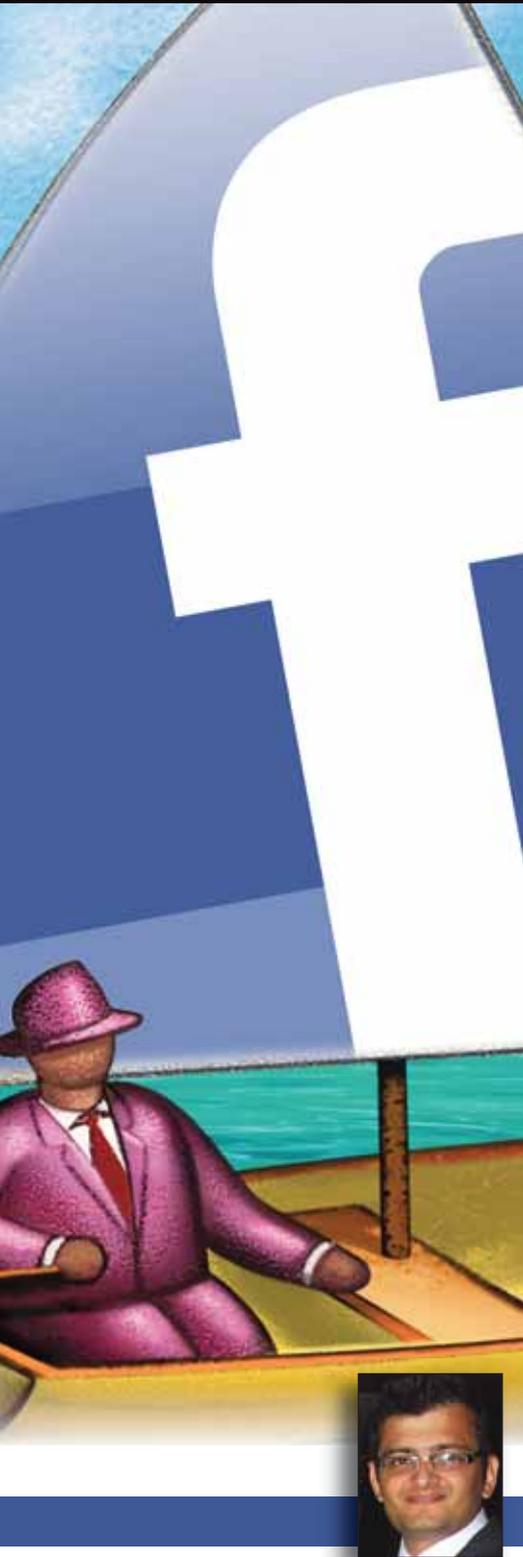


f-COMMERCE



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MAKING HEADWAY WITH FACEBOOK COMMERCE

By Ritesh Gupta

How can businesses treat Facebook connections as friends to facilitate transactions? Specialists believe that if businesses are not ready to engage their customers like friends, they may not be ready for f-Commerce.

Transaction World Magazine's Ritesh Gupta finds out more.

f-Commerce, aka Facebook commerce, is in its infancy at this juncture. But with over one billion monthly active users as of October 2012, the company has become an integral part of its users' lives. With these numbers of regular, loyal users, using Facebook for conducting transactions or making payments definitely has the potential to grow and grow massively.

Retailers and banks outside the U.S. are coming up with interesting developments. This is understandable as approx-

imately 81% of Facebook's monthly active users reside outside the U.S. and Canada.

Even though entities have worked on their presence on Facebook, only few have been able to successfully monetize it to date.

"The market for f-Commerce is still in an early stage. Research conducted with TNS shows that only about 4% of UK consumers have bought something from a Facebook store. The good news is that there are more than 40 million Facebook

users in the UK. So, just that 4% of UK Facebook members represents about 1.6 million customers, which is an impressive audience and translates into about £2 billion (\$3.2 billion) of an estimated \$50.3 billion spent in 2011 on e-Commerce in the UK," says Jim O'Hara, president of e-Commerce software specialist, Ecwid.

