

Creating Community Online

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Introduction

We hear a great deal today about the concept of ‘communities’ on the internet. While their importance is emphasised, it is more difficult to find a clear explanation of what an online community consists of or of where the value lies in creating communities.

In this article we argue that communities are not simply a ‘nice to have’ adjunct for a web-based business, but that their creation is central to a sustainable business model. Community will become an increasingly important part of second-generation internet services, and will be more tightly integrated with the content and commerce elements of a site. This article examines what comprises online community, explains why a site should develop online community, and examines how communities may be developed.

What is online community?

The desire to communicate in groups is fundamental to human nature. In early societies, the development of co-operative communities became a key contributor to survival. 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.

Online communities have been a feature of the internet since its earliest days – in fact they preceded the web. Newsgroups (an early form of online community) were the primary driver for the growth of the internet during the 1993/94 period. Subsequent to that, the rapid rise of America Online was driven by its ability to generate vibrant communities through chat and online messaging. Community based sites such as Earthweb (www.earthweb.com), Ebay (www.ebay.co.uk), and Xoom.com (www.xoom.com) have received soaring valuations and success in today’s internet market.

We believe there are four principle types of communities online, distinguished primarily by motivation:

Communities of purpose

These are communities of people who are going through the same process or are trying to achieve a similar objective. Such communities serve a functional purpose, smoothing the path of the user for the period surrounding a given activity. For example, people researching Egypt on Expedia, car-buyers on AutoByTel, antique collectors on iCollector or individual investors on the Motley Fool. Members of the community can assist each other by sharing experiences, suggesting strategies and exchanging information on the process in hand. Communities of purpose are usually built around transactional sites to provide added value for users.

Communities of practice

These are communities of people who share the same profession, situation, or vocation. These communities facilitate professional exchange, allow members to establish a bond of common experiences and challenges, and build networks of relationships which may be leveraged offline. The community of parents on ParentSoup, Medical Professionals on Healthon/WebMD or Java programmers on EarthWeb are communities of practice. Communities of practice are particularly lucrative in the business to business space as they offer considerable opportunities for the translation of community into commerce revenues.

Communities of circumstance

Communities of circumstance are similar to communities of practice, except that they are driven by position, circumstance, or life experiences rather than profession. Teenagers on US teenage site Alloy Online, cancer sufferers on a support newsgroup, and the members of JewishNet are communities of circumstance. Communities of position are distinguished from communities of practice in that they tend to be personally focused and do not closely involve the participation of third parties such as suppliers, customers or regulators. Communities of position built around 'life stages', such as teenage, university, marriage, or parenthood provide companies with the opportunity to build a strong relationship with the customer during that particular phase of their lives. Families of sites, such as MSN, can build a more lasting relationship with the customer as they move from one life stage to the next.

Communities of interest

These are communities of people who share a common interest or passion, such as rugby fans on Rugby365.com, or music lovers on MP3.com. These people exchange ideas and thoughts about the given passion, but may know little about each other outside of this area. Participation in a community of interest can be compelling and entertaining, and this creates 'sticky' communities of people who frequently return and may stay for long periods of time - a particularly attractive proposition for portals building page impressions and visitor numbers.

It is interesting to note that a particularly dominant form of offline community - the community of geographical proximity (i.e., the neighbourhood, city, or nation) is practically non-existent on-line. In fact attempts to replicate this idea online by creating 'neighbourhoods' or 'apartment blocks' with no strong bond of practice, purpose, or interest have failed spectacularly. However, communities founded on ethnicity (and hence shared cultural experiences) or language (such as Telefonica's successful Spanish portal, Ole) have been successful.

There are certain characteristics that define successful online communities:

Self-generated evolution

Members of the community generate content for the site, influence its growth and determine its evolution. Visitors to community sites should be able to sense the

presence of others like themselves who have visited or are currently visiting the same site, and see the results of their participation in the growth of the site. This marks the difference between 'brochure ware' sites (in which communication is unidirectional) and mature sites with established community. For example, Amazon.com is building a library of user submitted book-reviews, and Ebay asks users to rate buyers and sellers, providing this information for the benefit of future participants.

Involvement and interactivity

Visitors are given the chance to participate in discussions and interact with other visitors / members or the community. This is currently achieved through the use of community tools such as discussion boards, live chat, and member mailboxes. Information may also be collated across multiple users, and be relayed back to visitors. For example, DoBeDo, the graphical chat environment, shows you how many people are in each location (within the DoBeDo world) at any time, and many sites conduct e-polls (asking people to vote on an issue and aggregating the results).

