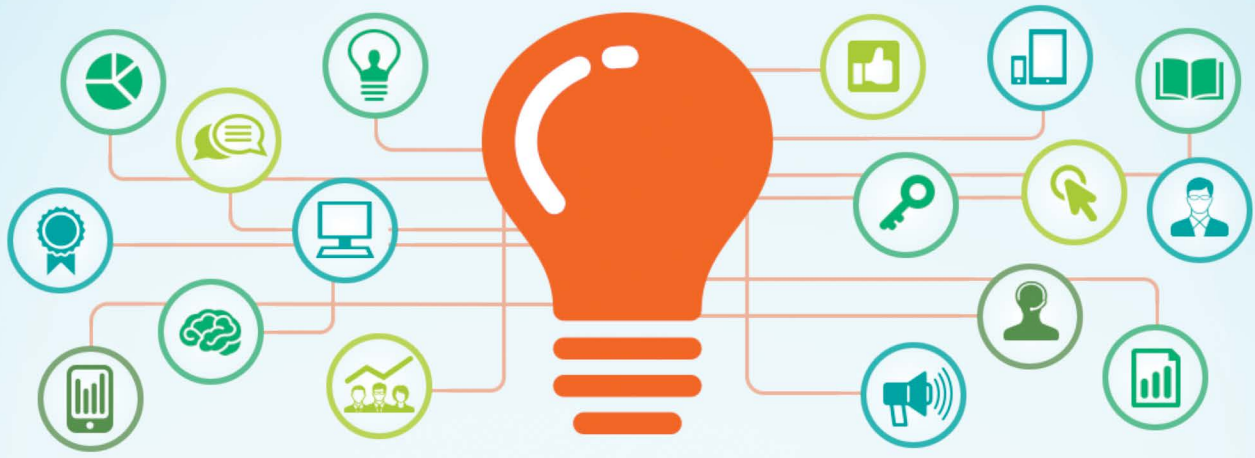# THE EVOLVING ONLINE COMMUNITY

ITS BRAND-BUILDING ROLE AND VALUE IN THE NEW, CUSTOMER-CENTRIC 4P'S

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DRIVING DECISIONS THROUGH COMMUNITY

Scientists have determined that humans began controlling and using fire about 125,000 years ago. According to Wikipedia, "The control of fire by early humans was a turning point in the cultural aspect of human evolution." Among other benefits fire brought mankind (obviously including comfort, cooking and protection from predators) was the expansion of human activity into the dark and colder hours of the night. Fire was the catalyst that enabled families and small communities to congregate for extended periods. From fire, and the shared warmth it provided, came community.

History

Here's a (very, very brief) history and perspective on the growth of community's power to influence and shape decisions.

For centuries, from the time of the Egyptians and Romans, to the Aztecs, Mongols, and the American, French and Russian revolutions, communities of shared cultural beliefs have shaped empires and social movements around the globe. Society has also been witness to how communities of interest have, for both positive and negative results, leveraged political and religious thought. Most recently, of course, we've seen the Tea Party movement rise and decline in its level of grass roots legislative clout in the U.S. The power of human communities to help shape ideas, concepts and belief systems, and drive behavior in all walks of life, is real, proven, and undeniable – and, as we'll see, it has never been stronger or more valuable.

