The Power of Peer-to-Peer Communications In Online Retailing & TokyWoky Profile

- Consumers are increasingly turning to online reviews for the advice of their peers when shopping: in the UK, some 74% of consumers say that they do so.
- Companies that incorporate reviews on their websites typically see an 18% uplift boost in sales, according to Reevoo.
- Fully 64% of marketing executives agree that word-of-mouth is the most effective form of marketing, but only 6% of them say they have mastered it.
- Companies with peer-to-peer online communities on their websites can save on support costs and increase brand loyalty. In this report, we discuss several online communities, including a dynamic French P2P communication service startup called TokyWoky.
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THE POWER OF CUSTOMER REVIEWS IN THE GROWING E-COMMERCE MARKET

As more shoppers buy online and more consumers join social networks, online conversations about brands and retailers are growing in number and importance. Peer-to-peer advice and reviews offered by customers on retail websites such as Amazon are changing the nature of e-commerce.

In this report, we will show how peer-to-peer conversations can increase customers’ engagement with a brand, boost retailers’ online conversion rates and provide customer insight. We will examine some successful online communities created by major brands, and then look in detail at TokyWoky, a French startup that offers community chat, online reviews and gamification features to brands and retailers that are looking to engage customers online.

CONSUMERS SEEK THE ADVICE OF PEERS

There is a wealth of evidence that consumers look for advice from their peers when shopping, and especially when shopping online.

According to a survey by market researcher Ipsos, a majority of consumers across major European countries turn to online reviews when they do not feel confident making a purchase. Across European countries, a majority of consumers surveyed agreed that they look at online reviews when they need greater confidence to buy; the proportion by country is as follows:

- 74% of British consumers.
- 71% of German consumers.
- 66% of Italian consumers.
- 63% of Spanish consumers.
- 60% of French consumers.

The result? An average 18% uplift boost in sales for those companies that incorporate reviews, according to consumer review site Reevoo. This figure comprises:

- 11 percentage points from improved conversion.
- 5 percentage points from a higher average order value.
- 2 percentage points from repeat visitor gains.

In recent years there has, however, been much criticism of online consumer reviews, many of which are perceived as fake or untrustworthy. In 2015, the British Competition and Markets Authority (CMA) raised concerns over unlawful online reviews and endorsements. The CMA discovered the following:

- Fake reviews had been posted on review sites.
- Some of the negative reviews submitted to companies’ own websites had not been published.
• Some businesses paid for endorsements in blogs and other online articles without clearly informing consumers.

Consumer reviews on websites such as TripAdvisor and Amazon can have a significant impact on other consumers’ buying decisions. Top ratings and good reviews attract customers—but customers cannot always be guaranteed that online reviews have actually been written by real customers.

Issues regarding online reviews will only be amplified as e-commerce continues to boom. Statista estimates that global retail e-commerce sales will grow by 43% from 2015 to 2018. And demand for peer-to-peer engagement in Internet retailing is sure to rise in parallel with the channel’s sales growth.

Figure 1. E-Commerce Revenue, by Country/Region (USD Bil.)

According to Forbes, 64% of marketing executives surveyed said they believe word of mouth is the most effective form of marketing—only 6% of them, however, said they have mastered it.

WORD OF MOUTH CAN GROW SALES
Reviews on companies’ websites are, of course, not the only way consumers are sharing opinions; these online contributions are part of the broader word-of-mouth marketing category.

Many people actively use social media forums to engage with their peers as they make purchasing decisions. According to Forbes, 64% of marketing executives surveyed said they believe word of mouth is the most effective form of marketing—only 6% of them, however, said they have mastered it.

How does word of mouth impact sales? Loyalty marketing company Loyalty360 reports that, on average, consumer word of mouth accounts for:

• 13% of sales on average.
• 20% of sales in higher-price-point categories.

According to a survey conducted by online community platform provider Get Satisfaction, 62% of businesses agree that user-generated content has more credibility in terms of fostering brand trust than content created by employees does. Market research and advisory firm Gartner reports that, beyond increasing customer loyalty, word of mouth can help companies save up to 50% on customer support costs.
**THE GROWING IMPORTANCE OF ONLINE COMMUNITIES**

Online communities hosted on a company’s website can result in a significant boost in sales, too. Accordingly, several major brands and retailers now offer their own online communities, where customers can share advice, recommendations and content with other customers.

On the growing popularity of peer-to-peer services, Rachel Botsman, an author on the power of collaboration, says many consumers are learning to:

- Trust in strangers.
- Value access over ownership.
- Value experiences over owning “stuff.”

Peer-to-peer online communities offer consumers the chance to engage with like-minded peers online. This can include communities hosted on the websites of companies or brands.