Frequency and duration of visits

A good community experiences repeat visits from users and is able to attract their attention for long periods of time. America Online's early success was founded on the success of its chat rooms, which kept users coming back and built up subscriber numbers and minutes at an unprecedented rate.

Online community is currently enabled by a variety of disparate community tools, including

chat rooms

discussion groups (bulletin boards)

private mailboxes

group e-mail management

instant messaging

User generated content (such as ratings or reviews) also builds community. An interesting community device is machine extrapolated inference - where a site provides tips and advice based on other users' behaviour. For example, when you buy a book on Amazon.com, the site will tell you that "other people who bought this book also bought . . .". While no direct communication with other users has taken place here, the visitor feels that their presence on the site has added value to his/her experience.

These methods of creating community are principally first generation approaches - the tools are mutually exclusive and users must select at any time whether they wish to browse content, conduct e-commerce or use one of the community tools.

Eventually, we envisage that the community elements of a website will be weaved together tightly with the content and commerce elements in increasingly innovative ways. The presence of relevant content and other interested people will

become a part of the transaction process, just as fellow shoppers and shop assistants are a part of the real-life buying experience. We are already seeing moves in this direction. DoBeDo, the Swedish young people's community is already busy building e-commerce stores into its graphical chat world. Meanwhile, a number of e-commerce sites, including Suretrade and Tickets.com are adding live customer support (via text chat) using tools such as those from Liveperson.com. We discuss this integration further in the final section.

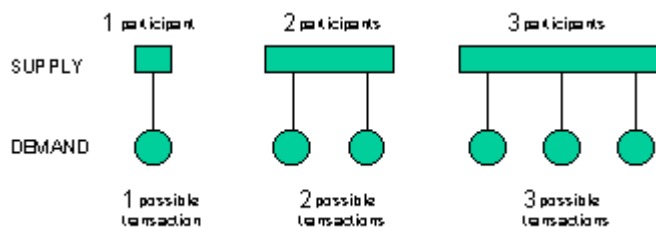
While immediacy is not critical to community, the ability to communicate in real time does seem to give life to communities by making the presence of others tangible. AOL was a pioneer in instant messaging and the concept of the 'buddy list' (this allows you to see which of your friends are currently online, enabling you to communicate with them immediately). AOL and its recent purchase, ICQ, have built communities of over 25 million people on the strength of this innovative capability.

Why create community?

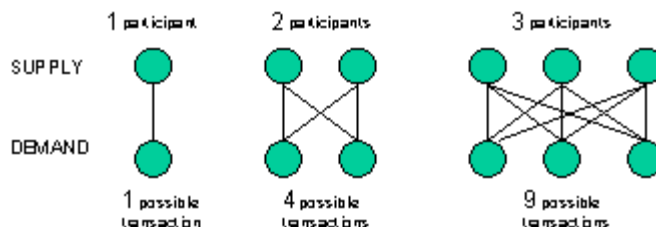
Communities create value

One of the key functions of the internet has been to match supply with demand electronically, whether that be for information, products or services. Sites which allow multi-directional interaction among participants benefit greatly from increased subscribers - in fact, the value of such an exchange, or marketplace, increases as the square of the number of participants:

(1) Sites which allow interaction between site and participant only:



(2) Sites which allow interaction among participants:



This is why building critical mass of participants in a community has been particularly valuable for sites that allow multi-directional transactions (such as auction site QXL), and for sites that allow multi-way exchange of information (such as programmers site EarthWeb). As their communities grow larger, their lead over competitors in terms of value delivered to the participants grows at an even faster rate.

Communities that rely on user-generated content (such as reviews, fiction, music, ratings etc.) are also self-perpetuating - the greater the available content the more attractive they become as destination sites. As momentum picks up, growth breeds growth, and all the site owners need do is to channel and support this content effectively. Increasing users mean increasing advertising revenues and greater e-commerce opportunities.