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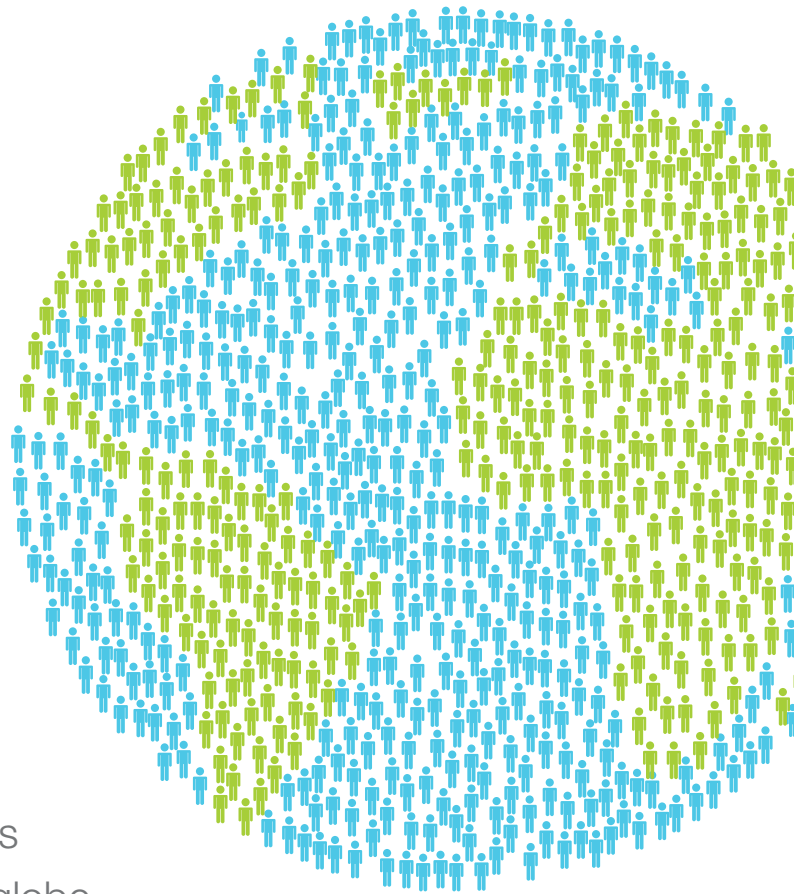
The Internet as a Community Enabler

From a commercial perspective, marketers have seen the role and effect of community interaction evolve from the general store cracker barrel and sewing circles, to the telephone party line, and office water cooler and coffee break. Innovative companies have, through promotion, electronic and print advertising, and other means, endeavored to leverage interest and action by local and special interest communities by relating to their core beliefs. Until the Internet, and the volume of information and speed of communication it represents around the world, much of this was fairly tactical and situation-based.

Online communities are, arguably, the most attractive and engaging customer experience management (CEM) tool around. Why? Well, to start with, look at a key original intent of the World Wide Web. It was, simply, to facilitate easy and ongoing interaction among people of similar interests. On the Internet, where the opportunities for customer loss occur at warp speed, a recent McKinsey study, ePerformance, found that 98.7% of online visitors do not become repeat customers. Another study determined that most sites will lose 60% of their first-time customers in a six-week period. Until rather recently, many e-commerce companies were ill prepared to counter this.

1.3% REPEAT CUSTOMERS

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The Internet as a Community Enabler continued

Consumer Internet participation, and the content they create, continues on the upswing. From the Huba and McConnell "90-9-1" rule of several years ago - where 1% of consumers online contribute content in the form of product and service ratings, blogs, and participation in forums such as Facebook, LinkedIn, and Flickr, 9% comment on that content, and 90% observe what is happening – we are now seeing an estimated 70-20-10, where 10% of consumers who use the Internet, or more are actively submitting content. E-commerce sites, and specialty portals, are leveraging the promise of online community as a viable element of b2b and b2c customer value and experience management.

