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WHITEPAPER / MARCH 17, 2011

# The Effect of Social Networks and the Mobile Web on Website Traffic and the Inevitable Rise of Facebook Commerce

## EXECUTIVE SUMMARY

An interesting dilemma that companies have been facing of late is what level of promotion is necessary for their website vs. their Facebook page. Recent campaigns show evidence that a few companies have broken traditional norms in directing traffic directly to their fanpage, surpassing their websites. What started as a means to an end of drawing people to

## KEY FINDINGS

- *Websites that do not engage in e-commerce are losing traffic to their Facebook pages at a startling rate*
- *Facebook stores are very efficient at traffic acquisition acquiring visitors at no cost through wall posts and establishing a store monthly user base equal to 1-10% of the retailer's fan base*
- *Facebook commerce conversion rates ranging from 2% to 4% are on par with Commerce websites.*

websites is becoming an end in itself. Such a blatant favoritism showcased towards the Facebook presence of a brand is not without reason. With access to more than 600 million members, an ever increasing fan base and an opportunity to engage closely with the audience, companies desire a glorious ride on the social sea. But where does all this leave the website?

There is a popular perception that brand websites are losing traffic to their Facebook counterparts, although only a couple of examples have been cited in blogs. As a step towards finding quantitative evidence, we analyzed the website traffic of Fortune 100 websites based on 'unique visits'. The study revealed that 68% of the top 100 companies were experiencing a negative growth in unique visits over the past year, with an



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average drop of 23%.

To ascertain if Facebook had a part to play in this decline, unique visits to a brand's website were compared with unique visits to its Facebook page (obtained using fan count as a proxy) within a three to five month period. In a sample of 44 companies, 40% exhibited higher traffic to their Facebook page compared to their website. When these companies were categorized based on the presence or absence of e-Commerce transactions, we found that the majority of the companies (65%) in the 'Non e-Commerce' category received higher traffic on Facebook compared to their website. On the other hand, most companies (about 77%) featuring e-commerce did vastly better on their websites, although exhibiting a sharp decline in annual visits.

Finally, we examined the recent growth in Facebook commerce, in particular e-Commerce transactions occurring in stores within Facebook pages and newsfeeds. Adgregate Markets, a provider of Facebook commerce services, has signed over 50 retailers, most in the Internet Retailer Top 500, over just the last few months. With early data from Adgregate Markets indicating that their network of Facebook stores are more efficient at acquiring visitors and just as effective at converting them, Facebook commerce appears poised to take off.

We conclude from this research that Facebook is gaining tremendous popularity as a destination to connect with brands online, and is increasingly chosen over the websites of certain companies. Though there are websites sustaining traffic in spite of Facebook, we predict that it will be short-lived until Facebook catches up with e-commerce in a big way, which the data in this thesis indicated is just around the corner. With the mobile web also growing in size and popularity, it is time for brands and retailers to understand that surviving online is no longer about all-in-one websites, but measuring and improving performance in all the social, mobile and web entities.

