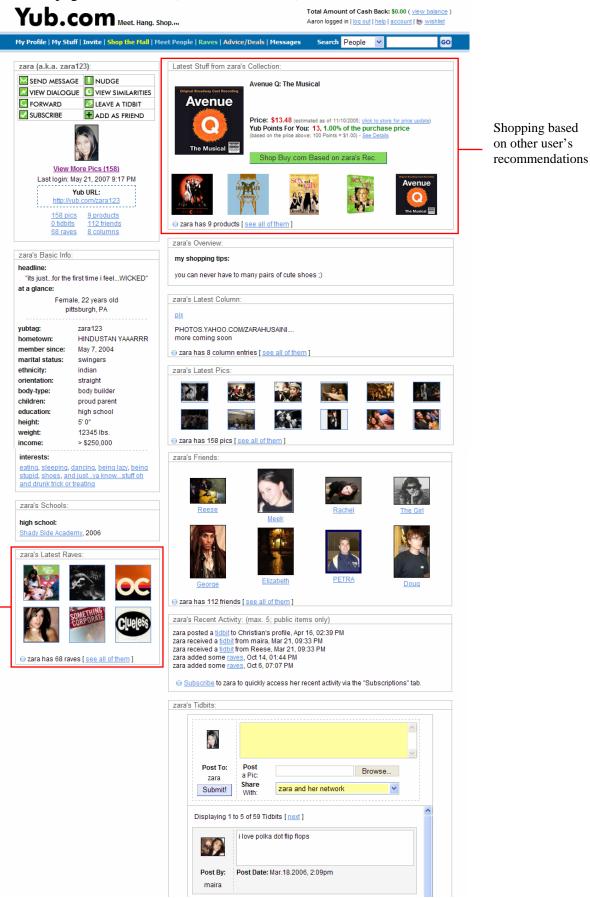
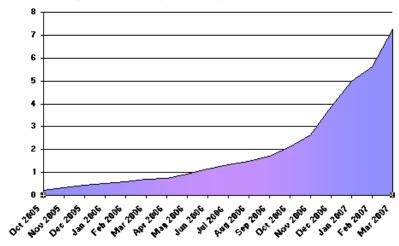


Exhibit 6 Yub.com "rave" page for Starbucks

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Starbucks Coffee:	Chit-Chat about S	Starbucks Coffee:						
+ ADD RAVE G FORWARD	Create New Topic							
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"putting the venti into your lattes."	Seasonal Starbu [Goto page: <u>1 2</u>]			<u>Harry</u>	14	702		
http://www.yub.com/raves/?raveID=4085	Frappucinos! Oh	s‼ But I Love their <u>1 the</u>		<u>Nate</u>	3	237		
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Exhibit 7 Graphs showing economic statistics in Second Life

US \$ Exchanged on Lindex (in Millions)



