

Innovation/Web 2.0

The Global Human Capital Journal

Social Tagging, Changing the Economics of E-Commerce: Customers Help You to Boost Revenue

By Christopher S. Rollyson — Friday, 2 November 2007

Geeky Session Explains How a Potent Mix of "People Like Me" Navigation and Digital Leverage Can Drive Sales and Profits

The Secret to Emerging Markets?

The Global Human Capital Journal's [coverage](#) of the Forrester Consumer Forum 2007 continues with this session on social tagging. Before your eyes glaze over, bear with me and learn how this **simple, revolutionary social technology can help your customers to help your business.**

Forrester's [Sarah Rotman Epps](#) moderated a discussion with [Brian Rosenblat](#), Online Retail Industry Lead, Endeca Technologies and [Jay Shaffer](#), Vice President Marketing, PowerReviews, who represented companies that offer social tagging solutions, and they all shared numerous examples.

This was one of the most "actionable opportunity" sessions of the conference: tagging is a relatively unknown, simple, yet transformational Web 2.0 phenomenon that will gain traction in 2008 and explode in 2009. If you aren't doing it, you will be at a significant disadvantage to your competitors who do.

The Global Human Capital Journal published the [overall conference wrap](#) as well as in-depth coverage of several sessions. Access all through the link to the conference logo (right).

Social Tagging: What It Is and How It Works

- Tags are digital "post-its" that users put on all elements of content: articles, pictures, videos. These post-its are searchable by the person who "tagged" the content as well as by everyone else (unless the tagger makes it private).
- Many people compare tags to bookmarks, but this underrates tags in two ways: 1) one page has one bookmark, while you can put as many tags as you want on a page, or on part of a page; 2) browser bookmarks live in folders, but tags are far more accessible because they live in clouds, and tagging systems have superior search and browse capabilities.
- Users tag things to make them easier to find (again think of post-its or highlighting in a book or magazine). When you install a tagging solution, users can tag pages, pictures, videos, podcasts with a combination of existing tags *and their own tags*. Creating or using a tag is a one-click process, so it's easy. People do it.
- Search engines use software algorithms, but they are limited in "seeing the forest for the trees." They have no sense. There were some humorous examples of search result gaffes, like Marriott's number one suggestion to a North American user for a "romantic hotel" was in—Yerevan, Armenia.
- With tagging, real people have viewed the content, reacted to it and categorized it for other people. Notably, customers do this on their own time, at minimal marginal cost to the Website.
- 22 million of online consumers self-identify as taggers, but they fit the model of typical technology early adopters (technology enthusiasts, entertainment-oriented, male). This probably indicates that tagging will probably become much more mainstream in the coming years.
- Some major sites that use social tagging are: ACE Hardware, Amazon.com, Brookstone, RadioShack, Sheraton, Staples, Toys "R" Us, Walgreens and Yahoo! Travel.



How Social Tagging Relates to Selling Online

Social tagging is of high interest to e-commerce sites because it can help to increase average sale by better matching the right product with the right customer *and* increase profitability by decreasing returns. Tagging is currently used for two main purposes: 1) to support alternative categorization and navigation and 2) to organize and monetize user-generated content. Tagging is especially powerful when it is seamlessly combined with customer reviews. Brian's and Jay's companies often work together to provide such an offering.

- Social tagging is especially useful when selling a vast array of products, when choice is overwhelming for customers (think amazon.com or an office supply site).
- Yahoo! Trips recently added tagging as a way to make its one million user-created Trip Plans more organized and accessible. It recommends destinations based on Trip Plan tags, combined with user profiles and behavior. Prior to user tagging, the trips were not very accessible and added little value to the site.
- Tags supplement Website navigation. They can lead people to find *exactly* what they want more quickly, and this increases the average sale because customers can search "in their own language" (because tags *are* customers' language).
- Tags let users find products in new ways: user-generated tags are searchable: for example, "chick lit" is a tag that has been used for many products on amazon.com. People can tag in their own language, and the combinations of tags are powerful digital breadcrumbs.
- Users will often share what they use products or services for, and what they like/don't. Companies can use tags for real-time customer surveys (i.e. "I use this product for a, b, c or d" where these are tags). Companies can use this information to significantly impact sales by tweaking descriptions. The Web, unlike other marketing, enables companies to experiment quickly.
- Companies use social tagging to increase customer insight and set customer expectations (through customer reviews) to decrease returns. Because customers have a better idea of a product's strengths/weaknesses, they are less likely to buy and return *and* they are more willing to buy because they feel more confident.
- Additionally, solutions like Endeca analyze tags on the fly and offer alternative navigation that appears as a type of sub-navigation. This is revolutionary because it enables emergent navigation that is partially guided by other customers' tags. Moreover, it is all digital and very inexpensive for the company.
- Here are some examples: [Buzzillions.com](http://buzzillions.com).