## WEBSITE TRAFFIC IN THE PAST YEAR

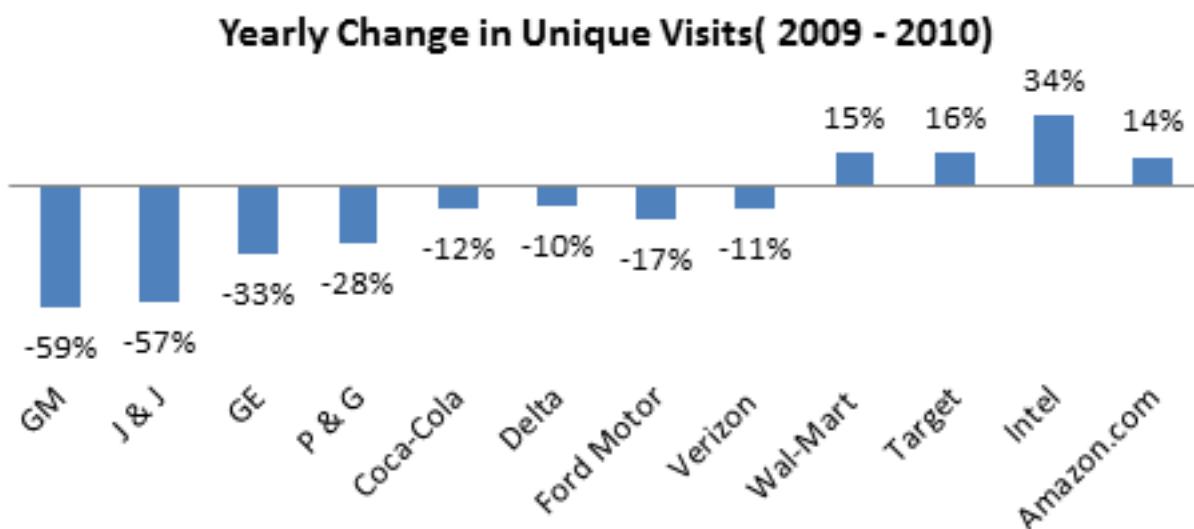


FIGURE 1: YEARLY CHANGE IN UNIQUE VISITS

To test the hypothesis of decreasing website traffic, we analyzed the one year (Nov 2009 – Nov 2010) traffic trend of the top 100 Fortune 500 companies. The number of unique visitors to websites was obtained from Compete.com and the percentage decrease/increase calculated. (Figure 1)

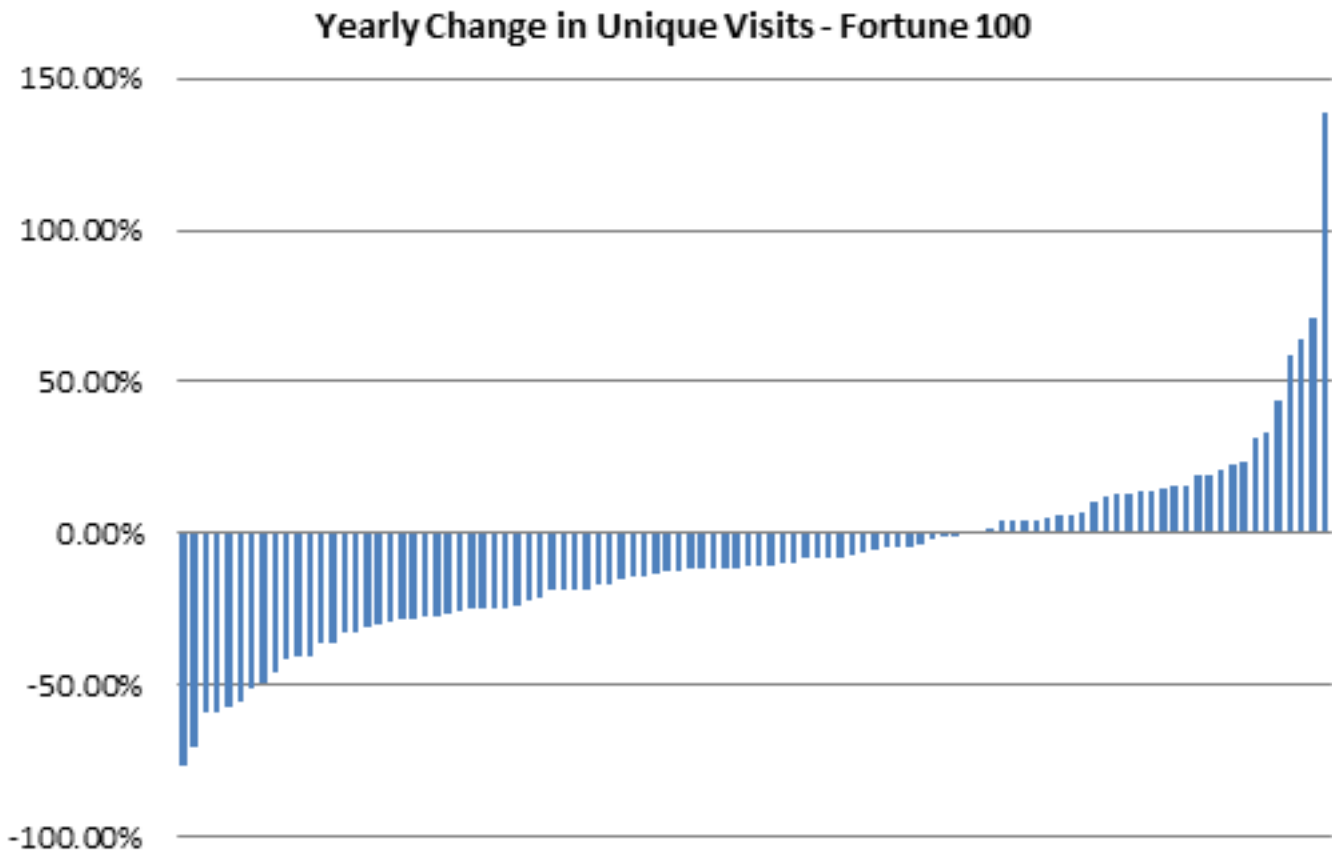


FIGURE 2: CHANGE IN UNIQUE VISITS (NOV 2009 - NOV 2010)

### FINDINGS

Majority of companies (68%) in the top 100 list experienced fewer visits to their websites indicated by a negative percentage change from 2009 – 2010 (Figure 2). The average drop was -23.02%, and the range varied up to -76%

There was no strong correlation among companies that received a positive trend in terms of industry vertical, although most of the companies with e-commerce transactions sustained higher traffic levels (not surprising given the amount of budget retailers expend driving traffic through SEO, online display, email, etc.)