Economic Activity

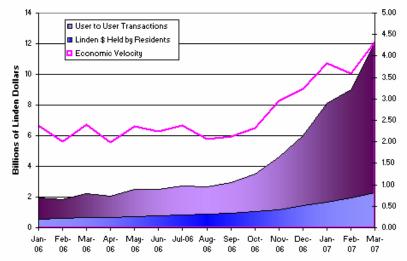


Exhibit 8 Community features in Second Life



Exhibit 9 Storefront of American Apparel outlet in Second Life

Exhibit 10 Inside the American Apparel store in Second Life

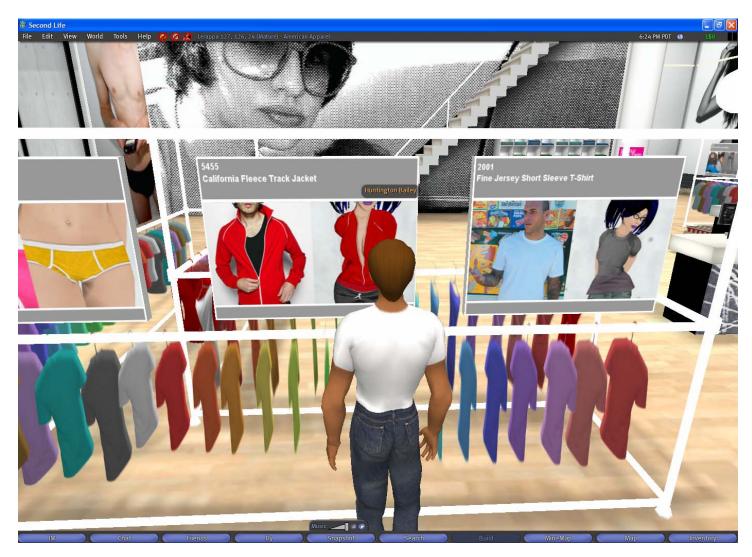
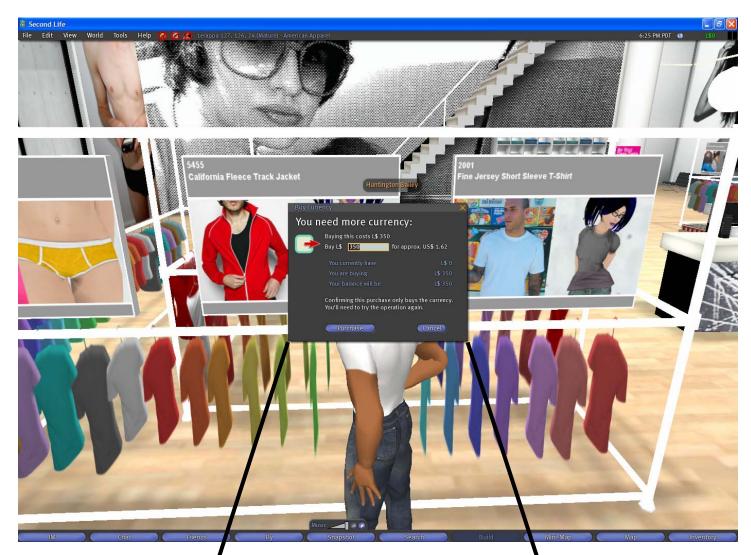
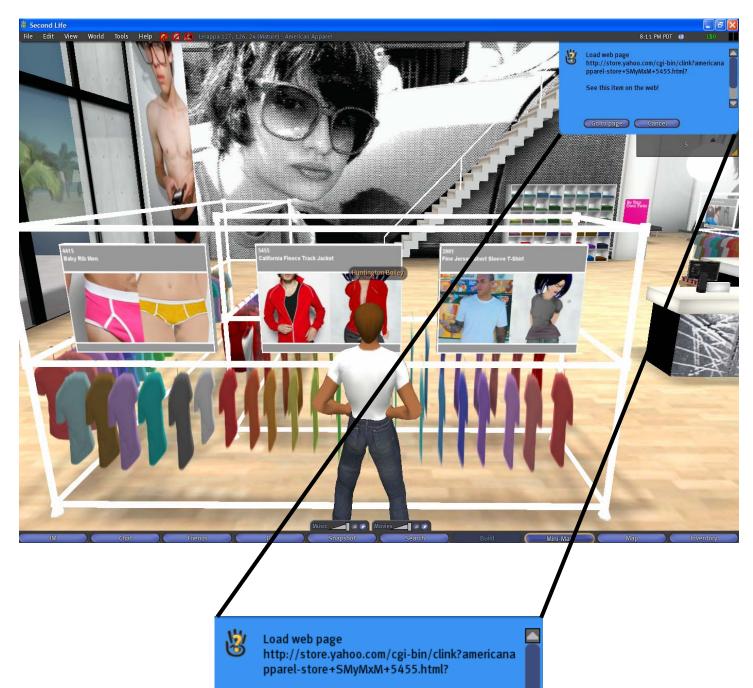


Exhibit 11 Purchasing American Apparel clothing for our avatar in Second Life



Buy Curren	ncy				
You need more currency:					
•	Buying this costs L\$ 350 Buy L\$ 350) for approx. US\$ 1.62			
	You currently have	L\$ 0			
	You are buying	L \$ 350			
	Your balance will be	L\$ 350			
	Confirming this purchase only buys the currency. You'll need to try the operation again.				
	Purchase	Cancel			

Exhibit 12 Making a real-world purchase in the virtual American Apparel store in Second Life



See this item on the web!