Some companies have introduced gamification features into their online communities. Gartner defines gamification as a way of people to engage with each other using game elements in order to change behaviors and learn new skills. In this context, gamification means incorporating fun elements into an online community interface in order to encourage customers to further engage with a brand. Below, we highlight some successful peer-to-peer online communities that various retailers have created.

**Apple Support Communities**

Apple launched its user-centric support site in 2011. Apple Support Communities combine social-networking features, such as personalized profiles, with gamification features. Users can post questions and then rate the answers (a correct answer may be worth 10 points, while a helpful answer may be worth five). Once an advisor has earned a certain number of points, he or she can gain privileges such as invitations to attend conference calls. It is unclear what the monetary value of Apple’s peer-to-peer online community is for the company, but presumably Apple Support Communities have lessened the demand for company support staff, because consumers, rather than staff, are answering some of their peers’ questions.

**BEAUTYTALK**

LVMH-owned cosmetics retailer Sephora launched its online community, BeautyTalk, to gain a better understanding of its customers and to enhance peer-to-peer engagement. According to Lithium Technologies, the company that provided the software for BeautyTalk, the members of the community spend twice as much on Sephora products as the average customer, and so-called superfans spend up to 10 times more than the average customer.

**BOSCH**

German engineering company Bosch hosts Bob Community, the largest do-it-yourself community in Germany. On the forum, Bosch users can voice opinions and comment on their recent experiences with Bosch products. According to research company Research Live, Bosch found that professional tradespeople are more active on Bob Community than they are on the company’s Facebook fan page. It also found that, on average, the Facebook audience is younger than the Bob Community audience. Understanding how different audiences use different platforms has helped Bosch develop bespoke services on different platforms, increasing customer satisfaction.
Kraft Foods has also successfully invested in content marketing. Kraft Kitchens Experts create only about one-third of the recipes on the company’s food community site, KraftRecipes.com, while members of the online community create the remaining two-thirds. According to Forbes, Kraft Foods’ return on investment on content marketing is among the highest of all of the company’s marketing efforts. The company reports over 1 billion recipe views on the website per year.

German discounter Lidl launched its “My Lidl” online community in March in the UK. The online portal has live chat function for members to engage with fellow “Lidlers” and they can also write product reviews on products sold at Lidl. According to marketing publication The Drum, the retailer aims to encourage like-minded shoppers to discuss their Lidl shopping experience. In return, the retailer promises incentives such as exclusive content from Michelin-starred chef Kevin Love for the most active members.

British designer furniture retailer Made.com launched its online community, MADE Unboxed, in 2014. On the platform, which the company calls a “social showroom,” customers can share images of how their Made.com purchases look in their homes. According to Retail Gazette, word of mouth has always been Made.com’s most important marketing tool, and with Unboxed, the retailer has been pushing “collaborative consumption,” or the idea that consumers take inspiration from each other.

Naked Wines is a British online wine retailer whose customers fund independent winemakers in exchange for the opportunity to buy wines at wholesale prices. The company implemented a community chat function to allow its customers and independent winemakers to engage with each other. According to customer engagement platform provider iAdvize, Naked Wines’ customers responded well to the immediacy of its live chat function, and the community chat trial achieved a 97% customer satisfaction rate.

Nike launched its Nike+ app in 2006 to help runners track running distance, speed and time. The app monitors a runner’s progress and lets users compete with friends to see who can run the farthest or fastest. According to Gamification Co, Nike’s market share of running shoes in the US increased from 47% in 2006 to 61% in 2009. The number of Nike+ members grew from 500,000 in 2007 to over 28 million in 2014, and Forbes predicts that Nike+ has the potential to grow its user base to 100 million.
TOKYWOKY PROFILE

Introducing TokyWoky
We now move our focus to TokyWoky, a French startup that offers online peer-to-peer communication services to brands and retailers. TokyWoky functions as an instant-messaging system between visitors on a website, and combines community chat, online review and gamification features.

TokyWoky (“walkie-talkie” in French) was founded in 2012 in Sentier, the old textile-manufacturing district in Paris that is now home to many rising tech startups. We met with one of TokyWoky’s cofounders, Timothée Deschamps, to discuss how peer-to-peer communications and gamification could benefit the retail industry.

What Is TokyWoky?
TokyWoky is a presale tool for retailers that allows visitors of the same website to engage with and advise one another.

Deschamps said that TokyWoky’s founders had discovered that the retail industry had not widely invested in peer-to-peer communications. They saw gamification as a way to push sales and increase loyalty. Many e-commerce sites have a live chat function on their website that allows visitors to chat with customer support. But Deschamps and his fellow cofounders saw an opportunity for a presale tool that would combine online reviews and real-time live chat with peers.

Here is how TokyWoky works:

1. A customer browsing an e-commerce site has a question and would like some advice from other visitors of the same website.

2. The customer sees the TokyWoky icon (pictured below) on the bottom right of the screen and decides to ask the other online visitors a question. Questions are shown publicly, but answers are seen only by the person who posed the question. There is no need to log in.