## WEBSITE VS. FACEBOOK TRAFFIC COMPARISON

The next step in our research was to understand if Facebook played a role in the declining visits to websites.

### *Research Methodology*

Unique visits to a brand's website were taken from Compete.com for Aug and Nov 2010. The difference between these two data points gave the increase/decrease in the number of unique visitors to a website over a three month period. Since publicly available data for Facebook statistics is very limited, fan count was used as a proxy for unique visits. The number of fans for a brand's page was noted in Aug 2010 and Jan 2011. The difference between these two numbers is the number of newly added fans in a five month period. This number represented only a fraction of the unique visitors because it did not account for: old fans would have visited again; or visitors who would have left without becoming a fan, etc. Thus, the number of newly added fans represented the minimum increase in unique visitors that can be assumed for a Facebook page – a lowball figure. In this respect our analysis grossly underestimates the potential of Facebook. Even though the period of data collection is in favor of Facebook (five months compared to three months for websites), we feel it does not skew the results as it is well compensated by the lower estimates used as proxies. Finally, companies were grouped into two categories: 'e-Commerce' and 'Non e-Commerce' based on whether their websites supported e-Commerce transactions. A sample of 22 companies was selected in each of the two categories bringing the test sample up to 44.

## FINDINGS

- Among the 44 companies, 18 companies (about 40%) exhibited extremely high traffic to their Facebook page compared to their websites. Not only were their websites accounting for fewer unique visits than



Facebook, but many were also showing a decline in visits over the three month period

- Of the 22 categorized as 'Non-Ecommerce', 13 companies (about 65%) received more unique visits to their Facebook page compared to their website (Figure 3)

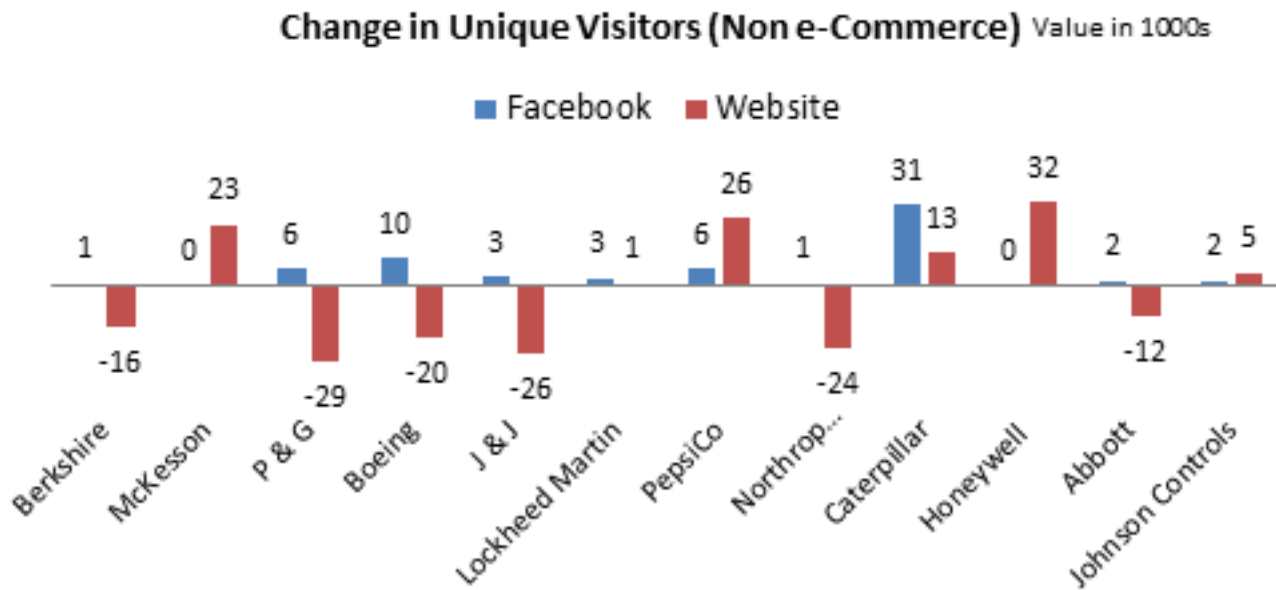


FIGURE 3: CHANGE IN UNIQUE VISITORS (NON E-COMMERCE)