Companies learn from their community

Communities are built around a site initially because the site strikes a chord with the users' needs as well as their outlook, attitude or approach - the users have bought into a value proposition. This buy-in can make the community quite vocal in its feedback - feedback that serves both as a reminder of the original values upon which the site was built, and as a means with which to refine and evolve the proposition. For example, when Ebay began charging sellers a \$1 fee for setting reserve prices in auctions, there were howls of protest from the Ebay community - and the tide of opinion washed over from Ebay's own message boards onto the discussion groups of news sites, stock market sites, and anti-Ebay sites. The company retracted within a few days. The business-to-business (B2B) procurement firm, PurchasePro set up shop with the objective of enabling transactions between large manufacturers and their smaller suppliers. However, once the community of participants was established, it became clear that the suppliers also wanted to trade among themselves, and PurchasePro soon evolved into a multi-directional B2B hub. Companies can learn a great deal about what makes their own sites successful by building community and listening to the feedback this generates. Feedback provided on community forums tends to be more honest and accurate than market surveys, although care should be taken in assessing how representative the more vocal members of a community are.

Users enjoy community

In the internet environment, where there is a multiplicity of choice and where every new business model builds on an established business model, sites must pro-actively attract users. Participants in a community are provided the opportunity to meet and transact with other people who share the same values, outlook or objectives, resulting in an immersive and enjoyable experience. Community tools are 'sticky' applications - their use increases session lengths and encourages repeat visits. Such attributes are in high demand by portal sites and are valuable for any advertising or sponsorship driven business model.

Users are incentivised to expand a community

As we have seen earlier, the value of a community to each participant increases as the square of the number of participants. Thus, once a user has bought into a community, it is naturally in their interest to encourage other people to join. This phenomenon results in 'viral marketing' - not only do users actively do the promotional work for a company, but the number of marketers increases exponentially

as new members are added to the pool. ICQ, the instant messaging service grew from a handful of hobbyists to six million users in just this way.

Communities build barriers to entry

Communities build significant barriers to entry for new competitors in a field, and allow a company to capitalise on early mover advantage. For example, if an existing discussion forum for antiques has built critical mass of users, new members interested in the topic will choose this forum over the competitors. Nobody likes to chat in an empty room, and if users seek buyers or sellers, they will find more of them in the busiest forum. While a business model, content and features may be easy to replicate, an established community is extremely difficult to move. When Ebay experienced repeated site outages numerous users threatened to move en masse to competing auction sites. The decision of which auction site to move to was a less collective one, and while a few disgruntled users left for various other sites, the bulk of the market remained on Ebay, and new members kept coming. When competing against established community, new entrants are often left to develop their own specialised niches in order to build critical mass.

Some communities go further than just building attendance rates, and actually enable their users to invest heavily in the community by customising their own presence. For example, DoBeDo allows users to create and decorate their own characters and private chat rooms by uploading graphics files. Ultima Online, the hugely successful online gaming environment, enables users to build their characters over several years by acquiring skills, gold pieces, land, property and experience. In fact, this investment of time and effort is so valuable that Ultima characters can be seen being sold on Ebay for upto \$1000 apiece. If users have invested so much in your community, they are unlikely to uproot and start from scratch elsewhere.

Community lowers the learning curve

The growth of the internet to date, particularly in Europe, has been among early adopters with an aptitude for technology. Today, the internet is poised to become a mainstream medium available ubiquitously to a wider demographic through variety of channels. Community addresses the basic human need for communication, companionship and information sharing, making the internet more accessible to mainstream users. The existence of community can makes using a site that much easier, and may build reassurance that a service has met other people's needs. Potential customers can spend some time observing the behaviour of the community, asking questions in discussion forums and reading previous postings before making the decision to join. The presence of community can also significantly lower support costs since fellow users may be able to answer many of the questions that a customer has.

Communities are conducive to e-commerce

Perhaps the most compelling reason for building community is that community is conducive to e-commerce. People don't like to shop in an empty store. In real life,

many people make decisions about where to shop and what to buy based on the apparent popularity of a store or product line, on the availability of store personnel for advice and guidance, and on the counsel of friends and fellow shoppers. Jupiter Communications recently discovered that 90% of shoppers prefer to communicate while shopping online. Lands End, the US clothing catalogue and website recently introduced a desktop based tool that allows two friends to surf the store together and to chat in real time while shopping online. There is no doubt that many more tools will emerge that provide for closer integration between the commerce, content and communication elements of a site. Live chat may afford firms the opportunity to surface e-commerce offerings related to the topic of discussion, and sites may soon provide users the opportunity to seek peer reviews and testimonies in real time, before making a purchase.