10% 1%

90%

THEN

20%

10%

70%

NOW

● Creators

● Contributors

Observers

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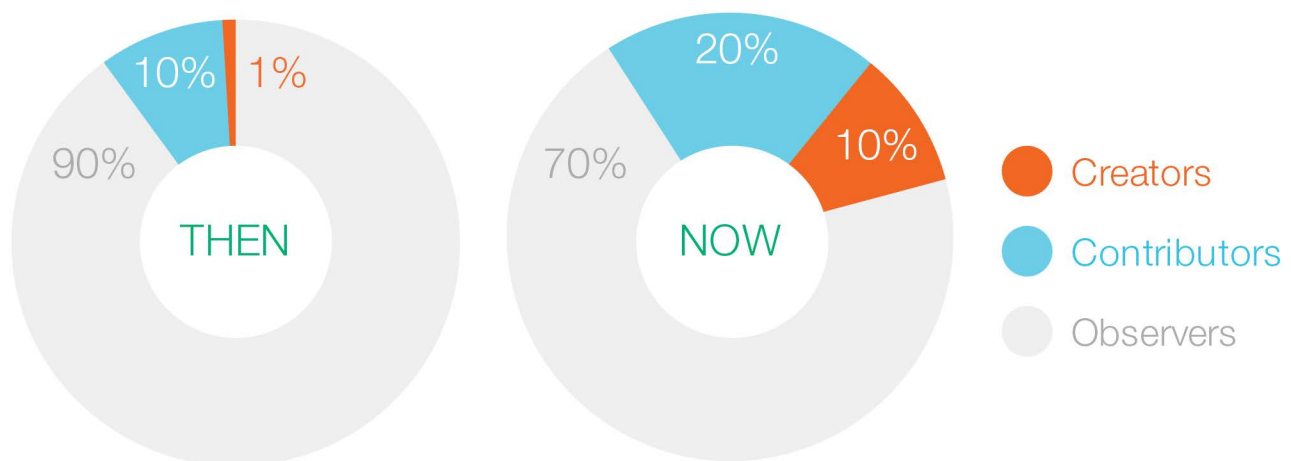
Multiple Community Values

Let's look at the multiple values of online community with some examples of organizations which are effectively leveraging them.

Many companies, particularly on the Internet, have devoted much of their energy and resources to only increasing transactions by appealing to more essential customer needs. Just as communities of interest can bring people together who interact, or relate, based on one or more shared values and interests (age, hobbies, etc.), so these communities can be leveraged to facilitate buying and selling, as well as valuable insight generation. Online community has become a pillar of marketing and brand-building, communications, and customer relationships that should be included in every program.

Communities are generating increased attention by both marketers and senior corporate leaders. They have become a pivotal component of dialogue with customers, and in both b2b and b2c product and service industries. Although this means that the brand image management, and brand decision-making, pendulum has definitely (and, in all likelihood, permanently) swung from the supplier to the customer, social media's growing strategic importance represents a real opportunity for companies to create positively differentiated customer relationships.

Multiple Community Values continued

Online communities are all about what can best be described as "brand franchise health optimization engines." They help facilitate:

Customer familiarity with the brand

Though its Harley Owners Group (H.O.G.) clubs had been existence for some time, the company retooled it to be a vital and contributory online brand community: a group of ardent motorcycle consumers, organized around the lifestyle, activities and ethos of the brand much more than a marketing tool, the community is now a corporate strategy and asset, to support building and maintaining the company product development pipeline, and designing effective engagement and promotional programs.

It has often been noted that Harley owners are the ultimate advocates and bonded customers, not only using the products, but also wearing Harley-Davidson logo gear, and attending brand-related events. In 2014, for example, the Sturgis Motorcycle Rally will take place as it has for the previous 73 years, drawing thousands of motorcyclists and vendors to this small town in the Black Hills of South Dakota, for a celebration of all things Harley.

Over the past 25 years, and enabled by Web 2.0 technologies, the Harley community has been central to the company's financial turnaround. It serves both the business and Harley owners, by understanding their needs, building deeper relationships, cultivating new interests, and contributing to society.

Multiple Community Values continued

Placement, and strength, of brand in the consideration set

Bilund, Denmark-based Lego, one of the largest toy companies in the world, began manufacturing interlocking toy bricks in 1949. Since then, a global Lego subculture has developed, with active participation by the company, supporting movies, games, competitions, and six themed amusement parks. As of 2013, around 560 billion Lego parts had been produced.