- Two companies that exhibited extremely high Facebook traffic were Coca-Cola and Walt Disney (Figure 4)

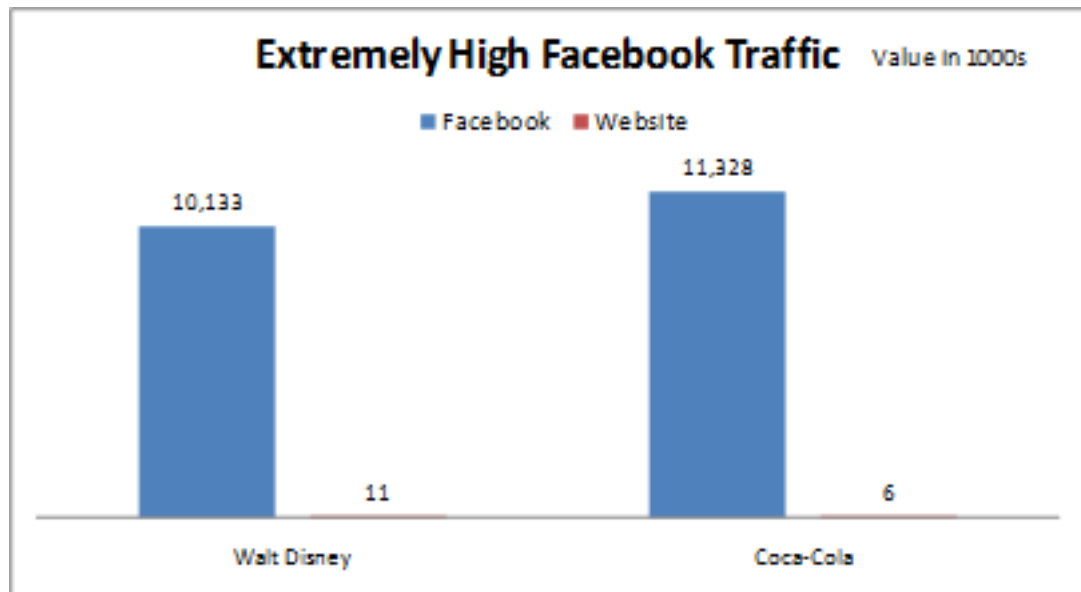


FIGURE 4: EXTREMELY HIGH FACEBOOK TRAFFIC

- Of the 22 companies having e-Commerce transactions, only five exhibited promising Facebook trends, while the rest (about 77%) portrayed very consistent traffic to their websites (Figure 5). Even though these websites fare better than Facebook currently, their future growth is questionable since many have started to experience significant drops in unique visits compared to last year