Go to page

26

Exhibit 13 The result of clicking the "Go to page" button in Second Life in the previous exhibit

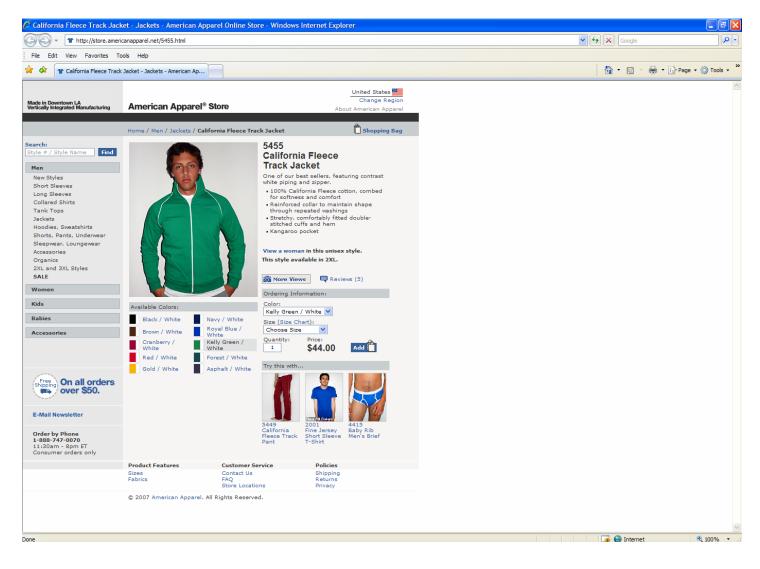


Exhibit 14 Shopping with other avatars at the American Apparel store in Second Life



Exhibit 15 IconNicholson's Social Retailing mirror technology³²





 $[\]overline{^{32}}$ Second photograph taken from *Supra*, note 13.

