

Online Community

Creating business advantage

Solving Business Problems Using Online Community

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Really? How?

Can online community improve business performance?

This paper describes why online community is not only helping companies improve their business performance, but why it is now an integral part of Customer Relationship Management initiatives, product and service development processes, and the most powerful means of identifying, engaging and influencing loyal advocates of *your* products and services.

Ecademy has spent the past seven years creating and managing business communities for itself and on behalf of its customers. In this time, we have accumulated a *peerless* operational experience and understanding of *how* to build social networks, *why* they emerge and *what* specific *techniques* are required to make them self-sustaining and successful.

Ecademy Consulting has assembled a team of community consultants drawn from its own network of over 40,000 members and community leaders, to provide a wide range of *community building* and *community advocacy* related services. We have adopted a *vendor neutral* approach because whilst technology is important, the critical success factors are all *people* and *process* related. We evaluate the most suitable mix of technologies, establish the organizational framework for managing online community and devise the most appropriate governance regimes required to deliver *specific, measurable business benefits*.

Online community landscape

The desire to communicate in groups is fundamental to human nature.

The development of co-operative communities was a critical contributor to the survival and evolution of civilisation. This desire to relate to other people continues to drive society today, and it is natural that this is now reflected in the online environment. But what is different about today, is the sheer numbers and speed at which people are connecting online to form transient and permanent communities for carrying out a breath taking variety of tasks.

People are speaking to each other in a powerful new way. 'Smart mobs' ^[1] of activists with mobile phones are coordinating and orchestrating sophisticated demonstrations 'on the fly'. Pressure groups with a million registered members are being formed overnight ^[2], the business models of entire industries are being disrupted by the spectre of peer-to-peer networks ^[3], and knowledge is being shared on an unprecedented scale, leading to the formation of markets in their own right. Some of these markets, such as the Open Source community ^[4] are mounting serious competitive challenges to the present incumbents. Skype's internet telephony application has over 28 million downloads and served over 2 billion minutes of calls in its first year of operation and is re-writing the rules in the telecoms industry.

Web logs (or blogs) have established themselves in the mainstream news gathering industry where they have become a normal aspect of a journalist's professional publishing activities ^[5]. There

are now four million interlinked, Weblogs, and their rate of growth is staggering with hundreds of Fortune 1000 companies now using blogs for knowledge sharing purposes. The *slowest* rate, at which the so called *blogosphere* has doubled in size, is once every five months and is currently generating 16,000 new entries per hour [6].

Markets are conversations. "Companies that don't realize their markets are now networked person-to-person, getting smarter as a result and deeply joined in conversation, are missing their best opportunity" [7]. We are now in the connected age and it is becoming increasingly apparent that 'voice' in the broadest sense of self-expression is the 'killer app'. Blogs, Skype, KaZaa, Instant Messenger and a plethora of other so called *social software* are enabling vast numbers of real time conversations between parties that are previously unknown to each other, the implications of which are only now being understood by business, government and the media. Perhaps the most significant implication is how social software is dramatically changing people's *behaviour* and how the balance of power between consumers and the companies that serve them is shifting inexorably in favour of the individual consumer - because consumers are networked, they are renegotiating their relationships with brands at blinding speed and becoming increasingly promiscuous by the day.

The business of communities

Online communities are particularly lucrative in the business to consumer space as they offer considerable opportunities for the translation of community into commerce revenues through advocacy, increased loyalty and cross-selling.

They can also enable substantial cost savings by reducing contact centre load, customer churn and return disproportionately rich ideas for new products and services through real time focus groups. These groups collapse customer feedback time, reduce the organisational overhead compared to offline initiatives and slash research and development costs.

In the business to business space, online communities are being used inside the firewall for knowledge sharing and team collaboration, and outside the business for multi-party collaboration and have become de facto tools for coordinating complex mergers and acquisitions [8]. SME's that cannot afford sophisticated supply chain solutions are beginning to benefit from online community, using it as a means of hosting real time communications of key people in their supply chain. Trade associations, alumni and professional bodies are extending their membership reach and revenue, enriching the member experience by aggregating knowledge and best practice from their members, making it available online in a structured, searchable fashion.

The state of the art

Before examining in detail the business benefits of implementing or engaging online communities, an overview of the extent to which people are participating online is described to provide a sense of proportion, scale, and variety of use and purpose, and how online community has established it self as an industry in its own right.