### Change in Unique Visitors (e-Commerce) Value in 1000s

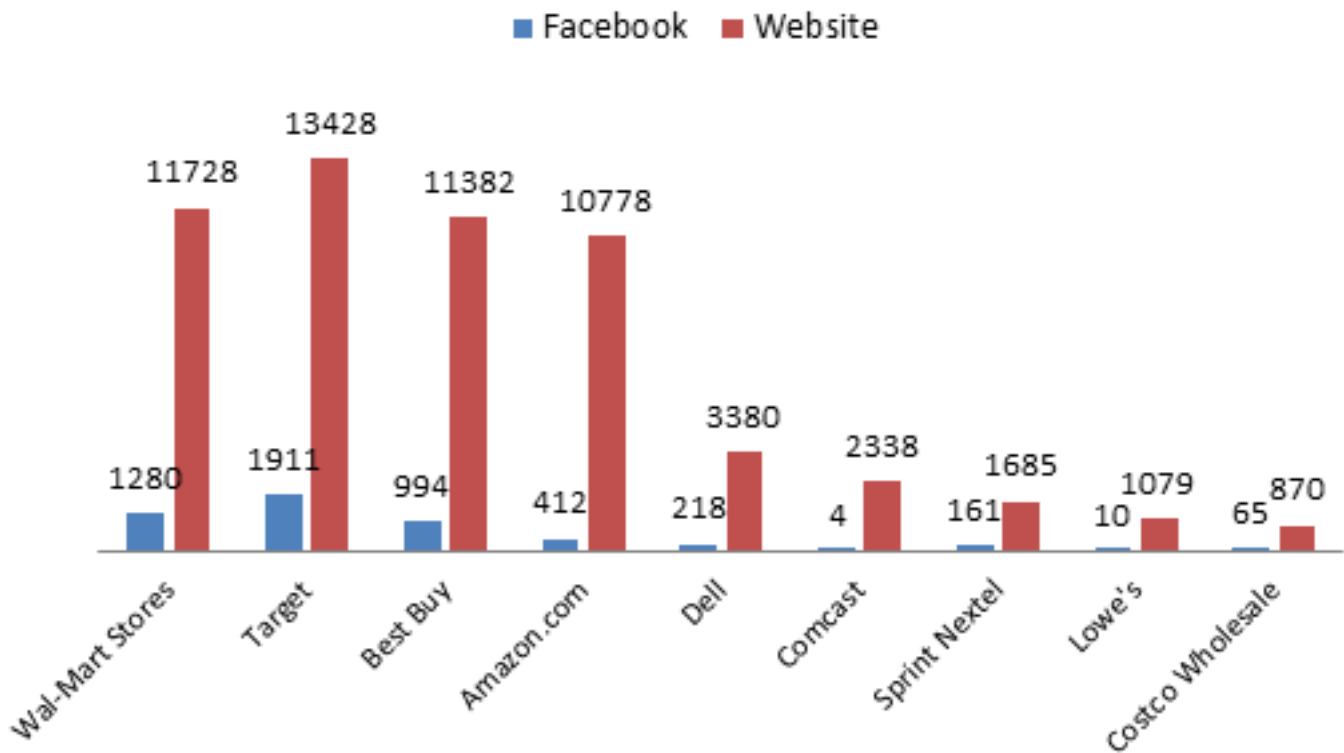
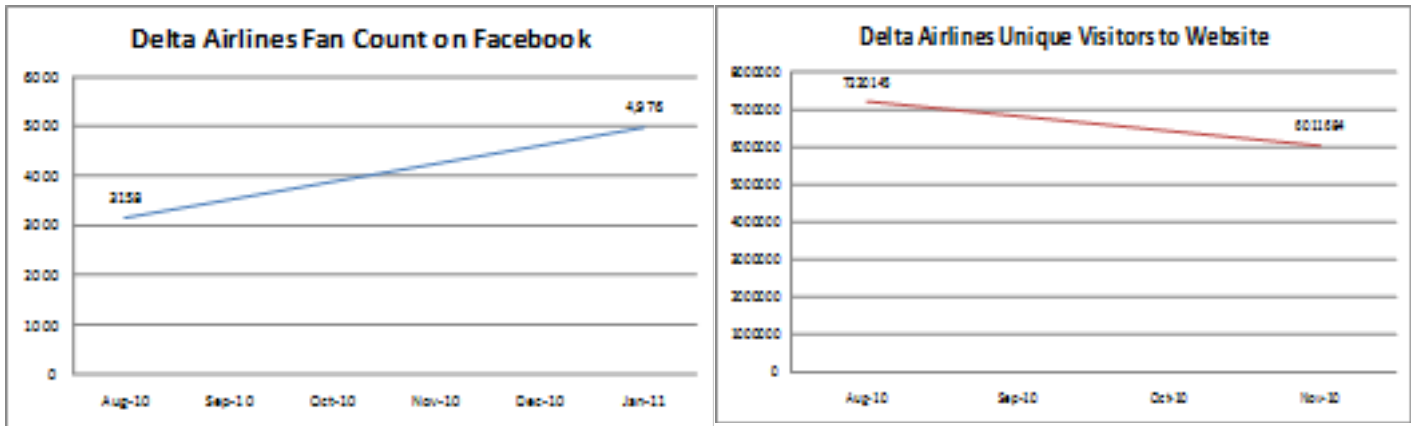


FIGURE 5: CHANGE IN UNIQUE VISITORS (E-COMMERCE)