A vital part of that subculture is a worldwide community known as AFOL, Adult Fans of Lego. There are affiliate groups, such as LUGNUT (Lego Users Group Network) in the U.S., and The Brickish Association, a U.K.-based community of AFOLS.. AFOLs share their hobby passion through community chat, of course, and also show pictures of what they've created on portals like Flickr and Facebook. AFOL sponsors BrickCon, national and regional conferences and exhibits, where adult hobbyists can display the innovative constructions they've built and also trade for, and purchase, Lego products.

Though Lego doesn't 'run' AFOL; as noted the company is deeply committed to this community and engaged with its activities. For example, Lego trains LCPs, Lego Certified Professionals, individuals who are not employees of the company, but are adult enthusiasts who actively participate in community conversations, attend the events, and provide (paid) counsel and technical advice to AFOL hobbyists. For these adults, and their hobby of choice, there is no other brand but Lego in their consideration set.

Multiple Community Values continued

Customer experience and value delivery relative to promises and expectation

Fitbit, a range of wireless-enabled wearable devices that measure personal activity data such as number of steps walked, quality of sleep, elevation (number of floors), etc., comes at the intersection of Internet connectivity and the increased societal focus on health. Importantly, personal data cannot be downloaded off the Fitbit device without paid 'membership' to the company web site; but, the ability to see an overview of physical activity, set and track goals, keep food and activity logs, and, as a free service, interact with other Fitbit users.

The Fitbit community, Fitbit Fan-Antics though the FatSecret free site, enables its members to post comments and photos, and also to monitor their personal diet and exercise results, but the main purpose is to share experiences – tips and topics - from using the device. As in other social communities, members can suggest friends for membership as 'Fitbit buddies'; and as in other such sites, the company actively interacts with group members.

Multiple Community Values continued

Brand credibility, image and reputation, expressed from an emotional/trust perspective

In 2005, Dell Computer experienced worldwide negative publicity, when one customer, who had bought what he described as a 'lemon Dell laptop', coupled with horrendous service, wrote a blog, which was addressed to Michael Dell, the CEO. The blog, which explained why he would no longer buy the company's products ("Dell lies. Dell sucks"), caught the attention of print and online mainstream publications, such as **BusinessWeek** and **PC World**; but Dell was not paying attention. The company's customer satisfaction scores tumbled. Among that year's fiscal results: Dell lost 5% in notebook market share; and profits for the third quarter, when the stories appeared, dropped 28%.

This galvanized Dell into social media action, and in June, 2006, they launched their own blogging and community portal, Direct2Dell, which set up employee-consumer dialogue portal about product and service quality issues, with a team of Dell staffers who monitor comments and reach out to bloggers. As one business reporter noted: "Now, Dell was really listening… and following their customers' advice." Dell learned, perhaps the hard way, that community – and the trust and value it creates through interaction – builds or undermines the brand; and its reputation and image belong to customers

Multiple Community Values continued

Customer likelihood to understand the brand message, and to share it as an advocate

One of the first companies to have an online community, and perhaps the best known, is eBay, the pioneering online auctioning portal site. Participating in an auction, as either buyer or seller, creates an automatic community of interest. In addition to offering a vast array of consumer products, eBay provides services for business. Through its elance component, eBay enables freelance service providers to bid on projects such as graphic design, copy writing, printing, data entry, database development and so forth. There is, of course, genuine community in the form of discussion, help and chat (help boards, user discussion boards, chat rooms, etc.), a newsletter, and a library.

In addition, eBay actively uses its community as in information source for driving customer loyalty. Each month, they send out 50,000 survey invitations. They get 30% response rates. Results, through their Intranet URL, are immediate; and eBay can link actual customer profitability through segmented findings.

eBay, has taken community participation to a new level. Several years ago, they organized the first of annual three-day live community events at the Anaheim Convention Center in California. Thousands of eBay-ers – buyers and sellers alike – attended from around the globe. They had the opportunity to hear eBay's president and CEO (at the time), Meg Whitman, talk about the role of community, meet eBay's senior staff at forums over the three days, visit booths to help them with their trading, attend educational classes, and participate in events such as a live auction, games, and a gala. As one community participant said in an eBay community posting, "I, for one, am thankful eBay exists. They have given us a venue. We are grateful." That's real advocacy, the ultimate value of community. In other words, community-building is an essential element in learning, communication, and customer loyalty behavior building.