Macro statistics

For the past few years, official internet ratings agencies have consistently seen the search engines, portals and communities category ranked number one. In the UK, the latest statistics ^[9] show this category with a unique monthly audience of over 22 million people. This represents some 87% of the UK internet population, an average 15 sessions per user, spending an average 1.3 hours per session. Unsurprisingly, the Instant Messaging applications from Microsoft, Yahoo and AOL are amongst the top six most used applications, alongside media players from Apple, RealOne and Microsoft.

Case histories



Ezboard, an American company, with 14 million registered users is one of the largest free standing online communities in the world. It provides social software as a service. It enables an individual to set up their own message boards and discrete online communities. It does this one thing extraordinarily well for over half a million discrete communities of interest.

Users are charged a fixed monthly or yearly fee for the rental of this software.



SourceForge is an online community for open source software developers. It provides a platform for hosting open source software projects and wide range of premium services and resources for developers on a subscription basis. It is currently hosting over 89,000 projects with a registered user base of over 900,000 developers.



Uboot.com, a youth centric community focused around mobile communications has 5.1 million registered users, generates 55 million page impressions per month and frequently has several thousand simultaneous users online.



Children between the ages of 8-14 hang out in large numbers after school in an online community called **HabboHotel**. This interactive, graphical environment simulates hotel surroundings and provides users with an animated persona and functions for buying furniture and other privileges. HabboHotel derives its revenue from reverse SMS fees needed to buy these items and has an online presence in Sweden, the UK, and Canada and also enjoys several thousand simultaneous users online in peak periods.



Neopets.com, based in California, is the home of a complex multi-player fantasy game geared to kids and teenagers. According to the company, it consistently achieves upwards of 1,000 monthly page views per active user and interaction times of more than four hours, surpassing major portal traffic statistics. Global membership is above 23 million, of which approximately 11 million are active monthly users. The site totals approximately 4.2 billion page views per month from a diverse audience of kids, teens and young adults.



Typepad is a software company that sells blogging software as a service over the internet. Typepad has a number of innovative extensions that enable mobile phones to publish text and images to a weblog in real time. It recently partnered with NTT of Japan to bundle its services with NTT's broadband products to over 4 million customers.



LinkedIn is a business contact network. Members can publish a detailed profile, build personal networks and discover links between people that help them network with their industry peers. In a little over a year, it has amassed over one million largely white collar, professional workers. Its business model is as yet unproven, as membership is currently free.

Summary

The reality of large numbers of individuals forming new types of organizations across space and time is, historically speaking, a new phenomenon. Our understanding of mainstream theories of organization were developed at a time when human communication was primarily face-to-face and mediated by the printed word, and that system meant largely a number of people working under the same roof, hermetically sealed from the outside world.

Social software is creating completely different organisational forms, where value is being created by any means necessary and no longer dictated by organisational relations and boundaries. As early as 2002, Pew Internet Research ^[10] established that 60% of US broadband users set up web sites, participated in online discussion forums and shared photographs or other files over the Internet. In other words, their predilection to publish is higher than it is to consume. This *behaviour* has continued at pace and with a few exceptions, taken incumbent service providers by surprise who continue to lose money pushing content to consumers *whose attention is focused elsewhere*.

In the UK, Forrester's ground breaking 2003 report "Emotive Networks Connect Consumers" concluded; "While consumer firms try to attract users to brand sites, consumers prefer to connect in Emotive Networks. Brands and media must accept and learn from these - or lose emotional touch with their audiences". The report asserts that "consumers connect while firms broadcast and brands need to listen not preach". Forrester says that only 2% of UK firms commit resources to listen in on these networks.

The business benefits

Businesses are already deriving measurable benefits from online communities and they are increasingly becoming a business necessity. Many economics and finance researchers are looking into radically different approaches to measuring the value of communities by analysing the assets (blogs, articles, networks, projects, contacts) community creates. The evaluation of these intangible assets is being applied to identifying nodes in terrorist networks to finding subject matter experts, influencers and connectors inside large companies to the extent that a new branch of science has formed, called social network analysis. However, more significantly, other applications of community are creating an immediate impact on the bottom line, namely;

Product & service development

Brands are starting to create customer centric communities for joint, collaborative product and service development, intelligence gathering, real time focus groups and a means of maintaining a constant dialogue with their stakeholders. Mostly US companies are trail blazing, notably;

Proctor & Gamble. PG.com was created primarily as a "listening platform," says Greg Icenhower, associate director of corporate communities. The community section of the web site prompts visitors to share their likes and dislikes about certain products and to offer suggestions for improvement. The goal behind those efforts is to build a loyal customer base that either by an affinity for the company's brands or by a disappointing experience with one of its products provides feedback that contains

disproportionately rich ideas.