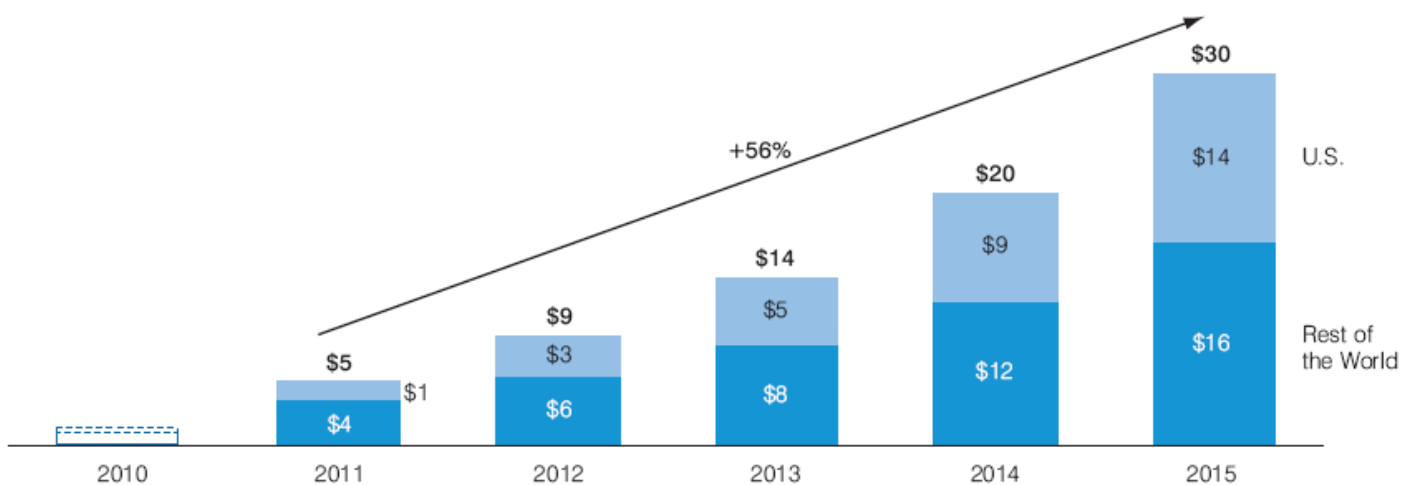
### IS E-COMMERCE A SHORT LIVED PROTECTION FOR WEBSITES?

The striking contrast in traffic trends among websites in the categories discussed above indicates that e-Commerce may be one of the factors protecting websites from the influence of Facebook. What would happen if Facebook begins to provide a seamless e-commerce experience? To answer this, we looked at Delta Airlines which recently enabled customers to book tickets right on its Facebook page. On a year-over-year basis, Delta is experiencing a 9.53% drop in unique visitors to its website. While Delta's website lost more than a million unique visitors over a three month period, its Facebook page gained more than a 1000 new fans. Although this single instance is not sufficient evidence to conclude, it is an early sign of declining website popularity in the future.



Furthermore, dozens of leading retailers are now following Delta's footsteps. The number of retailers planning to, or already participating in, Facebook commerce is rapidly increasing. For example, Adgregate Markets, a provider of Facebook commerce services, signed over 50 retailers, most in the Internet Retailer Top 500, the last quarter alone. This trend indicates a rapid adoption by Top 500 retailers and brands to open up this new social channel.

*Booz & Company Estimate of Social Commerce Market Size (2010-2015; in US\$ Billions)*



SOURCE: BOOZ & COMPANY

### FINDINGS

While many Facebook stores have a nascent operating history, early data from Adgregate Markets' network of Facebook stores points to several important trends:

- Facebook stores are efficient at acquiring visitors cheaply through wall posts, with post-launch wall posts generating on average 1,673% spikes in store traffic



- After first month from store launch, base level of traffic equals 1 to 10% of fan base
- Facebook stores on average generate a 17% social engagement rate (merchandise “likes” and “shares” per visitor)
- Facebook stores generated on average Earned Media Reach to friends of fans equal to 25% of fan base<sup>1</sup>
- Facebook stores generated on average 5.9 pages views per visit
- Facebook store dwell times average 2:50 per visit, growing 50% over last three months
- Facebook commerce conversion rates range from 2% to 4% and are on par with e-Commerce websites. (avg. 3.4% Forrester/Shop.org<sup>2</sup>)
- Average order value of \$104 with 24% growth month over month (largely dependent upon retail vertical)