Community buying is emerging as an important factor in e-commerce. A number of web communities (including Accompany.com, Mercata, and the Swedish site, Letsbuyit) are aggregating buyers interested in a given product, and negotiating cheaper prices with the manufacturers. Group buying can also influence product development. For example, a woman purchasing a Chrysler car in the US asked for a particular configuration of minivan which Chrysler stated was not available. She then posted messages on an automotive bulletin board and soon assembled a group of 17 people interested in the same configuration. This time, Chrysler offered her the minivan she wanted and provided a twenty percent discount for the entire group

How to create community

Striking an emotional chord

One of the keys to creating community in a directed way is to build a site that establishes an emotional bond with users of the target group. Users must buy in to the proposition that a site or service presents, and this is achieved by building a site that has personality, that appears to have an attitude or approach to life, or perhaps even an ethical or moral position. A site that conveys this will attract a community of people who share that outlook – it will strike a chord with its target group and make new members feel comfortable that other members share their passions and perceptions. The communication of this attitude or approach is achieved through visual design, look and feel and through content and commentary that reflects the personality a site is trying to project.

For example, the Motley Fool, a community of investors, adopts a serious yet slightly tongue in cheek approach, an attitude that investing should be open to all and that serious investing should be fun. Motley Fool UK has message boards teeming with investors. By contrast, Yahoo doesn't have such a strong personality as it is attempting to serve a broader more generic population.

In a similar vein, Egg, the new online bank from Prudential has character. It represents female independence, reflects the values of the career woman who wants to be in control of her own finances. Egg's banking service is supported by content, and has lively community discussion forums. By contrast, online banking services from

Barclays, Lloyds or NatWest are designed to serve a more generic population and have developed neither character nor community. While Egg may be targeting a smaller market, it is our view that its ability to convey character and generate community builds long term loyalty and value, creating a more sustainable online business. Egg also offers shopping online and has the ability to extend to other financial and non-financial products. There is a compelling draw to shopping at Egg, because you are shopping in the company of others who share your values. There is not the same attraction in going to NatWest to do your shopping.

Catalysing for critical mass

Building a community is a critical mass game - once critical mass has been established the community will drive itself. However, when starting from scratch, the primary focus of a site must be to attract the initial base of users who will drive its growth. It is not enough simply to name a passion centre and make a suite of community tools available – users are not attracted to tools alone. At this stage, content is king – sites must provide users with compelling (and ideally proprietary) content that drives users to the site and forms the foundation on which community and commerce may be developed. Sites must also provide a clear context within which community will develop. A common problem with many chat sites is that they do not provide context that sets the tone or stimulates the discussion. Newsgroups suffer greatly from this problem – the newsgroup environment doesn't provide for context setting, and hence many newsgroups initially created for all kinds of specific subjects from stamp collecting to ancient history end up being forums for mindless small-talk, unrelated advertising and discussions about sex.

Delivering integrated community tools

There are a number of companies, including Interliant and Virtual Communities Inc. which now provide web start-ups with access to an off the shelf and customisable range of community tools (Interliant offers these as hosted applications).

Most web-sites with community features tend to offer a disparate suite of such tools. However, we believe that to successfully capitalise on community the next generation of internet sites will deliver innovative integrated tools that fuse commerce, content and community. For example, chat tools may be built around e-commerce transactions, allowing users to converse in real time with other people going through the same part of the transaction process or interested in the same product types. Articles about particular products, communities interested in those products, and special offers on purchase of those products may be integrated into a single interface. 'Passion centre' content may be provided with a community overlay, allowing you to converse in real time with fellow enthusiasts, and perhaps even to barter and trade with them. Independent shopping guides may allow you to evaluate retailers by providing discussion boards and access to user reviews from previous customers.

Voice communication and the use of graphical animated environments is becoming increasingly feasible and popular (compression standards now allow full

duplex voice over 56k modem connections). Roger Wilco (recently acquired by HearMe.com) has developed a voice overlay for online gaming environments. For example, two people at the same stage of an online fighter pilot game can talk in real time to each other as they fly through the environment. The Israeli company, NetTalk, has developed animated avatars so that your character in a chat room moves its mouth as you talk. As broadband access becomes widespread, we believe community chat tools will increasingly combine voice, graphical animation, text based chat, and ultimately video into an integrated interface.