"In general, I can tell you that it (online community) is impacting our products and packaging. It's impacting the way we intend to go to market. And it's feeding our continued thinking about product improvements down the road." [10]

HallMark Cards "created three online communities for parents with young children, another for Latina women ages 20 to 50 and a third for grandparents order to garner better insights into what customers want and ultimately achieve its goal of tripling sales to \$12 billion by 2010. In the meantime, Hallmark's communities, which are accessible by invitation only and feature threaded discussions, instant polling and real-time chat, are already having an impact on the way the company thinks about product development. When they asked members of the parents community how they spent Valentine's Day, for instance, Given and her colleagues quickly discovered that there was a wide chasm between how parents wanted to celebrate the holiday and what they actually ended up doing". [11]

Smart interactions & corporate communities

Recent research by **McKinsey & Company** indicates that "half or more of a company's spending on labor may be devoted to basic interaction activities, many of them internal to the organization." This is corroborated further in ongoing research by **The Work Foundation** indicating that ratios of non-productive interactions in many organisations exceed 60%.

Online communities have been an integral part of **Clarica's** overall knowledge management strategy for several years. Clarica is part of the Sun Life Financial group of companies and is

a leading distributor of health insurance, life insurance and investments, with over 2 million Canadian customers. The company supports anywhere from 80 to 100 informal communities of practice on its intranet. Clarica's implementation of virtual community software has provided opportunities for personal, professional and technical development; introductions to new ideas; access to colleagues; and links to product and market specialists. Agents can ask their peers in real time on how they should handle a particularly tricky sale. In some instances up to 60 people respond to the request, where their advice helps agents close otherwise difficult deals. [11].

In this case study, online community has increased the efficiency of the learning process that previously consisted of non-productive interactions, and has achieved a measurable increase in productive capacity, operating performance (largely by the reduction of the costs of coordination), and intangible value creation. This rich, diverse set of intangibles has contributed, seemingly invisibly to business performance, where smart interactions come first and commerce comes second.

Sense & respond

Online community offers the most profound potential when communities inside the organisation are actively and deliberately brought together with external clusters of communities.

In this scenario there is a massive opportunity for the conversations taking place in these spaces to reside in one place, a kind of 'centre of gravity', where knowledge can be shared between colleagues, best practices developed, market intelligence gathered, new services developed with customer participation and where an entirely new set of opportunities can emerge. When business talks about agility it rarely mentions community in the same breath. The opportunity for being in real time contact with its *network* of constituencies, and for these to be in conversation with each other, would give it a capability to *sense and respond* that conventional organisational structures cannot offer. Examples include;

Advocacy, Loyalty & reduced churn.

This year Pepsi conducted a marketing campaign with HabboHotel in Sweden to introduce its Mountain Dew soft drink into that market for the first time. In only a few months it became the number one soft drink in the youth market. Other research suggests that customer churn can be significantly reduced by enabling conversations between customers, agents, technical support teams and marketing groups. Once people have put so much into a community, it's hard to uplift roots and start again elsewhere – as is the case in the analogue world.

Lowering Support Costs & Extending CRM. Software vendors have been using forums, download spaces, other forms of online community and events for many years. This has become the primary means by which they communicate and manage relationships with their developer communities. We believe it is possible to use this model in a variety of other sectors where member-to-member support can significantly reduce contact centre burden and remove direct marketing costs. Ecademy has been involved with an innovative new form of outsourcing called ki work (www.ki-work.com) – a promising new concept based on a secure collaborative network for the on demand outsourcing of work to a network of home based agents, at a cost that is comparable to off shoring. Ki work has received £250,000 of funding from RDAs in the last two years to assess the feasibility and scalability of this model. Online community is at the heart of ki work because it provides the 'deep support' ^[12] which agents need to deliver high quality service and better conversion rates.