Source: TokyWoky
3. In most cases, questions are answered within a few minutes by other online shoppers. TokyWoky allows the customer to have a one-on-one conversation with each respondent to his or her question, and the customer can give points to helpful peers.

4. After regular visits (websites are cookie-based and can recognize returning visitors), users are asked to create a profile. Once a user providing answers accrues a certain number of points, he or she can win “coach” status.

5. Coaches gain access to the TokyWoky coach platform.

6. They can then engage TokyWoky’s social and gamified features to virtually meet people with shared interests and hobbies. They can see questions and answers, and even become “cops” on the website, helping to keep discussions on track.

What Are the Benefits for Coaches?

Deschamps mentioned that online reviewers are more responsive to social recognition than to financial reward. TokyWoky discovered that if people are given monetary rewards for their time and input, they usually stay for only a week or two before losing interest; they do not want to give up their valuable time in exchange for minor monetary rewards. But they do want to be recognized as experts, so, TokyWoky’s coaches get social recognition instead. By becoming brand ambassadors, coaches gain appreciation and the recognition of their consumer peers.

Some coaches spend up to five hours a day advising fellow shoppers on product and trend-related questions. And some coaches advise people with similar interests at up to 10 different websites. Coaches are ranked based on the number of points visitors have given them.

How Does a Retailer Benefit from an Online Community?

TokyWoky encourages visitors to engage in presale conversations. Usually, if a visitor to an e-commerce site needs advice on a product, he or she can only ask the seller for information. Deschamps said that, on the Internet, other consumers are the best salespeople (as noted above, word of mouth is powerful), and he said that 80% of online shoppers “need the opinion of their peers before buying online.”

On average, approximately 3%-4% of the visitors to a website engage with other visitors. Depending on a site’s traffic, hundreds or even thousands of conversations could be filtered through TokyWoky. Brands own the content of the conversations on their individual websites, but TokyWoky analyzes the data. The filtered information can be translated into one-to-one analytics on whether products were bought or not, and TokyWoky can consult with clients on received feedback regarding product issues.

TokyWoky is not an after-sale tool, so companies that use it still need to provide customer support for queries that shoppers cannot solve. TokyWoky can help clients reduce customer support costs by up to 25%.
Q&A sessions between visitors and coaches increase conversion and, in many cases, push sales, according to TokyWoky. Below, we highlight some of the companies that are said to have benefited from the service.

L’Oréal, the world’s largest cosmetics company, has implemented TokyWoky on its French website. One-to-one user conversations have since given L’Oréal insights into beauty product usage and helped in product development, according to Deschamps.

Kiabi, one of the leading clothing retailers in France, introduced TokyWoky on its website to provide its customers an opportunity to engage with one another. As a consequence, Deschamps told us, the company witnessed a significant increase in sales and a concurrent decrease in support costs.

Lancôme, L’Oréal’s luxury product division, found out that its customers prefer to communicate with peers on its website without being overly controlled. According to Lancôme, TokyWoky has improved the engagement between its customers and the brand.

Other TokyWoky Clients

Source: TokyWoky

Business Growth Plan

TokyWoky has already gained recognition in France. In 2014, the startup won the Social Commerce award at the E-Commerce Awards in Paris. At the time of writing, TokyWoky is live in six languages and has more than 35 clients, the majority of which are based in France. The company is eyeing international expansion, and may open offices in major tech startup hubs such as London.
In our conversation with Deschamps, he named a fellow French startup called BlaBlaCar as one of his company’s inspirations for establishing a successful peer-to-peer business model. BlaBlaCar is a car-sharing website that allows drivers with empty seats in their cars to advertise their intended journeys to passengers looking for a ride. The company now operates in 22 countries, and over 10 million travelers use the website every quarter.

Apart from growing into new markets, TokyWoky is also investing in developing its software. The majority of coaches use a desktop or laptop computer to engage with peers, and approximately 30%–40% of users use a tablet. The startup is testing mobile apps and other ways for website visitors to communicate with one another. TokyWoky has also partnered with L’Oréal to build a customer relationship management solution that will leverage content created by L’Oréal’s online visitors.

**Shoppers Set to Look for More, and Trusted, Information Online**

With mobile connectivity continuing to grow and social media continuing to boom, online shoppers’ demand for advice from their peers looks unlikely to slow down, despite some concerns about the authenticity of online reviews and recommendations. Indeed, mobile connectivity is likely to boost the importance of online reviews and advice even for in-store shoppers: this kind of content is no longer simply for those buying online from home.

Brands and retailers realize that more and more customers are seeking advice and having conversations about them online. By channeling these conversations into one-on-one exchanges of advice on their own websites, they can potentially increase both conversion rates and customer satisfaction, while significantly lowering their customer support costs.