## FACEBOOK STORE LAUNCH BEST PRACTICES: TRAFFIC ACQUISITION

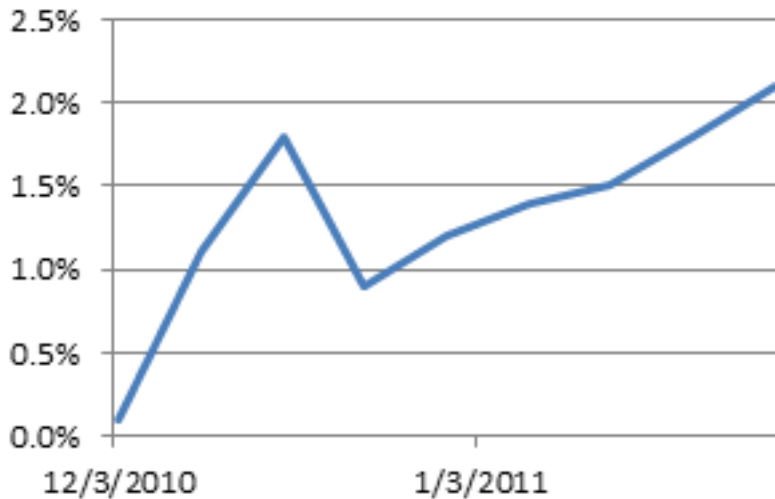
**Default to Shop tab view**

**Profile graphic announcing storefront**

**Simple, compelling offer**



## Facebook Store MAU/Fan Acquisition Rate



SOURCE: ADGREGATE MARKETS

Adgregate Markets measures the effectiveness of a Facebook store in acquiring a retailer's fans by comparing Facebook store MAUs (Monthly Active Users) to the corresponding retailer's fans. As illustrated below, this MAU/Fan Acquisition Rate is now averaging over 2% across a number of live Facebook stores and trending upwards. This success illustrates the efficacy of Facebook as a customer acquisition channel, where retailers can quickly jumpstart Facebook store traffic by publishing wall posts. With more and more leading retailers launching successful stores in Facebook, e-Commerce website traffic will continue to decline.

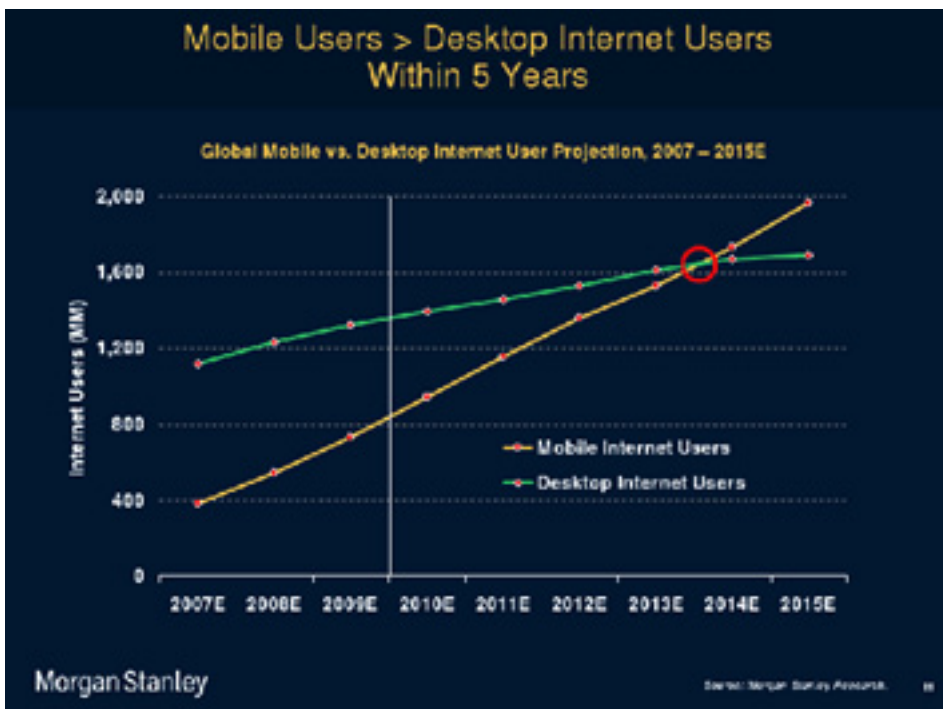


FIGURE 6: MORGAN STANLEY 'INTERNET TRENDS' REPORT

## THE MOBILE WEB

It is not the social network alone that is threatening brand websites. The mobile web is also contending for a big piece of the "traffic pie" and has reached exponential growth before we realized the magnitude of its footprint. People are divided in their opinion as to whether mobile web will take over the desktop Internet, given the size and display limitations of a mobile device. But recent reports

from PayPal<sup>3</sup> indicate that there was a 300% increase in mobile shopping and payments during the 2010 holiday season, which signifies a big wave of behavioral change that is sweeping the shopping community. The trend does not go unnoticed by online retailers. According to a dotMobi report<sup>4</sup>, the number of mobile-ready websites grew from 150,000 in 2008 to 3,000,000 in 2010 (an increase of 2000%). The analysts at Morgan Stanley<sup>5</sup> predict that in five years the number of people accessing the web via mobile devices will surpass those accessing it from desktops (Figure 6). These statistics are backed by reports from Quantcast that mobile web usage increased by 110% from 2008 to 2009 and continues to exhibit exponential growth<sup>6</sup>.