Exhibit 16 High-definition camera for IconNicholson mirror



Exhibit 17 StyleZone.com homepage



Exhibit 18 First step in creating a model at StyleZone.com



Exhibit 19 Second step in creating a model at StyleZone.com



Exhibit 20 Clothing a model at StyleZone.com



Exhibit 21 User designs at StyleZone.com



Exhibit 22 Emailing StyleZone.com designs to friends

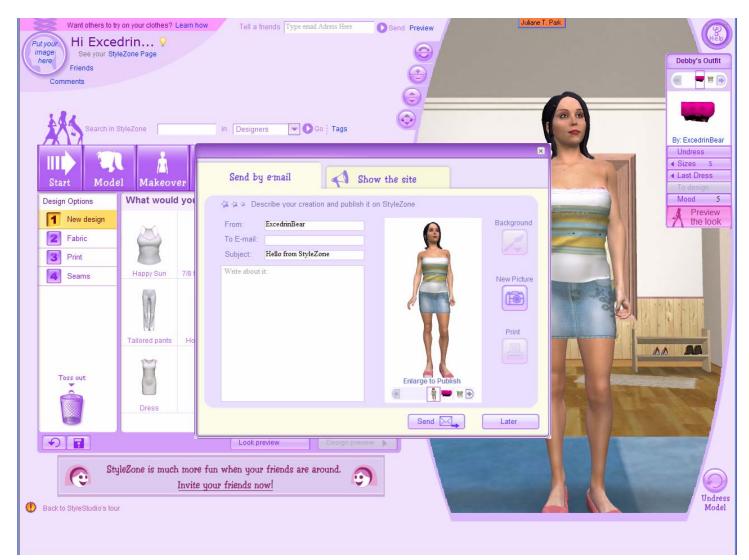


Exhibit 23 Top designers at StyleZone.com

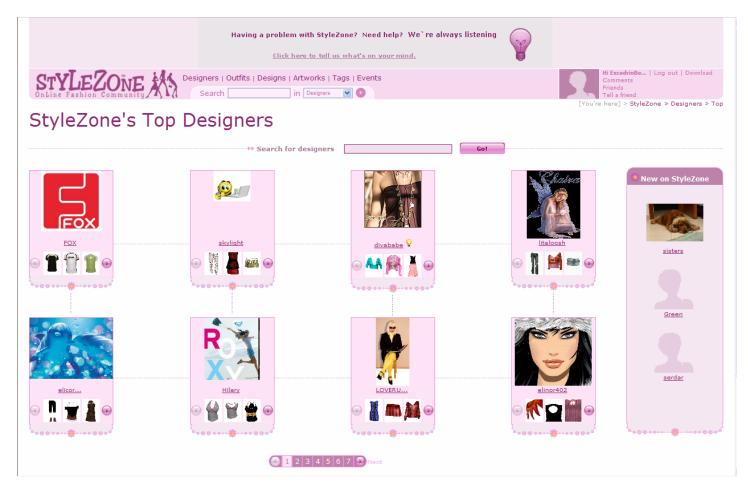
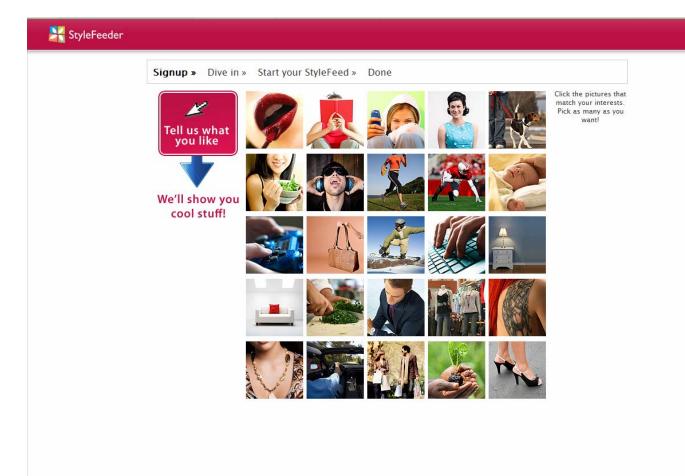
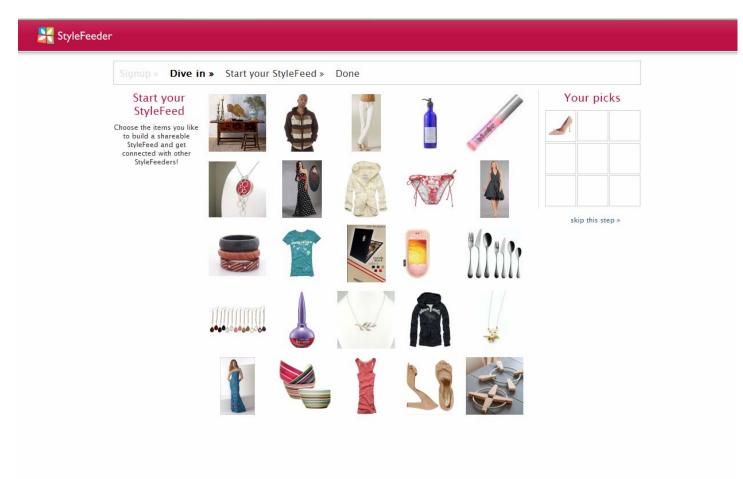
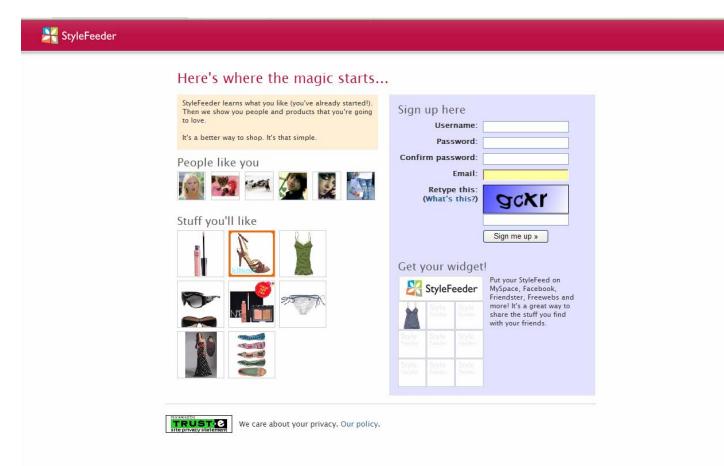