Corporate Social Responsibility (CSR), transparency, regulation. Shell is perhaps one of the most apocryphal stories about online community transforming relations between a company, its environment and local communities. "It's not often that a company publishes accusations of murder on its website, especially when the accusations are directed against the company. The result is a web site (online community) that blazes a trail for companies that want to take their customers seriously as world citizens and not just as potential revenue sources."^[13] If a brand creates online communities and/or actively participates in several others on a continuous basis, regulators, shareholders and customers cannot be accused of losing touch with their customers. Heavily regulated industries such as telecoms, media and utilities have been surprisingly slow at leveraging the considerable negotiating power customer centric online communities can provide, particularly in the context of regulator negotiations.

Summary

Forrester calculates that there is a EUR 104 billion revenue opportunity by 2007, for brands that connect to consumers in what they call 'emotive networks', using 'conversational content' ^[14]. Judging by Pepsi's experience in Sweden, this figure could prove to be very conservative.

Forrester also reports that broadband increases consumer participation in online networks by 145%. This is corroborated by America's Pew Internet research body in its Internet & American Life Project ^[10] where 84% of all internet users (or 90 million Americans) have at one time or another contacted an online group, and 28 million Americans have used the internet to deepen their ties with local communities.

In December 2003 Prof. Gary Hamel, Visiting Professor of Strategic and International Management at the London Business School said;

"Strategic resilience is not about responding to a one time crisis... it's about continuously anticipating and adjusting to deep, secular trends that can permanently impair the earning power of a core business. It's about having the capacity to change before the case for change becomes desperately obvious."

Online community is becoming the key contributor to an organisation's capacity to detect anomalies in its markets, respond swiftly and source the solutions to deal with them from within their own communities, thereby creating business advantage.

About Ecademy

Ecademy creates hosts and manages business centric communities of practice. We call these Ecademy Trusted Networks. These are communities of people who share the same cause, situation, or vocation. These communities facilitate professional exchange, allow members to establish a bond of common experiences and challenges online, and build networks of relationships which are leveraged at offline events and meetings.

Ecademy Trusted Networks provide a way for organisations, distributed workgroups and individuals to build up a federated community based on their common interests over the internet. To support communities, we have created software functions that go beyond the generic retrieval of documents to include the ability to retrieve people, their interests and inter-relationships.

Ecademy organises community for itself and on behalf of brands and affinity groups. Our technology platform is flexible, in that it enables the creation of multi-faceted propositions customized for different stakeholders of the same community. The table below describes the size, shape and composition of Ecademy's business communities. See www.ecademy.com

Community Assets

No of Members (over 130 countries)
46,000 (80% UK)

No of Geographic Communities
5

No of Trusted Networks
7 (acquired 5,000 member DTI community, 2002)

No of Branded Communities
2 – Regus & Microsoft

Paying subscribers
(Power Networkers) 3,000

No. of Sub-communities
(Clubs) 1391

Total No. of member-to-member private messages
1.08 million, recent average 70,000 per month

Average number of member generated articles, comments, club messages
15,000 per month

Statistics (Averages)

Membership growth
2,000 per month

Page views
5.4 million per month (6.8m peak)

Unique visitors
120,000 per month

Unique logins
10,000 per month

Events
80 per month (in the UK)

Ecademy TV
30,000 viewing hours

Main monthly London event attendance
175 people

Membership is free and highly active members with a natural tendency to network, self-publish (through the use of blogs) and *lead communities of their own*, pay an annual fee to subscribe as *Power Networkers*. This provides them with access to advanced networking and self-publishing tools, including the facility to create discrete, branded online communities, or sub groups called Ecademy Clubs.

Ecademy has members from over 130 countries and is predominantly comprised of entrepreneurs, micro-businesses and SMEs. We provide social software for these 'knowledge workers' that collapses the search and discovery time with respect to finding new partners, customers and suppliers – locally and globally. This is networking and it isn't new. Because business transactions are conducted offline, Ecademy's unique combination of software and community organisation techniques facilitate and promote offline events and meetings where online conversations are converted into business transactions. Ecademy Singapore's first event in early 2004 was attended by over 500 business people.