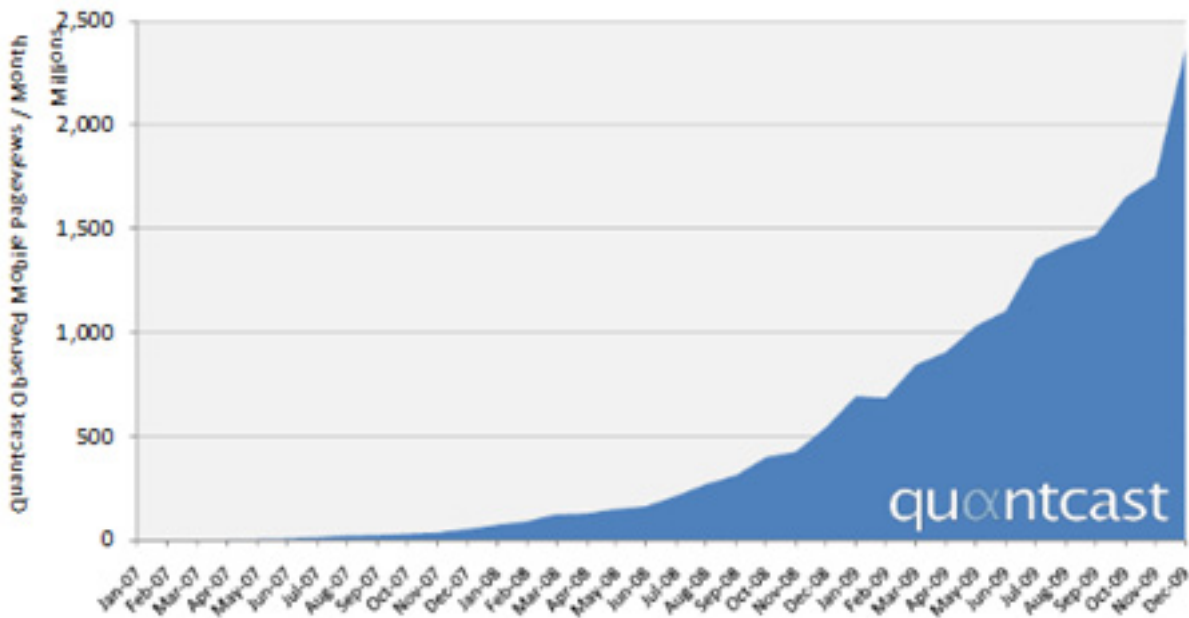


FIGURE 7: MARKET SHARE OF PAGEVIEWS TO GIVEN DEVICES/PLATFORMS

It is not only the amount of mobile web usage that is shocking, but also the quantity of information consumed in that platform (Figure 7). Quantcast considers this to be the best measure of mobile web consumption and believes that the devices/platforms that make it easy to consume large quantities of web content will come to dominate the market.

## **CONCLUSION**

*Based on our research we conclude that social and mobile networks will dominate the online traffic landscape in a big way, decreasing traffic to content as well as e-Commerce websites. As a result, brand and retailer websites would witness vast changes in visits and usage patterns. New mediums present new benefits as well as new challenges and it is important that companies make the right trade-offs to leverage every channel to the optimum level. In a scenario where timing is critical, it is crucial that companies start measuring their performance in all available digital channels before it is too late. The game is no longer about the comforts of your website's 'Walled Garden', but about the risks and rewards of arriving on the social network.*

## **CITATIONS**

<sup>1</sup>*Earned Media Reach: additional reach to friends of fans through fan activity within store (e.g. "like" and "share" products)*

<sup>2</sup><http://www.internetretailer.com/2009/09/29/42-of-e-retailers-increased-their-conversion-rates-this-year-s>

<sup>3</sup><http://www.bizreport.com/2010/12/more-mobile-users-shopping-via-phone.html#>

<sup>4</sup><http://mobithinking.com/blog/2010-study-mobile-web-trends-shows-continued-explosion-mobile-friendly-content>

<sup>5</sup>[http://www.morganstanley.com/institutional/techresearch/pdfs/Internet\\_Trends\\_041210.pdf](http://www.morganstanley.com/institutional/techresearch/pdfs/Internet_Trends_041210.pdf)

<sup>6</sup><http://www.scribd.com/doc/24826531/Quantcast-Mobile-Report1>



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## ABOUT ADGREGATE MARKETS

Adgregate Markets is the leading provider of secure advertising and social commerce solutions. ShopFans™ turns social shopping on Facebook from conversations into conversions and is the only secure social commerce solution in the market. ShopAds™ guide prospective customers from the point of discovery to the point of purchase entirely within innovative online and mobile ads. SecureAds™ are the world's most secure ads for customer engagement. Adgregate is a privately held company based in the San Francisco Bay Area and is venture-backed by leading investors. Adgregate has received numerous industry awards for its innovative advertising technology, including ad:tech's White Hot Company, TechCrunch50 Finalist, and AlwaysOn OnMedia 100 Winner, recognizing the top private companies in digital media and advertising. For additional information, please visit [www.adgregate.com](http://www.adgregate.com).



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Special thanks to Justin Kistner, Radha Ravi and John Underwood for their contributions to this report.

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