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THE EVOLVING ONLINE COMMUNITY

The 4 Ps (Perhaps 5)

Now let's look at online communities in relation to the new marketing 4 (perhaps 5) P's.

Today, we're dealing with a different customer experience and value proposition landscape. The original 4 P's of the 1960;s – Product, Place, Price, and Promotion – remain important from a marketing perspective. But, the contemporary customer is more mobile, content-seeking, impatient, and independent than at any time in history. Even with all of these new decision dynamics, the fundamentals of trust and perceived value have become increasingly powerful drivers of customer loyalty and bonding.

As organizations become more customer-centric, moving from naive to natural, or from simple customer awareness, through greater sensitivity and focus, finally arriving at customer obsession, they will be well-advised to add four new P's to their toolbox:

- **Permeation** – Dedication to providing optimized value must be absorbed into every nook and cranny of the organization. Further, it must core to shared enterprise values/superordinate goals and be an essential element of its DNA.

- **Proaction** – Organizations can no longer be content to passively, tactically, and functionally react to customer needs and concerns. They must take the initiative in understanding what customers require as value delivery.

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4 Ps (Perhaps 5) continued

- **Partnering** – James Unruh, former chairman and CEO of Unisys Corporation, said: "…partnering with customers promotes a deeper understanding of customer concerns and of areas for improvement. Partnering relationships can create a seamless interface between an organization and its customers." **Smart and evolved companies create value in partnership with customers, and value is as likely to come from people and information/content as it is from products and services.** If companies practice ideas such as 'creating interdependence' and 'building equity' with their customers, they are strategically differentiating themselves from competitors and making it more difficult for their customers to leave and begin a relationship with a new supplier.

- **Paradigm** – There are, to be sure, many ways in which an exemplary, world-class organization can be defined. From my perspective, it is an enterprise which creates trust, especially in stakeholder (customer, employee, and supplier) experiences, and in reputation and image. These are critical to optimizing customer value delivery; and inherent in such cultures is the ambassadorial, trust-building behavior of employees (with customers and each other) and customer-forward processes.

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4 Ps (Perhaps 5) continued

The last P, Paradigm, is especially important. It speaks to making customer-centricity a paramount and lasting focus, of both a functional and an emotional relationship that exists between the enterprise and all of its stakeholders. Customer-centricity, after all, is about more than structure, strategy and systems. It's about the differentiation and engagement that lead to bonding between the organization and its stakeholders. It's about giving stakeholders a personal investment in the organization and its ongoing success. It's about the enterprise becoming more transparent and open, connecting with customers through branded, emotional experiences and sustained value delivery, resulting in its operation as a "conscious capitalist."

Finally, Paradigm is about "being human" as an organization, not just as a buzzword to apply to customer experience optimization. As Sisodia, Sheth, and Wolfe wrote in their classic customer-centricity book, **Firms of Endearment**: "What we call a humanistic company is run in such a way that its stakeholders – customers, employees, suppliers, etc., – develop an emotional connection with it. Humanistic companies seek to maximize their value to society as a whole, not just to their shareholders. They are the ultimate value creators. They create emotional value, experiential value, social value, and, of course, financial value." Customers have shown strong desire to affiliate, and bond with, companies that are paradigmatic in providing unique, consistent, and value-based experiences and strategic relationships.

4 Ps (Perhaps 5) continued

There's actually a fifth new P.

- **Personalization** – That says more about the marketing mix as an extension of the customer-centric enterprise. The most valuable customers appreciate and want more personalization, a relationship, and an emotional connection. It's up to organizations to:

a) identify the strongest emotional drivers and

b) effectively leverage them.