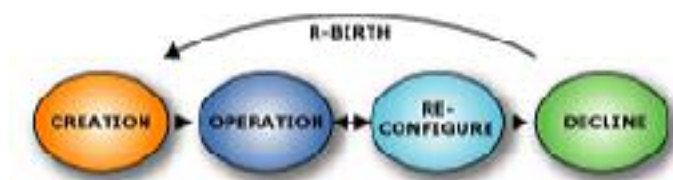
About Ecademy Consulting

The goal of Ecademy Consulting (EC) is to creatively form and concisely answer strategic questions about the application of social software for solving common business problems and improving business performance.

We do this by establishing, managing and capturing meaningful debate within our client organisations in a structured, process driven manner and translating it into live, vibrant online communities.

Methodology, approach

The single most effective human trait that fosters the formation of complex, sophisticated, self-organising, co-operative networks is trust. All successful, sustainable online communities rely on a continuous atmosphere of trust and our *capability of creating this atmosphere is unique*. Collectively Ecademy's management team has over 50 years of experience devising, creating and organising online and offline community. The most important lesson we have learned over the last six years is *that creating community is about people and their behaviour*. The second most important lesson is that *community is a journey*.



This journey traverses four distinct phases. Each phase requires different skills sets and takes varying amounts of time to complete. Some communities die, either through neglect or because

they have come to a natural end and as much preparation is required for this phase as any other.

Because Ecademy derives its core revenues from organising and managing its own communities, we have become experts at moderating, monitoring and quantitatively measuring community assets. This knowledge and experience has been crystallised into a methodology or A-Z of community that can be re-used for the implementation of online communities on any platform supported by a variety of social software.

Services

EC provides services in four discrete areas;

Business Case Development. This service aims to *focus executive mindshare and obtain budgetary sign off* by providing businesses with clear benefits analysis and the financial justification for implementing community to solve specific business problems. It produces a discrete business plan with costs, revenue and savings metrics, together with presentation material that can be used to more widely socialise and promote the concepts of online community within the organisation and across its stakeholders.

Community Design. This is a process that *starts* with the evaluation of the most suitable technology. There is a dizzying array of choice. We apply our experience to help clients navigate through this maze of functionality to arrive at the optimal solution or combination of solutions, which may include *Ecademy Trusted Networks*. The most important component of this process is identifying the right people to grow and nurture the community. This often means re-defining roles and

responsibilities and preparing many parts of the organisation for managing conversations from a completely new source. Community design also includes establishing rules of behaviour and a legally responsible framework, together with configuring or customising software to meet a wide variety of usability and operational requirements.

Community Implementation & Operation. A *platform independent process*, focused entirely on building, launching and *organising* online community. It covers member acquisition, promotion and marketing activities, event planning, reporting, member communications and moderation. These are not one off activities but rather continuous *trust building* activities that are more intense depending on what *phase* the community is within its lifecycle. Finally, EC can *'health check'* existing communities and devise new strategies for improving their performance.

Community Research & Marketing. Ecademy as an organisation, is focused on understanding a community member's place in society, and his or her network of friends. We know how to identify influential consumers and how to encourage them in various ways to influence their friends. We carry out in depth research of online communities to guide organizations on which ones they should engage, how to contribute (give) to those communities, and derive (receive) the most benefit from them – in that order. Ecademy's own community can be leveraged to market or test products online and offline. In particular, the 80 *monthly* UK events attended by on average 15 people provides a cost effective, target rich community for 'street level' marketing.

Epilogue

That tangible business benefits can be derived from implementing online community in a way that improves business performance, boosts competitiveness and enables differentiation is now well proven in the marketplace. To be successful, these communities need to have strong leaders well organised, customer facing groups that are able to communicate effectively with their communities and *distribute* the intelligence they gather to rest of their organisation.

Ecademy Consulting welcomes a dialogue with any organisation that wants to explore how its business performance can be improved by working with a partner comprised of a diverse group of community experts, committed to its success.

"Discovery consists of seeing what everybody has seen and thinking what nobody has thought."

Albert Szent-Györgyi Nobel Laureate (1893-1986), The Scientist Speculates, 1962

Contact

For further information contact:

Leon Benjamin
Chairman
Ecademy Consulting
12 St James' Square
Mayfair
London SW1Y 4RB

E: leon.benjamin@ecademy.com

M: +44 7974 766615

Profile:

<http://www.ecademy.com/account.php?id=15187>

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