Analysis and Conclusions

- Tagging is an elegant, powerful way to let customers guide other customers—asynchronously. Customers offer free advice to their customers.
- In many categories, user-generated content (UGC) is increasing significantly. As the Yahoo! Travel example showed, UGC can be difficult for companies to work with because they didn't create it and may not understand it. Other customers are often very willing to organize it and categorize it for companies.
- Tagging is a technique to standardize communication: tags are interchangeable, reusable building blocks that people combine to express their opinions. Since they are digital, software can analyze and infer conclusions via sophisticated algorithms.
- Although tags are standardized, they are infinitely extensible: people create their own tags on the fly.
- In many cases, customers are far better qualified than company employees to help other customers—because they are necessarily customer-focused. A customer who tags a cell phone will use tags to describe the phone in a much more realistic way than a product manager will.
- Tagging is inherently social, and it undoubtedly increases website stickiness. It is a simple way to let customers give something of themselves, thereby investing in a site and developing a stronger bond with it. When combined with reviews, shopping becomes much more social. Customers' voices make Websites more human and enjoyable and effective.
- If this weren't enough, think about the killer app: social tagging is *the* way to enter emerging markets. Product introduction teams conduct expensive studies but cultural differences and gaffes increase risks tremendously. Tagging enables your customers to help each other. Moreover, in emerging markets, new middle classes are primarily knowledge workers and are online and excited about the online world by default.
- To learn more, get into the act by [tagging this article](#) in del.icio.us; here are my del.icio.us [tags for Social Tagging](#); or [email me](#). Also notice that blogs, wikis and all social Websites have tagging functionality built in. In Global Human Capital Journal, for example, each article is tagged, and you can search articles by clicking on tags; moreover, you can subscribe to tags via RSS, but that's another geeky discussion. If you want to learn more about how that works, see the [GHCJ's Tools page](#).

About the Author

Christopher S. Rollyson launched *The Global Human Capital Journal* in 2005 to address the most poignant issues of day for chief executives, namely global transformation, the reinvention of the enterprise, technology and culture. Mr. Rollyson has been a technology and marketing visionary and pioneer for twenty years, with distinction in corporate strategy and innovation. As a consultant and marketing executive, he has had a leading role in launching such game-changing offerings as: Java with Sun, e-business strategy with PwC Consulting, and SOA, Web services and architecture solutions with IBM and nVISIA. In 2006, he launched The Consumer Empowerment Adoption Curve™ and Transourcing™, a new approach to innovation that leverages high performance collaborative partner networks. He currently advises global enterprises on collaborating with Web 2.0-enabled customers—to drive innovation and to engage emerging markets.

Formerly the Vice President of Marketing at nVISIA, he developed executive marketing programs and service offerings to drive the value of software transformation through service-oriented architecture and Web services, working with IBM, Rational and Grand Central. Previously a subject matter expert for e-business and knowledge strategy in PricewaterhouseCoopers' Strategic Change practice, Mr. Rollyson developed original models and services frameworks for e-business strategy consulting. He consulted to clients in automotive, software, telecoms, consumer electronics, chemicals and petroleum industries, advising global enterprises in e-business strategy and technology start-ups on innovation and business strategy. Prior to PwC, he led marketing for KPMG's Midwest High Technology practice, where he built one of the firm's first intranets to transform the marketing organization to a real-time team. Before that the head of marketing at a leading edge Java consultancy, he played a key role in co-launching Java via marketing alliances with Sun and Netscape. Mr. Rollyson has done graduate work in corporate strategy and economics at the University of Chicago, with additional studies at Die Freie Universität Berlin, L'Université de Clermont-Ferrand in France and il Liceo Americano d'Aviano in Italy. He earned his undergraduate degree from Kalamazoo College. <http://rollyson.net>

About the Global Human Capital Journal

The Global Human Capital Journal addresses the global shift from the Industrial Economy to the Knowledge Economy, which is changing how human beings work and deliver value. In the Industrial Economy, products encapsulated the value of human work; in the Knowledge Economy, information produces the lion's share of value, and customer experience itself is the focus of commerce and government. A greater degree of collaboration among people of the world is possible than ever before, and increased interaction will bring unprecedented surprise and opportunity, especially because the potential is great to "level the playing field" among people of the world. Obviously, these developments hold significant ramifications for business and organizational strategy.

Global Human Capital covers two prongs of economic transformation: 1) strategically, how organizations can rejuvenate their relationships with customers and constituents by collaborating with them to drive innovation and 2) operationally, how organizations can build strong collaborative cultures and skills to engage the world's emergent network of expertise, both within and without their walls. We analyze how global sourcing and collaboration are transforming enterprise and government organizations, as they transition from relatively self-contained, closed entities to more networked, open organizations.

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