Exhibit 24 Step 1 of StyleFeeder.com registration







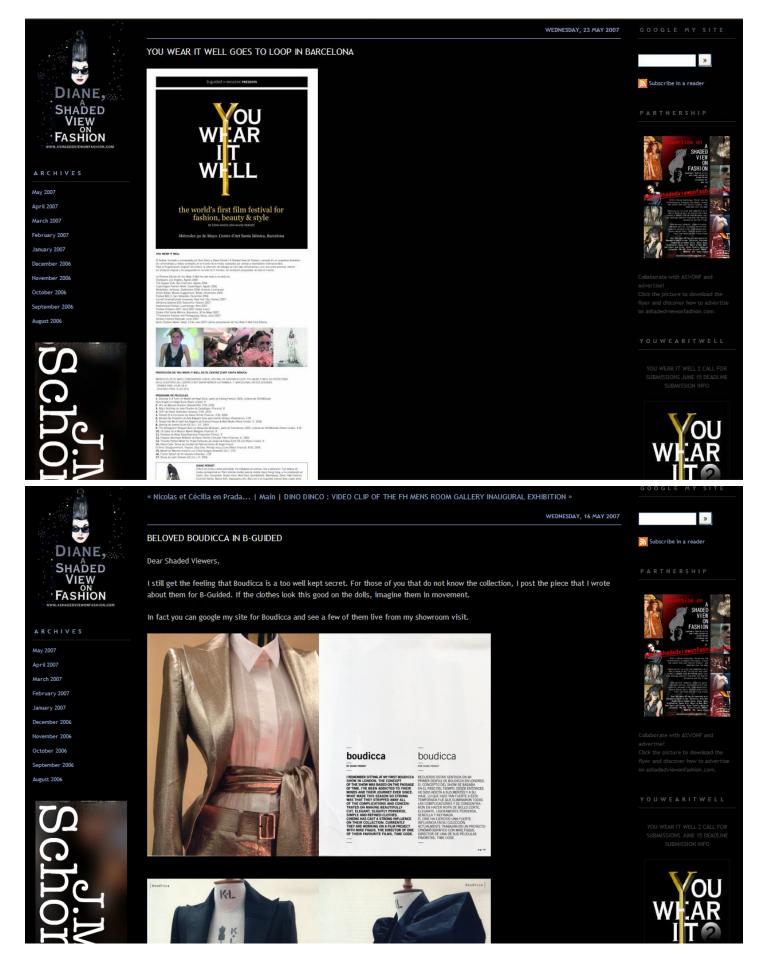


Exhibit 28 MySpace group devoted to Diane Pernet

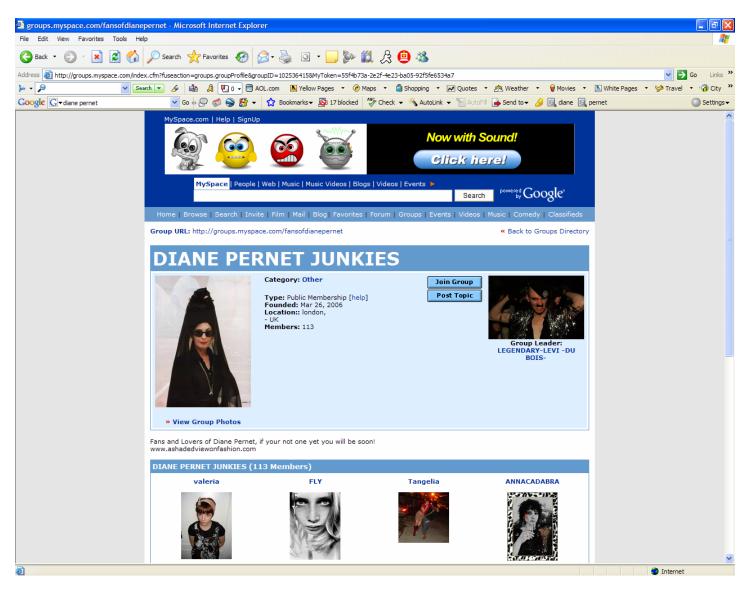
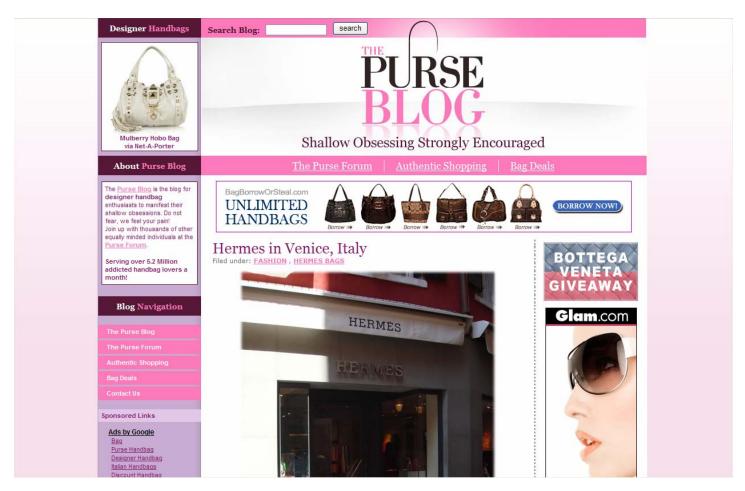


Exhibit 29 Purse Blog homepage, blog posts, and Purse Forum





MARC by Marc Jacobs Pleated Handbag



While we all have different budgets, in the world of **designer handbags**, a handbag under \$700 seems overly reasonable to me. I am sitting here praising this leather bags so much and still a little in shock and awe that it is indeed Marc Jacobs, from the cheaper line, MARC. Typically from MARC we see cotton bags and linen with flowers and just easy to throw around (ok many time atrocities that are cheap nonetheless). But this new line is on point. First there was the cute <u>vellow wristlet</u>, now there is the **MARC by Marc Jacobs Pleated Handbag** which is not only cute but even sophisticated. Touted the Delancey style, this handbag radiated lush chocolate leather with simple and slight pleating at the top along with gold tone hardware. The shoulder strap is detachable which leaves the option of just using the buckled top handles. The lining is nothing special, but that is fine by me seeing that Chloe Paddington's merely sport cotton lining also. Measuring 19'H x 21 1/2'' x S'D, this is a cheap and chic bag that is a viable work bag option. Pre order at <u>Neiman Marcus for \$698</u>.

Discuss this post in the Purse Forum

Exhibit 29 (continued)



Welcome to The Purse Forum, the Internet's #1 community for handbag lovers and shoulder fashion fetishists! Over 50,000 members have contributed over 2.6 million posts in over 120,000 threads about the hottest 'it' bags of the seasons, they've evaluated eBay sellers and other online stores and discussed many more topics...

You currently are not logged in and are viewing the Purse Forum as a guest. This enables you to read most of our content. If you would like to actively participate in current threads or create your own, view or post pictures, vote in polls, privately interact with any of our members or use all the other features of this site, you will need to register for free with a valid email address and a user name of choice. Join our fast growing community today!

CLICK HERE TO REGISTER

The Fro	nt Desk			
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