Looking over your shoulder: the community overlay

We have recently seen the emergence of a new family of 'meta-community' tools which create a community overlay on top of the web. These consist of proprietary client applications running on the desktop, which go beyond AOL Instant Messenger and ICQ because they actually 'look over your shoulder' as you surf, and provide community or content relevant to your actions.

For example, Goey tracks your browsing and allows you to chat in real time with other users accessing the same website as you (effectively building transient communities on top of websites that may have no community features of their own). Third Voice allows users to annotate any website with 'post-it' type notes (these can only be seen by other Third Voice users). It is not hard to anticipate that a HearMe.com type product will soon enable you to hear and speak to other people visiting the same website as you - making the surfing experience a little like walking from room to room in a bustling museum.

These tools are increasingly beginning to integrate content and commerce as well as community. The InfoLab at Northwestern University recently released a tool named Watson. Watson looks over your shoulder as you work or browse, and "proactively discovers online information that is relevant to your current task" – providing a continuously changing set of relevant links. The Israeli company, RUSure, has a desktop agent which watches you while you shop. The moment you start to make a purchase on a site such as Buy.com it goes off to the web and finds the same product on other sites, giving you an instant price comparison. Similarly, group buying agents might allow you to assemble a group of purchasers in real time, and negotiate a discount.

While use of these tools currently means a proliferation of applications running on your desktop, it is not hard to imagine that AOL or ICQ might soon incorporate such community, content and commerce features into a single application. Equally, these features could be built into browser software by Netscape or Microsoft. The lesson to learn from these developments is that if you are not providing integrated community, commerce and content on your own website, then someone else will be doing it for you !

Building around community

Some of the more interesting business models on the internet are built up around the concept of community (rather than using it as an adjunct to their service). For

example, California based ePinions is built around independent user-generated product reviews, and actually pays its users every time their own content is visited. eHow provides access to user-generated and staff-generated 'how to' guides for thousands of practical challenges. There are also some more established companies built around community. Newhoo (now purchased by Netscape) and About.com both rely on an expanding global network of volunteer editors and content managers to create user generated directories to the web. The Experts-exchange, which describes itself as a knowledge sharing community, allows its users to gain points for answering technical queries in their area of expertise. They can then spend these points on getting their own questions answered in other areas.

The key advantage to a user-generated content model is that it is immensely scalable. While Yahoo will need to employ more and more staff to categorise the web as it expands exponentially, companies such as About.com and Experts-exchange can easily grow of their own accord as the number of web users and contributors increases.

Community everywhere: the power of convergence

Convergence is the ability to use a multiplicity of access devices (computer, set-top box, mobile phone, personal digital assistant) using a variety of access technologies (cable, analogue phone line, DSL, wireless) to access a common data network (principally, the internet). Convergence is fundamentally changing the way in which the internet is used by extending its reach. Along with convergence we are seeing increasing availability of higher bandwidth connections and 'always-on' connections – allowing data to be proactively pushed to the user wherever they are. Undoubtedly, community capabilities will be extended to take advantage of these new features and access devices.

AOL and Yahoo have already modified their instant messaging platforms to operate on 3Com's handheld Palm VII device. This means that in major US cities you could, while seated in the back of a taxi, see which of your friends are online and exchange instant messages on the move.

In Europe, SMS (text messaging for GSM mobile phones) is immensely popular (especially among the 15-24 age group in Scandinavia, Germany and Italy). Sonera, the Finnish telecommunications operator, reports that over 50% of traffic over their GSM network comprises non-voice communications, principally SMS messages. Mannesman MobilFunk in Germany and RadioLinja in Finland have now extended SMS from a one-to-one service into a group messaging and chat facility. SMS forms the foundation for the next generation of WAP-enabled (wireless application protocol) phones, which will extend the functionality further.

RealCall (a developer of call-back services) is combining WAP services with voice calls for customer support. This means that, while doing mobile banking from your cellphone keypad, you can connect a customer service call and converse in real time. Community services delivered via WAP technology could similarly allow you to chat using text and then initiate a one to one voice conversation when required.

Increasingly we will see application developers incorporating convergence-driven community features into their software. This means that micro-browsers, set-top box operating systems and mobile interfaces will incorporate chat, instant messaging and other community tools. Hardware manufacturers will work closely with software developers and portals to bundle these community services with their devices.

Source: <http://www.durlacher.com/>, 03/24/2002