Successful organizations have either morphed, or have begun, by placing customers' interests ahead of the enterprise's. They build a veritable bank account of trust; and high trust, and the positive reputation and image it breeds, is an enduring strategic advantage, a definite competitive differentiator. And, personalization truly optimizes the customer experience, perhaps its most important benefit.

The Marketing Power of Online Communities

Now let's look at the horizon and beyond.

Beyond sales, and potential sales, and helping organizations communicate and cement stronger strategic customer relationships, are there any other bottom-line corporate benefits of customer community? It turns out that there are plenty. Here are just three of them; and we are just beginning to see their application in these areas.

Accelerated Product/Concept Beta Testing

When companies come up with new products or concepts, they can get an early read on customer response by using their community as collaborators and jury. Customers can critique or test a proposed offering, sharing opinions and suggestions, while companies observe and mine the information. This helps companies optimize their offerings, often avoiding the missteps associated with having complete customer input prior to introduction.

Lower Customer Service Costs

Companies can save money by using community management software, enabling them to encourage customers to share information and participate in relevant discussions. The more sites can register members to a community, and get them to participate frequently, they find that money can be saved by having either online content which answer customer questions, or getting another customer to answer the question. They can also benefit through mining the information from customer discussions, generating reports on customer concerns and trends.

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The Marketing Power of Online Communities continued

Customer Value Research

Over the past few years, we have seen the growth of b2b and b2c market research online communities, or MROCs. Companies can conduct straight customer loyalty and customer value research by recruiting panels of forum participants. Typically, these surveys are conducted on an Intranet basis. Results are immediate, and companies using their forum participants as panelists get response rates high enough to avoid the non-response bias pitfalls of other, lower response, self-completion research methods. Further, companies using their communities for value and experience research can link results to projected, segmented customer profitability, a tremendous benefit.

Community utilizes all of the new marketing 5 P's. As we've seen, communities expand the value of voice of the customer research, supplier-stakeholder dialogue, and informal social communication. The learning and engagement role, and potential, for online communities continues to evolve and grow.

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About Passenger

Passenger is blazing new trails in creating value through its range of tools for creating actionable insights: survey/polling, live chat, album and discussion boards, sentiment analysis, ethnography, mood boards, customer profiling, concept testing, product trials.

In its approaches to connecting with customers, Passenger leads the way. Through its community solutions, Passenger provides clients with:

Discovery – of hidden insights, to better understand the brand, product, communication and customer dynamics

Innovation – through co-creation with customers, helping build the distinctive brand roadmap and franchise

Advocacy - through the most passionate and bonded customers, sharing the brand 'story' with the world

Passenger clients include some of the leading brands in the automotive, lodging, retail, telecom, broadcast, consumer products, and high tech industries. Services enable connection with community members on a personal level, which increases their level of participation, resulting in deeper, more actionable and granular insights, and positive business results. Specifically, Passenger recruits members who will help clients gain a more complete understanding of communication effectiveness, brand messaging, concept and positioning opportunities, and quality of customer experiences and relationships.

Passenger offers organizations best-in-class user experiences. Its community software is scalable and flexible, and its Web-based administration allows easy access from virtually anywhere. Results and industry-leading report provision enables community activity to be viewed, whenever and as needed, and to drill down into the data for granular reads. Whatever clients need from online communities, Passenger can provide it.

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About Michael Lowenstein

Michael Lowenstein, Ph.D., CMC, is Thought Leadership Principal for Beyond Philosophy, an international customer-centricity and customer experience training, planning and research consultancy (www.beyondphilosophy.com), based in the U.S., a member of the Advisory Council of Villanova University's Center for Business Analytics, and Adjunct Marketing Instructor, Rutgers University School of Business' Executive Education Program. He specializes in customer life cycle management, strategic/profitable customer relationships, enterprise customer-centricity, customer experience research, and employee performance research, consulting, and training, and he is the author of six customer-centric strategy books and over 200 white papers and articles.

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