According to Ecwid, while the percentage of consumers who actually have bought something from a store on Facebook remains relatively small, 40% of consumers "would be happy" to buy goods from a business on Facebook if it delivered a shopping experience similar to a website store. Furthermore, according to O'Hara, 25% said they would prefer to shop on Facebook than on eBay, as it potentially offers them a more personal way to conduct business.

Popularity

Facebook is undoubtedly one of the most engaging websites ever.

And it's not just retailers who see this potential - banks, too, are looking at capitalizing on opportunities offered by Facebook.

ASB, a bank in New Zealand, has worked on an option for its customers to make payments directly to their Facebook 'friends.' For Facebook friend payments, the payment is made via ASB's Mobile App and collected through the ASB Social Collect App which is hosted and secured by ASB.

"ASB aims to be where our customers are, to ensure that we understand what is important to them both in banking and in their everyday lives. We know that over 60% of New Zealanders are on Facebook every day so it makes sense for us to be present there," says Michael Ramsay, ASB head of digital experience and commerce. He says person-to-person payments are "a particularly good fit with Facebook" as many people choose to manage their lives and communicate with their friends using this social network.

Ramsay further adds, "Facebook and banking are both heavily integrated into our customers' daily lives so we can easi-

ly reach out to them to provide updates on relevant and useful products and services, gather feedback for product development, provide social customer support and deliver secure services."

In case of ASB, the daily ceiling for person-to-person payments on Facebook, mobile number or email is \$500.

"We are seeing an accelerating demand for banking over mobile with over 160,000 downloads of the mobile app. Whether it be through simple account balance, transfers or person-to-person payments, our customers are telling us they love the convenience and ease of banking on-the-go," says Ramsay.

Monetization Opportunity

"Facebook needs to quickly monetize its digital franchise, but advertising is proving more difficult in the mobile-era than it probably thought. With a billion users, creating an alternative payments platform might be an easier way to realize Facebook's revenue potential," says Peter Matthews, director of UK-based Smart Transactions Group.

Matthews also points that, however, Facebook Credits was designed for virtual commerce, not 'physical' commerce and its 30% transaction fee won't work in the real world where most transactions exist.

"Facebook has recognized this, with a statement in June of this year that they intend to replace Credits with real currency. The challenge remains - how to create a 'universal' payments platform with sufficiently low transaction costs to make it a highly-profitable, ubiquitous platform," according to Matthews. "In my opinion, this is Facebook's huge opportunity to leverage its community: create a next generation payments platform that will make PayPal look expensive and unwieldy."

Success

There have been mixed reviews about whether f-Commerce will be successful or not.

Matthews says the range of products that can be purchased (games and apps) is too limited.

"If their model embraced 'real' products and services and could be used as a digital currency on and offline, then Facebook could leverage its community in much the same way eBay did with PayPal. This would give it the 'leg-up' in the real world that any truly successful payments system needs - creating the desire to sign-up to a new wallet that can be used to purchase day-to-day items online and offline. If they could achieve that, they would be worth several hundred billion," he says.

From the consumer perspective, O'Hara says entities planning to facilitate payments via f-Commerce should: build a community around the business, engage customers, encourage fan-to-fan communication and product discussions and then simply offer a convenient way to buy.

"Similarly, we are finding that if businesses are not ready to engage their customers like friends, they may not be ready for f-Commerce," says O'Hara.

Future

"To date—at least among the bigger retailers—there has been fairly heavy marketing to the users on Facebook, most of whom have not responded positively. Retailers have largely perceived this as customer resistance to shopping on Facebook, when in actuality it is customer resistance to being spammed on Facebook. The most successful way to monetize social media is to empower people to promote products to their friends, not to spam them," says O'Hara.

Payments is a vast ecosystem that touches the lives of everyone on the planet, from cash to digital payments, bank cards, credit cards, bank transfers, etc.

The incumbents have had it easy for decades, what is needed is a true disruptor, not another layer on the existing infrastructure. In this context - where there is a vast opportunity is to disrupt existing bank payments as well as replace cash for certain types of transaction - Facebook Credits is a very long way from maturity, which equates to 'virtually' limitless opportunity. ■